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THIRD READING

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Bill No: AB 761  
Author: Addis (D)  
Amended: 4/30/25 in Assembly  
Vote: 21

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SENATE TRANSPORTATION COMMITTEE: 11-3, 6/24/25  
AYES: Cortese, Archuleta, Arreguín, Blakespear, Cervantes, Gonzalez, Grayson, Limón, Menjivar, Richardson, Umberg  
NOES: Strickland, Dahle, Seyarto  
NO VOTE RECORDED: Valladares

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 7/9/25  
AYES: McNerney, Ashby, Grayson, Umberg  
NOES: Valladares

ASSEMBLY FLOOR: 56-14, 5/19/25 - See last page for vote

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**SUBJECT:** Monterey-Salinas Transit District: sales and special taxes

**SOURCE:** Monterey-Salinas Transit District

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**DIGEST:** This bill authorizes the Monterey-Salinas Transit District (MST), upon the affirmative vote of at least two-thirds of its board of directors, to submit to voters a measure proposing a retail transactions and use tax (TUT) in accordance with TUT law.

**ANALYSIS:**

Existing law:

- 1) Creates MST to include all of the County of Monterey, with specified powers and duties related to public transit service.
- 2) Prohibits the MST from imposing sales or special taxes, but authorizes the MST, with the concurrence of a majority of the member jurisdictions

represented on the board of directors, to submit a ballot measure for the imposition of those taxes to the voters.

- 3) Authorizes various local governmental entities, subject to certain limitations and approval requirements, to levy a TUT, in accordance with the procedures and requirements of TUT Law, including a requirement that the combined rate of all taxes that may be imposed in accordance with that law in the county not exceed 2%.

This bill:

- 1) Provides that a ballot measure to impose sales or special taxes shall not be submitted to the voters of MST under its existing authority to impose sales or special taxes on or after January 1, 2026.
- 2) Specifies that MST, upon affirmative vote of at least two-thirds of the board of directors, may submit to the voters a measure proposing a TUT in accordance with TUT law.
- 3) Provides that MST may impose a TUT for the support of its transportation services at a rate of no more than .25% (1/4-cent) that would, in combination with all taxes imposed, exceed the 2% cap established by law if all of the following requirements are met:
  - a) MST adopts an ordinance proposing the TUT by an affirmative vote of at least two-thirds of the board of directors.
  - b) The ordinance proposing the TUT is submitted to the electorate and is approved by the voters voting on the ordinance in accordance with constitutional requirements, as specified.
  - c) The TUT conforms to TUT Law.
- 4) Specifies that the tax rate authorized shall not be considered for the purposes of the combined rate limit established by law.
- 5) Provides that if, as of January 1, 2035, an ordinance proposing a TUT is not approved pursuant to this bill, the authority shall be repealed as of that same date.

## Comments

- 1) *Purpose of this bill.* According to the author, “AB 761 would provide local communities the opportunity to strengthen transportation programs that serve veterans, seniors, and individuals with disabilities while advancing sustainable transit options for the region. Improving accessible transportation is key to reducing emissions, easing traffic congestion, and driving the Central Coast’s growth.”
- 2) *Who is MST?* MST was created by AB 644 (Caballero, Chapter 460, Statutes of 2009), and was formed on July 1, 2010. According to MST, it succeeded the Monterey-Salinas Transit Joint Powers Agency formed in 1981 when the City of Salinas joined the Monterey Peninsula Transit Joint Powers Agency which was formed in 1972.

Current members of the district are the Cities of Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Pacific Grove, Salinas, Sand City, Seaside, Soledad and the County of Monterey. A board of directors with a representative from each member jurisdiction governs the agency and appoints the general manager. MST serves a population of over 400,000 and has a service area of 163 square miles and primarily provides bus services throughout Monterey County. In 2019, MST carried roughly 4.5 million riders. After the pandemic, ridership is slowly return, with 3.7 million riders in 2024.

- 3) *What is Transaction and Use Tax?* State law allows cities, counties, and specified special districts to increase the sales and use tax applicable in their jurisdiction, also known as district taxes or TUTs. Generally, the combined TUT tax rate imposed within a local jurisdiction cannot exceed 2%. To determine whether a county has reached this rate limitation, all countywide taxes and the highest combined rate imposed by a city within the county are counted towards the county's rate limit. For example, if a county imposes three 0.5% countywide taxes and two cities within the county each impose a 0.5% tax, the combined rate in those two cities would be 2%. In such a circumstance, the two cities could not impose another TUT, and the county could not impose another countywide TUT, absent special authority to exceed the rate limitation.

Prior to 2003, cities lacked the ability to place TUTs before their voters without first obtaining approval by the Legislature to bring an ordinance before the city council, and, if approved at the council level, to the voters. This was remedied

by SB 566 (Scott, Chapter 709, Statutes of 2003), which imposed the uniform 2% countywide cap.

As of April 1, 2025, local agencies impose 478 district taxes for general or special purposes: 401 imposed citywide, 71 imposed countywide, and six imposed in unincorporated county areas. Generally, local agencies impose these taxes throughout the entire area of a single county, the entire unincorporated area within a single county, or a single incorporated city. However, three transportation operators in the Bay Area have regional district taxes: the Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco; the Peninsula Corridor Joint Powers Board (Caltrain), which covers San Francisco, San Mateo, and Santa Clara counties; Sonoma-Marín Rail Transit District, which includes Sonoma and Marin counties.

- 4) *Measure Q needs to be extended.* In November 2014, Monterey County approved its first-ever countywide tax measure for public transit, the Monterey-Salinas Transit Local Transit Funding for Senior Citizens, Veterans and People with Disabilities sales tax (Measure Q). Measure Q, which is 1/8-cent, generates an average of \$8.5 million per year, and will expire in 2030.

Measure Q funds transit services for veterans, seniors, and persons with disabilities in Monterey County. Specifically, according to MST, five unique bus routes were designed to serve these very populations and are funded with Measure Q revenue. Additionally, a taxi voucher program for same-day trips was designed so these vulnerable individuals only pay \$3 for a \$20 trip, with Measure Q funding the balance of the taxi trip.

Measure Q also helps support Americans with Disabilities Act (ADA) required door-to-door paratransit service for individuals with physical and cognitive disabilities. A number of other Measure Q-funded services help veterans, seniors, and persons with disabilities maintain their independence. The measure required annual performance and financial audits as well as a citizen oversight committee.

MST recently conducted polling of likely voters in Monterey County and found that MST services are popular, with 75% of likely voters supportive of the Measure Q's extension. Currently, in order for MST to place a TUT measure on the ballot, it must receive concurrence from a majority of the member jurisdictions represented on its board of directors.

- 5) *AB 761 allows MST to extend Measure Q and possibly more.* This bill revises and recasts MST's authority to impose a TUT. As noted above, currently MST

can place a TUT on the ballot if it receives concurrence from a majority of the member jurisdictions represented on its board of directors. AB 761 would sunset this authority on January 1, 2026 and, instead, MST would need a two-thirds vote of its board to propose a new tax.

Additionally, this bill also generally authorizes MST to impose a TUT for the support of countywide transportation programs and general services at a rate of no more than .25% (1/4-cent). This essentially authorizes MST to extend Measure Q at its current rate of 1/8-cent and propose an additional 1/8-cent TUT to support other transit operations and capital needs.

This bill also specifies that the increase in MST TUT would not count toward the 2% combined rate cap established in current law. Finally, this bill provides that if an ordinance proposing a TUT that would exceed the cap is not approved, the provisions in this bill will be repealed on January 1, 2035.

- 6) *We've done this before.* The Legislature has, on numerous occasions, granted specific statutory authority to exceed the general 2% rate limitation. Specifically, such authority has been granted to the Counties of Alameda, Contra Costa, Humboldt, Los Angeles, Monterey, San Mateo, Santa Clara, Solano, Sonoma, and Ventura. This authority has also been granted to the cities of Alameda, Berkeley, Campbell, El Cerrito, Lancaster, Palmdale, Pinole, Santa Fe Springs, any cities in the County of Solano, Victorville, and to the Peninsula Corridor Joint Powers Board.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: No Local: No

**SUPPORT:** (Verified 7/9/25)

Monterey-Salinas Transit District (Source)  
County of Monterey  
Monterey-Salinas Transit  
Transportation Agency for Monterey County

**OPPOSITION:** (Verified 7/9/25)

California Taxpayers Association  
Howard Jarvis Taxpayers Association

**ARGUMENTS IN SUPPORT:** Writing in support, the Transportation Agency for Monterey County (TAMC), “The mission of TAMC is to develop and maintain a multimodal transportation system that enhances mobility, safety, access,

environmental quality, and economic activities in Monterey County. On November 4, 2014, the voters of Monterey County approved the Monterey-Salinas Transit Local Transit Funding for Senior Citizens, Veterans, and People with Disabilities sales tax (Measure Q), which generates approximately \$7 million per year. Measure Q will expire in 2030 unless a new measure is placed before the voters and secures the approval of two-thirds of the voters. Measure Q funds vital services for veterans, seniors, and persons with disabilities in Monterey County.”

**ARGUMENTS IN OPPOSITION:** Writing in opposition, the Howard Jarvis Taxpayer Association and California Taxpayer Association note they oppose the bill for numerous reasons, including: continuing to authorize waivers makes California less affordable, increases costs of manufacturing and R&D, increases government costs, and runs counter to the purpose of the local sales tax rate limit.

**ASSEMBLY FLOOR:** 56-14, 5/19/25

**AYES:** Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

**NOES:** Castillo, Chen, Davies, DeMaio, Gallagher, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

**NO VOTE RECORDED:** Alanis, Bauer-Kahan, Dixon, Ellis, Flora, Jeff Gonzalez, Muratsuchi, Papan, Soria

Prepared by: Melissa White / TRANS. / (916) 651-4121  
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