

Date of Hearing: April 28, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 761 (Addis) – As Amended March 28, 2025

Majority vote.

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

SUMMARY: Authorizes the Monterey-Salinas Transit District (District), upon the affirmative vote of at least two-thirds of its board of directors, to submit to the voters of the District a measure proposing a retail transactions and use tax (TUT) ordinance in accordance with the TUT Law. Specifically, **this bill:**

- 1) Authorizes the District to impose a TUT for the support of its transportation services at a rate of no more than 0.25% that would, in combination with other TUTs, exceed the combined rate limit of 2%, if the following conditions are met:
 - a) The District 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 pursuant to Article XIII C of the California Constitution; and,
 - c) The TUT conforms to the TUT Law, other than the combined rate limit of 2%.
- 2) Prohibits a TUT rate imposed pursuant to the above authority from being considered for purposes of the combined rate limit of 2%.
- 3) Provides that if, as of January 1, 2035, an ordinance proposing a TUT is not approved pursuant to this authority, this statutory authorization is repealed as of that same date.
- 4) Prohibits, on or after January 1, 2026, the submission of a ballot measure for the imposition of a sales or special tax to the voters of the District under the District's existing authority conferred by Public Utilities Code (PUC) Section 106060.

EXISTING LAW:

- 1) Creates the District to include all of the County of Monterey, with specified powers and duties related to public transit service. (PUC Section 106000 *et seq.*)
- 2) Prohibits the District from imposing sales or special taxes, but authorizes the District, 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 of the District. (PUC Section 106060.)

- 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 the 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%.¹ (Revenue and Taxation Code Section 7251.)

FISCAL EFFECT: This bill would not directly impact revenues and is keyed non-fiscal.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

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) This bill is sponsored by the District, which notes:

On November 4, 2014, the voters of Monterey County approved the first-ever countywide sales tax measure for public transit – the Monterey-Salinas Transit Local Transit Funding for Senior Citizens, Veterans and People with Disabilities sales tax (Measure Q), which generates an average of \$8.5 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 some vital services for veterans, seniors, and persons with disabilities in Monterey County. 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. Most significantly, Measure Q 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.

MST recently conducted polling of likely voters in Monterey County and found that MST services are very popular with voters, with strong support for renewing Measure Q, with 75 percent (75%) of likely voters supportive of the Measure Q's extension.

- 3) This bill is supported by the Transportation Agency for Monterey County (TAMC), which notes:

¹ To determine whether a county has reached the rate limit, all countywide taxes and the highest combined tax rate imposed by a city within the county are counted towards the county's rate limitation. 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.

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. Five unique bus routes were designed to serve these populations and are funded with Measure Q revenue. 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. Most significantly, Measure Q helps support the Americans with Disabilities Act (ADA) required door-to-door paratransit service for individuals with physical and cognitive disabilities. Other Measure Q-funded services help veterans, seniors, and persons with disabilities maintain their independence.

4) This bill is opposed by the California Taxpayers Association, which notes:

The sales and use tax is a regressive tax that has the greatest impact on low-income residents because it makes it more expensive for these taxpayers to purchase everyday necessities. Inflation has increased the cost of most goods, which in turn increases the sales tax that is imposed as a percentage of the retail price. Adding to the cost of living with a sales tax increase would harm Californians and will disproportionately impact the state's most vulnerable residents.

Within the past four years, the California Legislature has authorized 12 local governments to enact sales taxes that exceed the 2 percent transactions and use tax cap. Cumulatively, these exemptions to the cap have impacted more than 15 million California residents, making the state less affordable for low- and medium-income families.

5) Committee Staff Comments:

- a) *The District*: The District was established by the Monterey-Salinas Transit District Act and serves as the public transit provider throughout the County of Monterey.² (PUC Section 106000 *et seq.*) The District currently serves a population of over 430,000 individuals and has a service area of 163 square miles.

Existing law prohibits the District from imposing sales or special taxes, but authorizes the District, 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 of the District. (PUC Section 106060.) The District used this authority to propose a 0.125% tax measure on the November 4, 2014 ballot to support a countywide district

² Current District membership is comprised of the Cities of Carmel, 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 District and appoints a general manager.

tax. The ballot measure was approved by the voters and is known as "Measure Q". The current 0.125% countywide tax is scheduled to expire in 2030.

- b) *What would this bill do?* This bill has two main provisions. First, this bill revises and recasts the District's authority to impose a TUT. Currently, the District can propose a ballot tax measure with the concurrence of a *majority* of the member jurisdictions represented on the District's board of directors. Under this bill, this authority would sunset on January 1, 2026 and, instead, the District would need a *two-thirds* vote of its board to propose a new tax. Second, this bill would authorize the District to impose a TUT at a rate of no more than 0.25% that would, in combination with other TUTs, exceed the statutory combined rate limit of 2%.
- c) *Need for this bill:* According to the California Department of Tax and Fee Administration, the County of Monterey has not yet reached its 2.0% TUT cap. Specifically, the Committee is informed that two countywide taxes are currently imposed within the County of Monterey: the 0.125% tax under Measure Q and a 0.375% Monterey Transportation Safety district tax that is not subject to the 2% rate limit. Within the County of Monterey, the City of Greenfield has the highest city tax rate at 1.75%. Ostensibly, this means that the District could impose an additional TUT rate of 0.125% within the county without exceeding the combined rate limitation. The authority conferred by this bill would be needed, however, for the District to propose and adopt a TUT of 0.25% in addition to the 0.125% tax already imposed by Measure Q.
- d) *A well-established precedent:* It should be noted that 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.
- e) *A less than perfect tax:* The sales tax has been widely criticized as a regressive exaction that most heavily impacts those least able to pay. For example, a survey by the Nevada Legislative Counsel Bureau long ago concluded that in the case of a retail sales tax with food exempt "the lowest income group would experience the highest ratio of tax to income" [Survey of Sales Taxes Applicable to Nevada 59 (Bull. No. 3, May, 1948).] Others, however, contend that a degree of progressivity is provided via the various exemptions built into most state sales tax laws (i.e., for certain necessities of life such as food, housing, and medical care). California already has a relatively high sales tax rate. High rates arguably promote non-compliance and encourage out-of-state purchases, placing California retailers at a competitive disadvantage. High rates also risk impacting consumer decision-making, which runs counter to widely accepted principles of sound tax policy.
- f) *Related legislation:*
 - i) SB 63 (Wiener) would, among other things, establish the Transportation Revenue Measure District and would authorize a retail TUT applicable to the entire district for a duration of 10 to 15 years, and generally in an amount of 0.5%, subject to voter

approval at the November 3, 2026 statewide general election. SB 63 is currently set for hearing by the Senate Committee on Revenue and Taxation on April 23, 2025.

- ii) SB 333 (Laird) would authorize the San Luis Obispo Council of Governments, by an ordinance adopted by the council, to levy a tax pursuant to the TUT Law at a rate not to exceed 1%, for general and special purposes, subject to voter approval on or after January 1, 2026. SB 333 is pending a floor vote by the Senate.

g) *Prior legislation:*

- i) SB 862 (Laird), Chapter 296, Statutes of 2023, authorized the board of the Santa Cruz Metropolitan Transit District to impose a retail TUT after January 1, 2024 that is excluded from the 2% combined rate limit, if specified conditions are met.
- ii) AB 1256 (Wood), Chapter 572, Statutes of 2023, authorized the Humboldt County Board of Supervisors to impose a TUT for the support of countywide transportation programs at a rate of no more than 1% that would, in combination with other TUTs, exceed the combined rate limit of 2%, as specified.
- iii) AB 1385 (E. Garcia), Chapter 578, Statutes of 2023, raised the maximum TUT rate the Riverside County Transportation Commission may impose from 1% to 1.5%.
- iv) AB 1679 (Santiago), Chapter 731, Statutes of 2023, authorized the County of Los Angeles to impose a TUT at a rate of no more than 0.5% that, in combination with other TUTs, would exceed the combined rate limit of 2%, as specified. AB 1679 further required that all revenue from the tax be dedicated to addressing and preventing homelessness, as provided.
- v) SB 335 (Cortese), Chapter 391, Statutes of 2023, among other things, authorized the County of Santa Clara to impose a TUT at a rate of no more than 0.625 that, in combination with other TUTs, would exceed the combined rate limit of 2%, as specified.
- h) *Double referral:* This bill was double referred with the Assembly Committee on Local Government, which passed this bill on April 9, 2025, by a vote of 8 to 2. For additional discussion of this bill's provisions, please refer to the analysis prepared by the Assembly Committee on Local Government.
- i) *Technical amendment agreed to by author:* On page 3, in line 9, strike out "7003.5)" and insert "7300.5)".

REGISTERED SUPPORT / OPPOSITION:

Support

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

Opposition

California Taxpayers Association
Howard Jarvis Taxpayers Association

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