



persons located in California, or is a registered seller of travel that does business in California, from one or more locations in California. (BPC §§ 17550.7 and 17550.38)

- 6) Requires the TCRC to establish and maintain an operations fund for the payment of costs of operations and administration and requires the corporation to estimate an annual operational budget projecting the costs of operations and administration for the next fiscal year, excluding the amount paid for claims. Requires all participants to pay their initial one-time \$75 assessment per business location in the state to provide additional funding for the operational fund and their initial one-time \$200 assessment per business location in the state to provide additional funding for the restitution fund. Requires the TCRC to establish a restitution fund for the payment of claims. (BPC § 17550.43 (a)(b)(d))
- 7) Specifies that the annual assessment for the operations fund cannot exceed \$35 per year for each location in the state from which a participant does business. (BPC § 17550.44)
- 8) Authorizes the TCRC to, if the balance in the restitution fund is less than \$1,600,000, require participants to pay up to a maximum \$200 assessment for each location in the state from which the participant does business. (BPC § 17550.44 (c))
- 9) Authorizes the TCRC to, if the balance in the restitution fund is less than \$900,000, require participants to pay an emergency assessment, not more than twice per year, of up to \$150 per year for each location in the state from which the participant does business. (BPC § 17550.44 (d))
- 10) If at any time the board of directors of the TCRC determine the operations fund will be insufficient to pay the costs of operations and administration for the current or next fiscal year they must either require participants pay an emergency assessment, not more than once per fiscal year, up to a maximum of \$65 for each location in the state from which the participant does business. The emergency assessment may be billed and collected either on an emergency basis from all participants or in conjunction with each participant's annual assessment; or transfer any or all interest earned on the Restitution Fund to the Operations Fund, provided that no transfer results in a restitution fund balance of less than \$1,200,000. (BPC § 17550.44 (e))
- 11) Requires the TCRC to report to the AG each levy of assessment within 10 business days of the levy. (BPC § 17550.44 (g))

**This bill:**

- 1) Increases the maximum annual amount for the operations fund each SOT is required to pay for the TCRC, from \$35 to \$60, and then, starting January 1, 2031, to a maximum of \$70 per year, for each location in the state from which a SOT does business.

- 2) Authorizes the TCRC, prior to January 1, 2031, to increase the maximum amount once per fiscal year in an amount not to exceed any one-year increase in the California Consumer Price Index for the immediately preceding year, as compiled and reported by the Department of Industrial Relations.

**FISCAL EFFECT:** According to the Assembly Committee on Appropriations, because the fee in this bill is state-imposed and results in a taxpayer paying a higher tax within the meaning of Article XIII A of the California Constitution, this bill has been identified by Legislative Counsel as a tax levy.

**COMMENTS:**

1. **Purpose.** This bill is sponsored by the California Coalition of Travel Organizations. According to the Author, “For nearly three decades, the cap on assessments supporting California’s Travel Consumer Restitution [Corporation] has remained unchanged. In that time, costs have increased, putting pressure on a program that protects consumers when travel services are not delivered. [This bill] makes a modest update to ensure the fund remains stable and continues to serve Californians. This bill provides a responsible and measured approach by allowing limited adjustments tied to inflation while maintaining oversight.”

2. **Background.**

*The Law.* The Sellers of Travel Law was enacted by SB 918 (Chapter 1123, Statutes of 1994), authored by then-Assemblymember Jackie Speier and sponsored by the California Coalition of Travel Organizations working in cooperation with the AG’s office. The law requires all sellers of travel to register with the AG’s office, pay an annual fee to fund the program and pay annual assessments into a self-sustaining restitution fund (the TCRF). This law provides specific protections to consumers who purchase sea or air transportation either singly or in conjunction with other travel services, such as lodging and car rentals. The Law applies to all sellers located in California, as well as those who sell or offer to sell from locations outside the state to persons located in California. The law applies to both retail and wholesale transactions, and covers sales by tour operators, consolidators, and wholesalers. A seller who only offers lodging, bus, or train tours without also offering air or sea transportation is not covered by the Law. Lodging establishments that book travel for their guests and accept no money for doing so, along with airlines, and cruise lines, are also not covered by this law.

The Law provides several layers of protections for consumers, including:

- Disclosure and identification of the seller. Among other things, sellers of travel must disclose business addresses, fictitious business names, identifying information of principals and owners, any relationship with airlines, and the location of a trust account or information about a surety bond. The registration number, displayed in all advertising and offers to sell, is a means of identifying the businesses in the event of claims or complaints and does not indicate any review or approval of the business by the AG’s office. Therefore, so long as the seller discloses the necessary information in its

application and pays the appropriate fees, the registration will be approved and a registration number issued.

- Financial protections. Some sellers of travel must deposit payments into a trust account or obtain a surety bond on behalf of their customers. In addition, sellers receiving payment from a passenger may not use that money for any other purpose (i.e., to buy travel on behalf of another passenger, pay rent or business overhead, or any personal use) until it has delivered the purchased goods and services.
- Restitution fund. The law provides for a private non-profit corporation, the TCRC, which administers the TCRF. If the purchaser is located in California and the purchase is from a registered seller of travel whose principal place of business is also in California, and the purchaser does not receive what he or she contracted to purchase, the purchaser can file a claim with the TCRC. Registered California sellers and out-of-state sellers whose stock is nationally traded are required to pay annual assessments to the TCRC.
- Written disclosures. Prior to or at the time of receiving any payment, a seller of travel must provide the purchaser with various written disclosures including its name, business address and telephone number, an itinerary, a statement about its cancellation policy, the total amount to be paid, the amount paid to date, the date of any future payment, the purpose of the payment made, an itemized statement of any balance due, whether it has a trust account or surety bond, whether the payment is protected by the TCRF, and how to make a claim of the TCRC.

The Law also provides for a number of guarantees. In the event that there is a cancellation, the purchaser is entitled to receive a prompt and automatic refund. If there is a material misrepresentation by the SOT, the Law likewise requires a refund. Finally, the Law provides that once the SOT has received the purchaser's full payment, the purchased tickets must be promptly delivered.

In addition to being required to register with the AG, a registered SOT must pay an initial one-time \$75 assessment per business location in the state into the TCRC's operation fund and an initial one-time payment of \$200 assessment per business location in the state into the restitution fund. After the initial \$75 assessment fee the SOT is required to pay an annual \$35 into the TCRC's operation fund. If the balance in the restitution fund is less than \$1,600,000, the TCRC will require SOT to pay a maximum of \$200 for each business location in the state. A participant's assessment is determined pro rata based upon the ratio of the number of locations in the state from which the participant does business to the total number of locations for all participants.

Further, the TCRC may charge an SOT and emergency assessment for operation costs of no more than \$65 once per year for each business location in the state and a maximum of \$150 per year, not more than twice a year, for each business location in the state if the balance in the restitution fund is less than \$900,000. The funds are deposited in a trust account until the level of the restitution fund balance reaches \$1,600,000.

According to TCRC, the current \$35 assessment cap has not been updated since 1997 despite significant increases in administrative operational costs associated with maintaining the TCRF. Further, the TCRC states that the number of registered sellers of travel has declined from around 6,000 in 2020 to less than 2,000 presently reducing the assessment base that supports the program. In Fiscal Year 2024-2025, the TCRC reported operating and administrative costs were \$204, 314. According to the TCRC's administrator, SOT paid \$235,475 in assessments to fund the TCRC's operations, including \$71,885 in late fees. TCRC notes had SOTs paid their annual assessments on time, the TCRC would have experienced a deficit.

This bill addresses this issue by increasing the assessment fees SOT's pay and allowing limited increases in fees tied to the California Consumer Price Index ensuring the long-term financial stability of the fund and continued consumer protection for travelers provided by the TCRC. Upon passage, this bill will take effect immediately as a tax levy.

3. **Related Legislation.** SB 2175 (Alpert, Chapter 924, Statutes of 1998) authorized the TCRC to impose an emergency assessment up to a maximum of \$65 per year if the TCRC operations fund is insufficient; lowered the maximum amount TCRC may assess each participant in an emergency to replenish the Restitution Fund from \$200 to \$150 twice a year, if the Fund's balance falls below \$900,000; increased the initial processing fee paid to new sellers of travel to fund the TCRC's operations from \$35 to \$75; increased the level of the Restitution Fund from \$1,200,000 to \$1,600,000, amongst other provisions.

AB 918 (Spier, Chapter 1123, Statutes of 1994) required all SOT to register annually with the AG, created a non-profit-trust corporation supervised by the AG to administer a consumer restitution fund, also created by AB 918, and required registered California SOT to pay an initial assessment of not more than \$200 to the restitution fund and \$25 as an operations assessment.

4. **Arguments in Support.** The California Coalition of Travel Organizations writes in support, "California's SOT Law requires travel businesses operating in the state to register and participate in the Fund. The monies are utilized to reimburse consumers who lose money when a registered seller of travel fails to provide promised travel services because of fraud, insolvency, or closure. This bill increases the cap from \$35 to \$ 60 per year for each location in California from which a travel business operates and allows limited annual adjustments tied to inflation. Beginning January 1, 2031, the assessment cap will be \$70 per business location. This update helps ensure the fund remains financially stable and able to reimburse consumers when travel services are not provided due to fraud, bankruptcy, or business closure."

## **SUPPORT AND OPPOSITION:**

### Support:

California Coalition of Travel Organizations (sponsor)

Opposition:

None received

**-- END --**