

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 1919 (Pellerin) – As Introduced February 12, 2026

SUBJECT: Santa Cruz Metropolitan Transit District: transactions and use tax: qualified voter initiative.

SUMMARY: Specifies that special taxes may be imposed through the initiative process in the Santa Cruz Metropolitan Transit District (SC Metro) and establishes procedures for the placement of a retail transactions and use tax (TUT) ordinance on the ballot for the consideration of SC Metro voters. Specifically, **this bill:**

- 1) Provides that the special taxes authorized in SC Metro Law may also be imposed by qualified voter initiative, including a qualified voter initiative for which a petition has been circulated on or after January 1, 2026.
- 2) Specifies that, if the SC Metro Board or a qualified voter initiative proposes a measure pursuant to SC Metro Law, the special election shall be consolidated with a statewide election by the board of supervisors of Santa Cruz County and the measure shall be submitted to the voters of Santa Cruz County.
- 3) Provides that, for the purpose of placement of a measure on the ballot, SC Metro is a “district” as defined in existing law. Except as otherwise provided, a measure proposed by the SC Metro Board or by a qualified voter initiative that requires voter approval shall be submitted to the voters of Santa Cruz County, as determined by SC Metro, in accordance with the provisions of the Elections Code applicable to districts, as specified.
- 4) Specifies that for any election at which the SC Metro Board or a qualified voter initiative proposes a measure pursuant to SC Metro Law, SC Metro shall reimburse Santa Cruz County for the incremental costs incurred by the county elections official related to submitting the measure to the voters with any eligible funds transferred to the district.
- 5) Provides that “incremental costs” includes all of the following:
 - a) The cost to prepare, review, and revise the impartial analysis of the measure.
 - b) The cost to prepare a translation of ballot materials into a language other than English by the county.
 - c) The additional costs that exceed the costs incurred for other election races or ballot measures, if any, appearing on the same ballot in Santa Cruz County, including both of the following:
 - i) The printing and mailing of ballot materials.
 - ii) The canvass of the vote regarding the measure pursuant to existing law.

- 6) Specifies that legal counsel for the SC Metro board shall prepare an impartial analysis of the measure. The impartial analysis prepared by the legal counsel for the SC Metro board shall be subject to review and revision by the county counsel.
- 7) Requires the county elections official for Santa Cruz County to serve as the elections official of SC Metro for purposes of administering the ballot measure process and any election for the purposes set forth in SC Metro Law.
- 8) Specifies that this bill applies to any measure proposed by the SC Metro Board on or after January 1, 2026, or by a qualified voter initiative for which a petition has been circulated on or after January 1, 2026.
- 9) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school district for those costs shall be made.
- 10) Contains an urgency clause.

EXISTING LAW:

- 1) Provides that the initiative is the power of the electors to propose statutes and amendments to the Constitution and to adopt or reject them. Permits initiative powers to be exercised by the electors of each city or county under procedures that the Legislature shall provide. (California Constitution, Article II, §§8, 11)
- 2) Requires a state initiative measure to receive a majority of votes cast thereon to take effect. (California Constitution, Article II, §10(a); Article XVIII, §4)
- 3) Provides that if a majority of the voters voting on a proposed local initiative ordinance vote in its favor, the initiative shall take effect, as specified. (Elections Code §§9122, 9217, 9320)
- 4) Provides that in addition to any other method provided by law, ordinances may be enacted by a district through the initiative process, except in irrigation districts; a district formed under a law that does not provide a procedure for elections; a district formed under a law which does not provide for action by ordinance; a district governed by an election procedure that permits voters, in electing the district's directors or trustees, to cast more than one vote per voter; or a district in which the directors are empowered to cast more than one vote per director when acting on any matter. Provides, for these purposes, that the term "district" includes any regional agency that has the power to tax, to regulate land use, or to condemn and purchase land. (Elections Code §§317, 9300)
- 5) Prohibits a local government from imposing, extending, or increasing a general tax unless it is submitted to the electorate and approved by a majority vote. Requires the general tax proposal to be submitted to the voters at an election that is consolidated with a regularly scheduled general election for members of the governing body of the local government, except as specified. Prohibits a local government from imposing, extending, or increasing any special tax unless and until it is submitted to the electorate and approved by a two-thirds vote. Provides that any tax levied by a special purpose district or agency is a special tax. (California Constitution, Article XIII C, §2)

- 6) Requires the district elections official, for each district initiative measure that will be submitted to voters, to transmit a copy of the measure to the county counsel, or to the district attorney if there is no county counsel, of the county that contains the largest number of registered voters of the district, and requires the county counsel or district attorney to prepare an impartial analysis of the measure, except as specified. (Elections Code §9313)
- 7) Provides for the creation of SC Metro, subject to the approval of electors in the district, and authorizes it to operate a public transit system in incorporated and unincorporated territory within the County of Santa Cruz. Provides for SC Metro to be governed by a board of directors of between 7 and 11 members who are appointed by the governing bodies of cities in Santa Cruz County and by the Santa Cruz County Board of Supervisors. [Public Utilities Code (PUC) §§98000 et seq.]
- 8) Provides that a retail TUT may be adopted by the SC Metro board in accordance with law, provided that two-thirds of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose by the SC Metro board. (PUC § 98290)
- 9) Specifies that a TUT rate imposed pursuant to 9) above, on or before January 1, 2020, shall not be considered for the purposes of the combined rate limit established by law. (PUC § 98290)
- 10) Provides that, the board may impose a retail TUT pursuant to 9), above, after January 1, 2024, if both of the following conditions are met (PUC § 98290):
 - a) The board adopts the ordinance approving the tax before January 1, 2035.
 - b) The total tax rate under this subdivision is set at a rate of no more than 0.5 percent.
- 11) Specifies that a TUT rate imposed pursuant to 11), above, shall not be considered for purposes of the combined rate limit. (PUC § 98290)

FISCAL EFFECT: This bill is keyed fiscal and contains a state-mandated local program.

COMMENTS:

- 1) **Bill Summary and Author’s Statement.** This bill authorizes SC Metro to impose TUTs by a qualified voter initiative. Additionally, this bill requires the special election for a tax measure proposed by the board of directors or a qualified voter initiative to be consolidated with a statewide general election by the board of supervisors of the County of Santa Cruz and requires the tax measure to be submitted to the voters in accordance with specified elections provisions. SC Metro is the sponsor of this bill.

According to the author, “Efficient and well-planned public transit is an important infrastructure for every city. The Santa Cruz Metropolitan Transit District (METRO) connects my district in Santa Cruz with the surrounding areas bringing in jobs and growth to the region. To address growing demands and needs, in 2022, METRO rolled out ‘Reimagine METRO’ to expand and improve their service network. This effort has subsequently resulted in significantly increased ridership by 43%. This service expansion was partly funded by state dollars that will run out in 2026. Without additional funds, service reduction and job cuts are a real possibility. In early 2026, local voters formed the coalition ‘Friends of

METRO’ to place a citizen’s initiative on the November 2026 ballot to secure a local transaction and use tax to benefit METRO and prevent this loss of service. Unfortunately, there is ambiguity in existing law about whether voters in the district may use the citizen’s initiative process. This is what AB 1919 seeks to address. This bill will outline elections procedures in METRO’s statutes to explicitly allow local electors to place a citizen’s initiative on the ballot.”

- 2) **SC Metro.** According to SC Metro, the district was established in 1968 for the purpose of providing public, fixed route bus service in Santa Cruz County, and it assumed operation of paratransit services in Santa Cruz County in 2004. In addition to operating bus and paratransit service throughout Santa Cruz County, SC Metro also operates a commuter bus service to Santa Clara County. SC Metro is governed by a Board of Directors consisting of eleven voting members and two ex-officio members. SC metro has 22 bus routes, and in 2024, conducted 3.8 million annual trips.

SC Metro currently receives a .5% sales tax on all taxable sales in Santa Cruz County. Additionally, in November 2016, the majority of Santa Cruz County approved Measure D, an additional one-half cent sales tax measure designed to fund a comprehensive and inclusive package of transportation improvements in the County. SC Metro receives 16% of the Measure D Sales Tax.

- 3) **Sales and Use Taxes.** State law imposes the sales tax on every retailer “engaged in business in this state” that sells tangible personal property and requires them to register with the California Department of Tax and Fee Administration (CDTFA), as well as collect the appropriate tax at purchase and remit the amount to CDFTA. Sales tax applies whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business. The current rate is 7.25% as shown in the table below.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services
1.25%	Local (City/County) 1.00% City and County 0.25% County	City and county general operations Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

Unless the purchaser pays the sales tax to the retailer, he or she is liable for the use tax, which the law imposes on any person consuming tangible personal property in the state. The use tax is the same rate as the sales tax, and also like the sales tax, must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase.

- 4) **Transactions and Use Taxes.** The California Constitution states that taxes levied by local governments are either general taxes, subject to majority approval of its voters, or special taxes, subject to 2/3 vote (Article XIII C). Proposition 13 (1978) required a 2/3 vote of each house of the Legislature for state tax increases, and a 2/3 vote for local special taxes. Proposition 62 (1986) prohibited local agencies from imposing general taxes without majority approval of local voters, and a 2/3 vote for special taxes. Proposition 218 (1996) extended those vote thresholds to charter cities, and limited local agencies' powers to levy new assessments, fees, and taxes. Local agencies generally propose to increase taxes by adopting an ordinance or a resolution at a public hearing.

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.

AB 464 (Mullin) of 2015 would have increased the maximum combined rate of all TUTs that may be levied by authorized entities within a county from 2% to 3%. This bill was vetoed by Governor Brown stating, "This bill would raise, on a blanket basis, the limit on local transactions and use tax for all counties and cities from two percent to three percent. Although I have approved raising the limit for individual counties, I am reluctant to approve this measure in view of all the taxes being discussed and proposed for the 2016 ballot."

State law allows cities, counties, and specified special districts to increase the sales and use tax applicable in their jurisdiction, also known as district or transactions and use taxes. As of April 1, 2026, local agencies impose 486 district taxes for general or special purposes: 408 imposed citywide, 72 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:

- a) The Bay Area Rapid Transit (BART) District, which covers Alameda, Contra Costa, and San Francisco counties.

- b) The Peninsula Corridor Joint Powers Board (CalTrain), which covers San Francisco, San Mateo, and Santa Clara counties.
 - c) The Sonoma-Marín Rail Transit District, which includes Sonoma and Marin counties.
- 5) **Santa Cruz County TUTs.** Santa Cruz County has 14 TUTs levied within its borders—three countywide taxes (two for transportation purposes and one for public library purpose), two county unincorporated area taxes, and 9 city-wide taxes. Currently, two of the three Santa Cruz County countywide district taxes remain subject to the 2.00% combined rate limitation, while one, the SC Metro, is exempt. The current TUT rate in the cities of Santa Cruz, Scotts Valley, and Watsonville is 9.75%.

AB 723 (Quirk), Chapter 747, Statutes of 2019, exempted specified TUTs imposed by the San Francisco Bay Area Rapid Transit District (BART), the Alameda County Transportation Commission, and SC Metro from counting against the combined tax rate limit in Alameda County and Santa Cruz County, respectively.

- 6) **Upland.** On August 28, 2017, the California Supreme Court entered a decision in *California Cannabis Coalition v. City of Upland*, 3 Cal. 5th 924, which held that the requirement in Article XIII C, Section Two, subdivision (b) of the California Constitution that general taxes be submitted to the electorate at a regularly scheduled general election where members of the local governing board are subject to election did not apply to taxes proposed by voter initiative. As discussed in a March 7, 2018, joint oversight hearing, “*Uproar over Upland? Assessing the California Supreme Court’s Decision*,” groups seeking to impose special taxes by majority vote by initiative argued if the Court held the general election requirement in subdivision (b) did not apply to initiatives, then neither did the 2/3 vote requirement for special taxes in subdivision (d). Numerous such taxes imposed by voters in various local agencies across the state have been approved, and committee staff is not aware of any court that has thus far invalidated them.
- 7) **District Initiative Measures:** Existing state law already provides for an initiative process in some, but not all, districts. Specifically, section 9300 of the Elections Code provides that ordinances may be enacted in districts through the initiative process, except in districts that meet one of five enumerated conditions. Four of those conditions clearly do not apply to SC Metro, but it is less clear whether the fifth condition applies. Accordingly, there may be some ambiguity about whether a voter can propose to enact a TUT through the initiative process in SC Metro.

Specifically, state law provides that the initiative process is not available in a district “formed under a law that does not provide a procedure for elections.” State law does not further elaborate on what it means for a law to provide “a procedure for elections,” nor is there relevant case law that interprets the meaning of that phrase.

As detailed above, existing law already provides for submission of a proposed TUT tax ordinance to SC Metro voters. Furthermore, state law required voter approval to form SC Metro. It could be argued that these provisions are “a procedure for elections.” On the other hand, the board of directors of SC Metro is appointed, rather than elected, so SC Metro does not hold regularly-scheduled elections for the purpose of electing board members. That fact may support an argument that the laws governing SC Metro do *not* provide a procedure for

elections.

By expressly providing that the voters in SC Metro may impose a TUT through the initiative process, this bill should resolve any ambiguity about whether the initiative process is available for that purpose.

- 8) **Related Legislation.** AB 1768 (Bryan) allows Los Angeles County to impose a TUT of up to .5%, even if it exceeds the 2% cap. This bill is currently in the Assembly Local Government Committee

AB 2484 (Alvarez) allows a TUT to be imposed by a qualified voter initiative for the San Diego Metropolitan Transit System (MTS), and it allows MTS to impose a TUT of up to .5%, even if it exceeds the 2% cap. This bill is currently in the Assembly Elections Committee.

SB 762 (Arreguín) allows the City of Hercules to impose a TUT of up to 1%, even if it exceeds the 2% cap. This bill is currently in the Assembly.

- 9) **Previous Legislation.** AB 618 (Stone) of 2019 would have permitted the Cities of Emeryville (Alameda County) and Scotts Valley (Santa Cruz County) to impose a tax of up to 0.25% that exceeds the 2% cap. 9.75AB 618 was vetoed with a message that stated, “The Cities of Emeryville and Scotts Valley have not yet reached the statewide cap of 2 percent, making it unclear why additional tax authority is needed.”

AB 723 (Quirk), Chapter 747, Statutes of 2019, provided that neither the tax imposed by BART nor the tax imposed by the Alameda County Transportation Commission counts against the 2% cap, and made a similar change in Santa Cruz County.

SB 1349 (Glazer), Chapter 369, Statutes of 2020, permitted Contra Costa County, and cities within Contra Costa County, additional legal flexibility to impose local TUTs.

AB 2453 (Bennett), Chapter 286, Statutes of 2022, authorized the Ventura County Transportation Commission to impose a TUT of no more than 0.5% that does not count against the cap in Ventura County.

AB 1256 (Wood), Chapter 572, Statutes of 2023, authorized Humboldt County to impose a TUT of up to 1% that exceeds the 2% statutory limitation.

AB 1385 (Garcia), Chapter 578, Statutes of 2023, raised the maximum TUT that RCTC may impose, from 1% to 1.5%.

AB 1679 (Santiago), Chapter 731, Statutes of 2023, authorizes Los Angeles County to impose a TUT of up to .5% that exceeds the 2% statutory limitation, as specified.

SB 335 (Cortese), Chapter 391, Statutes of 2023, allows the Santa Clara County Board of Supervisors to propose a TUT of up to .625% in Santa Clara County that exceeds the 2% cap and shifted the authority to impose a TUT for countywide transportation purposes in Ventura County that exceeds the 2% cap from the Ventura County Transportation Commission to the County.

SB 862 (Laird), Chapter 296, Statutes of 2023, authorized the board of directors of the Santa Cruz Metropolitan Transit District to impose a retail TUT of up to .5% after January 1, 2024, that is excluded from the 2% combined rate limit, if certain conditions are met.

SB 904 (Dodd), Chapter 866, Statutes of 2024, specified that special taxes may be imposed through the initiative process in the Sonoma-Marín Area Rail Transit District, among other provisions.

AB 2431 (Mathis) of 2024 would have authorized a city, county, or city and county to impose a TUT at an unspecified rate that exceeds the 2% statutory limitation if certain conditions are met. This bill died in the Assembly Local Government Committee.

AB 2443 (Carrillo), Chapter 961, Statutes of 2024, authorized the cities of Lancaster, Palmdale, and Victorville to impose a transaction and use tax (TUT) that exceeds the 2% statutory limitation.

AB 3259 (Wilson), Chapter 852, Statutes of 2024, allowed the cities of Campbell and Pinole, the Solano County Board of Supervisors and a city council in Solano County to impose a TUT, by ordinance or voter initiative, of up to 0.5% even if it exceeds the 2% cap. This bill is currently pending on the Senate Floor.

AB 761 (Addis), Chapter 706, Statutes of 2025, made changes to Monterey-Salinas Transit District's authority to impose a TUT.

SB 63 (Wiener), Chapter 740, Statutes of 2025, established the Public Transit Revenue Measure District including Alameda, Contra Costa, Santa Clara, and San Mateo Counties and the City and County of San Francisco, and specified that special taxes may be imposed through the initiative process in that district, among other provisions.

SB 333 (Laird), Chapter 750, Statutes of 2025, allowed the San Luis Obispo Council of Governments to impose a TUT by ordinance of up to 1% even if it exceeds the 2% cap.

SB 512 (Pérez) of 2025, would have specified that voters of a district may impose TUTs for transportation purposes by a citizen's initiative. SB 512 was vetoed by Governor Newsom. In his veto message, the Governor wrote, "This bill reaffirms that jurisdictions may use the initiative process to impose transactions and use taxes for transportation purposes. The courts have consistently and repeatedly affirmed this existing authority; therefore, this bill is unnecessary."

- 10) **Arguments in Support.** According to SC Metro, the sponsors of this bill, "In 2022 and 2023, METRO worked with communities across its service territory to plan a network of bus service – dubbed 'Reimagine METRO' – that is faster, more frequent, and reliable in areas of high transit demand. Reimagine METRO Phase 1, implemented in December 2023, was focused on maintaining current service levels while implementing new, higher frequency routes connecting residents of disadvantaged communities in Watsonville to jobs and opportunities in Santa Cruz. Reimagine METRO Phase 2, which began implementation in March 2024, expands METRO's network of frequent routes and increased ridership by 43%. Implementation of Reimagine METRO Phases 1 and 2 was funded by a one-time infusion of \$28.3 million from the Santa Cruz County Transportation Commission's share of Senate Bill 125 (2023) funding. Unfortunately, this one-time funding will run out in 2026. To prevent

significant service and jobs cuts after this funding runs out, METRO must secure additional state or local funding.

“In 2026, in response to METRO’s fiscal challenges, local stakeholders formed “Friends of METRO,” a coalition of residents committed to running a ‘citizen’s initiative’ to generate additional local funding for METRO through a 2026 ballot initiative. While METRO welcomes this citizen’s initiative, we have observed that, under current law, it is unclear how the Friends of METRO can place the initiative on the ballot. Current law permits electors of local jurisdictions with statutorily defined elections procedures (e.g. cities, counties, and some special districts) to exercise initiative powers; however, current law does not explicitly permit electors of local jurisdictions without statutorily defined elections procedures, like METRO, to exercise initiative powers and the Courts have provided no further clarity on this matter.

“This bill would address this uncertainty by adding election procedures to METRO’s authorizing statutes. In doing so, this bill would build on current law enacted for other local jurisdictions which established election procedures for individual transportation authorities and transit districts. Furthermore, in doing so, this bill would clarify how a “citizen’s initiative” benefitting METRO can be placed on the ballot and take effect, if passed by a majority of the voters. This bill includes an urgency clause to ensure that these procedures are in place for the November 2026 General Election.”

11) **Arguments in Opposition.** According to the California Association of Realtors, The California Taxpayers Association, and the Howard Jarvis Taxpayers Association, “...After comparing the costs of operating in California with the costs in other states, many employers have left our state in recent years. A Hoover Institution report found that from 2018 to 2022, at least 352 companies relocated their headquarters out of California – with many businesses citing the state’s tax burden as the deciding factor in their relocation. Many other large employers have left since that report was released. The relocation of these companies and their employees to lower-cost states has a major impact on state and local tax revenue, causes unemployment for workers who cannot move to the new location, and is a sign that California must find ways to be more competitive. AB 1919 takes a large step in the wrong direction, paving the way for additional taxes that will encourage more employers to move workers and investments to other states.

“...Since the passage of Proposition 13 in 1978, California’s Constitution has required a two-thirds vote of the electorate to approve local special taxes – those earmarked for specific purposes. This safeguard was reaffirmed by Proposition 218 in 1996, which extended the two-thirds vote requirement to all local governments and clarified that any new or increased local tax requires voters’

“...This bill would codify and expand a misinterpretation of the California Supreme Court’s 2017 decision in *California Cannabis Coalition v. City of Upland*, a ruling that addressed only the timing of elections for citizen initiatives and did not alter the substantive vote thresholds for tax approval. The Supreme Court declined to comment on whether altering vote thresholds for taxes would be illegal, thus creating ambiguity and uncertainty. Legal experts have consistently interpreted the decision as preserving the two-thirds vote requirement for special taxes, regardless of whether a measure is placed on the ballot by a

governing body or through a citizens' initiative.

“Despite this, some local governments have exploited the ambiguity by advancing tax measures through initiatives to bypass the two-thirds threshold. AB 1919 would codify this tactic, allowing transportation-related special taxes in Santa Cruz County to be enacted with a simple majority vote, contrary to the intent of voter-approved Propositions 13 and 218.

“...AB 1919 invites local officials and interest groups to use the initiative process to impose taxes that otherwise would be rejected by voters under the constitutionally required two-thirds standard. This approach has been used in San Francisco, Los Angeles, and elsewhere, with elected officials acting in their “individual capacity” to sponsor tax initiatives to avoid the appropriate two-thirds threshold. This undermines the integrity of the electoral process and diminishes public confidence in local governance.”

12) **Double-Referral.** This bill is double referred to the Elections Committee, where it passed on 6-2 vote on March 25, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

Santa Cruz Metropolitan Transit District [SPONSOR]
California Safety and Legislative Board of Sheet Metal, Air, Rail, and Transportation Workers,
SMART – Transportation Division (SMART – TD) [SPONSOR]
American Council of Engineering Companies of California

Opposition

California Association of Realtors
California Taxpayers Association
Howard Jarvis Taxpayers Association

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