

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2069 (Krell) – As Amended April 20, 2026

Policy Committee:	Agriculture	Vote:	8 - 0
	Revenue and Taxation		5 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: Yes

SUMMARY:

This bill provides a partial Sales and Use Tax (SUT) Law exemption for tangible personal property (TPP) purchased for use in the construction, development, or ongoing operation of certain fairground projects.

Specifically, this bill:

- 1) Exempts, beginning on and after January 1, 2027, and before January 1, 2032, the gross receipts from the sale of TPP purchased for use in the construction, development, or ongoing operation of a qualified project.
- 2) Requires a governing body of a fairground to approve a qualified project, which is defined as a new development project or new phase of an existing project located on the land of a fairground, undertaken pursuant to a lease or other written agreement approved by the governing body.
- 3) Prohibits the exemption from applying to a sale that occurs within the real property of a fair.
- 4) Provides that the exemption does not apply to local SUT or transaction and use taxes.
- 5) Prohibits the exemption unless the purchaser furnishes the retailer with an exemption certificate completed as instructed by the California Department of Tax and Fee Administration (CDTFA), requires the retailer to retain a copy of the exemption certificate and furnish a copy to CDTFA upon request, and makes a purchaser liable for SUT with applicable interest if the exemption was improperly claimed.
- 6) Declares the goals and performance indicators for the new tax expenditure.

FISCAL EFFECT:

- 1) General Fund (GF) revenue loss of approximately \$945,000 annually through fiscal year (FY) 2032-33.

By reducing GF revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the revenue loss (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

- 2) Minor and absorbable costs to CDTFA to administer the new SUT exemption, which requires CDTFA to reprogram computer systems, revise tax forms and publications, conduct taxpayer outreach, provide customer support, and verify exemptions.
- 3) Likely absorbable costs to a governing body of a fairground to approve a qualified project. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, counties could claim reimbursement from the state.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in FY 2027-28 and ongoing.

COMMENTS:

- 1) **Purpose.** According to the author:

California's fairgrounds play a vital role in their communities by providing multi-use event space and evacuation infrastructure. Fairgrounds are often prime sites for new housing developments, tech incubators, or other investments that could address local needs while creating new jobs. To catalyze these investments and move fairgrounds onto a long-term path away from relying on state taxpayer dollars, AB 2069 proposes to grant them a [SUT] exemption for [TPP] purchased for use in development projects located on fairgrounds.

- 2) **Fair Funding.** Prior to 2009, funding for California fairs was supported by licensing fees imposed on horse racing wagers. SBx2 16 (Ashburn), Chapter 12, Statutes of 2009, ended this practice and provided a continuous GF appropriation of \$32 million for fairs, until the GF appropriation was eliminated in FY 2011-12. AB 1499 (Gray), Chapter 798, Statutes of 2017, provided a new mechanism for funding fairs by requiring CDTFA to develop a form to segregate sales at state-designated fairs and annually report to the Department of Finance the total gross receipts segregated the prior FY. An amount equal to 0.75% of such reported receipts must then be included in the next annual Governor's Budget to allocate to fairs, which was increased to 2% by AB 258 (Connolly), Chapter 683, Statutes of 2025. However, the actual transfer of designated GF revenue to the Fund is still subject to legislative appropriation during that year's budget process.

This bill provides indirect financial support for a development project on the land of a fairground by providing a partial SUT exemption for TPP purchased for use in the construction, development, or ongoing operation of such a project. Notably, this bill prohibits the exemption from applying to a sale that occurs on fairground property, as such sales provide the dedicated funding source for fairs pursuant to AB 1499 and AB 258.

- 3) **Support and Opposition.** This bill is supported by fair associations, with the California Fairs Alliance arguing this bill is a "forward-looking solution" to fairgrounds' problem of "aging infrastructure and limited revenues that constrain their ability to modernize and expand" by "incentivizing new development and public-private partnerships on fairgrounds."

This bill is opposed by the California Teachers Association (CTA), which argues that while the policy may be well intended, "CTA does not support this approach, as it would reduce

overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.”

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081