Office of Senate Floor Analyses
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THIRD READING

Bill No: SB 1408
Author: Arreguín (D)
Amended: 4/14/26
Vote: 21

SENATE TRANSPORTATION COMMITTEE: 9-2, 4/7/26
AYES: Cortese, Archuleta, Arreguín, Blakespear, Gonzalez, Grayson, Menjivar, Richardson, Wiener
NOES: Seyarto, Valladares
NO VOTE RECORDED: Strickland, Dahle

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 4/22/26
AYES: McNerney, Ashby, Becker, Grayson
NOES: Alvarado-Gil

SUBJECT: Contra Costa Transportation Authority: transactions and use tax

SOURCE: Contra Costa Transportation Authority

DIGEST: This bill authorizes, until January 1, 2045, the Contra Costa Transportation Authority (CCTA) to impose or extend a transactions and use tax (TUT), as specified, for the support of countywide transportation programs at up to 1% even if it exceeds the combined countywide rate limit of 2%.

ANALYSIS:

Existing law:

1) Requires each county, within the jurisdiction of the Metropolitan Transportation Commission (MTC), to develop a transportation plan for the county, together with the cities and transit operators within the county.

2) Requires every county that includes an urbanized area to develop, adopt, and update a congestion management program consistent with the regional transportation improvement program.

3) Authorizes a county board of supervisors to create a local transportation authority (authority) to operate within the county.

4) Provides that a county that chooses to create an entirely new entity as an authority shall determine the membership of the authority with the concurrence of a majority of the cities having a majority of the population in the incorporated area of the county and provides for the board membership of the authority.

5) Requires an authority to prepare and adopt an annual report each year on progress made to achieve the objective of improving transportation conditions related to priority highway operation and local transportation needs.

6) Authorizes an authority to impose a retail TUT ordinance applicable in the incorporated and unincorporated territory of a county if the tax ordinance is adopted by a two-thirds vote of the authority and imposition of the tax is subsequently approved by the electors voting on the measure, or by any otherwise applicable voter approval requirement, at a special election called for that purpose by the board of supervisors, at the request of the authority, and a specified county transportation expenditure plan is adopted.

7) Requires the authority, in the ordinance, to state the nature of the tax to be imposed, to provide the tax rate or the maximum tax rate, to specify the period during which the tax will be imposed, and to specify the purposes for which the revenue derived from the tax will be used. The tax rate may be in .25% (1/4-cent) increments and shall not exceed a maximum rate of 1%. Provides election procedures for the adoption of the ordinance.

8) Authorizes the revenues from an imposed tax to be allocated by the authority for construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems.

9) Requires a county transportation expenditure plan to be prepared for the expenditure of the revenues expected to be derived from the tax, together with other federal, state, and local funds expected to be available for transportation improvements, for the period during which the tax is to be imposed. A county transportation expenditure plan shall not be adopted until it has received the approval of the board of supervisors and the city council representing both a majority of the cities in the county and a majority of the population residing in

the incorporated areas of the county. Requires the expenditure plan to be adopted prior to the call of the election.

10) Authorizes the authority to annually review and propose amendments to the expenditure plan to provide for the use of additional federal, state, and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances.

11) 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) Authorizes, until January 1, 2045, CCTA to impose or extend a TUT for the support of countywide transportation programs at up to 1% even if it exceeds the combined rate limit of 2%, if the following requirements are met:

   a) CCTA adopts an ordinance proposing the TUT by any applicable voting approval requirement.

   b) The ordinance proposing the TUT is approved by voters in accordance with the California Constitution.

   c) The TUT conforms to state TUT law, other than the combined rate limit, as specified.

2) Allows a TUT rate imposed pursuant to this bill will not be considered for purposes of the 2% combined rate limit.

3) Makes legislative findings and declarations that a special statute for the County of Contra Costa is necessary.

Comments

Purpose of this bill. According to the author, "SB 1408 would allow the Contra Costa Transportation Authority to place a sales tax measure on the ballot that would be subject to voter approval by residents of Contra Costa County. The

revenue would continue the County's investment in transportation solutions, including public transit, biking and pedestrian infrastructure, highway and local street improvements, and programs that expand mobility options."

Who is CCTA? CCTA is a public agency formed by Contra Costa County voters in 1988 to manage the county's transportation sales tax program and oversee countywide transportation planning efforts. CCTA manages a multibillion-dollar suite of projects and programs and is responsible for planning, funding, and delivering transportation infrastructure projects. Some major projects, primarily on state highways, are being developed directly by CCTA. Others are administered by cities, the county, or transit districts with funds provided by CCTA.

CCTA is also responsible for developing and updating the transportation plan for the county which contributes to the development of MTC's regional transportation plan and sustainable communities' strategies. Additionally, CCTA serves as the county's designated Congestion Management Agency, and is responsible for developing, adopting, and updating the county's congestion management program.

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 January 1, 2026, local agencies impose 484 district taxes for general or special purposes: 407 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-Marin Rail Transit District, which includes Sonoma and Marin counties.

Measure C and Measure J. In 1988, Contra Costa County voters approved Measure C, a countywide sales tax measure for transportation. Measure C provided for a 0.5% sales tax for 20 years, through March 2009, to pay for transportation projects and programs included in a voter-approved expenditure plan. The measure was estimated to generate $1 billion over 20 years for projects such as a BART extension, freeway improvements, better bus service, enhanced bicycle facilities and more transportation options for senior citizens and people with disabilities. Measure C also created the county's first Growth Management Program to link planning for growth and development with transportation.

In November 2004, voters approved Measure J with a 71% vote. The measure provided for the continuation of Measure C's 0.5% for 25 more years beyond the original expiration date of 2009. As with Measure C, the tax revenues are used to fund a voter-approved expenditure plan of transportation programs and projects. Measure J is estimated to provide approximately $2.5 billion for countywide and local transportation projects and programs through the year 2034. CCTA worked with local governments, stakeholders, and residents to develop the expenditure plan. According to CCTA, the sponsors of SB 1408, "Over its lifespan, Measure J has supported critical freeway and interchange improvements, including key corridors such as Interstate 80, Interstate 680, and State Route 4, and played a significant role in funding the fourth bore of the Caldecott Tunnel. It has also enabled investments in expanded bus and rail service and the extension of BART to Antioch, as well as enhancements for active transportation like pedestrian and bicycle bridges. Measure J supports essential programs such as paratransit services for seniors and people with disabilities, transportation demand management initiatives, and youth transportation programs. The measure also provides direct funding to local jurisdictions for street maintenance and repair."

SB 1408 allows CCTA to impose a new TUT or extend the current TUT and exceed the 2% cap. According to the California Department of Tax and Fee Administration data, as of January 1, 2026, Contra Costa County has 24 TUTs levied within its borders, including three countywide taxes and 21 citywide taxes. In addition to Measure J at 0.5%, Contra Costa County currently imposes a

countywide tax of 0.5% and a 0.5% tax is also imposed as part of BART service territory. The BART tax is exempt from the 2% cap. Therefore, the total countywide tax rate for the Contra Costa County is 1%.

Additionally, the Cities of El Cerrito and Pinole have the highest city TUT tax rates in the county at 1.5%. However, the additional 0.5% tax imposed by each city is excluded from the 2% combined rate limitation. Therefore, the highest city rate subject to the limitation is 1%, meaning Contra Costa County has reached the 2% combined rate limitation.

As noted, Measure J, which is 0.5%, is set to expire in 2034. SB 1408 would authorize CCTA to impose or extend, with voter approval, a TUT at a rate of up to 1% for the support of countywide transportation programs. It is unclear if CCTA is pursuing an extension of the existing Measure J at 0.5% rate or may pursue an additional 0.5% TUT.

Additionally, as authorized by last year's SB 63 (Wiener, Chapter 740, Statutes of 2025), Contra Costa County will join neighboring counties in supporting a regional TUT to fund Bay Area transit on the November 2026 ballot. As with the BART measure, this potential 0.5% TUT would be exempt from the 2% cap.

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 BART and Caltrain.

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

SUPPORT: (Verified 4/23/26)

Contra Costa Transportation Authority (source)
California Special Districts Association
Central Contra Costa Transit Authority
Choice in Aging
City of Concord
County of Contra Costa
East Bay Leadership Council
Eastern Contra Costa Transit Authority

San Francisco Bay Ferry
Town of Danville
Western Contra Costa Transit Authority

OPPOSITION: (Verified 4/23/26)

Alameda County Taxpayers' Association, INC.
California Taxpayers Association
Contra Costa Taxpayers Association
Howard Jarvis Taxpayers Association

ARGUMENTS IN SUPPORT: Writing in support, the California Special Districts Association states, "As the State navigates difficult conversations around budget priorities, opportunities to provide congestion management agencies with the ability and authority to diversify locally generated revenue streams serve dual purposes: these opportunities reduce the need for state funding while also enhancing the ability of these agencies to continue executing their mission of supporting countywide transportation programs. SB 1408 would achieve this by providing the Contra Costa Transportation Authority with the authority to pursue alternative, locally generated revenue for the support of its countywide transportation programs."

ARGUMENTS IN OPPOSITION: Writing in opposition, the California Taxpayer Association states, "SB 1408 would undermine taxpayer protections and make California's affordability crisis worse by paving the way for regressive tax increases in Contra Costa County – where the combined state and local sales tax rate is already over 10 percent in some cities."

Prepared by: Melissa White / TRANS. / (916) 651-4121
10/29/26 9:38:29

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