
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 258 (Connolly) - Fairs: allocation of revenues: gross receipts for sales and use tax

Version: April 30, 2025

Urgency: No

Hearing Date: July 7, 2025

Policy Vote: REV. & TAX. 5 - 0

Mandate: No

Consultant: Robert Ingenito

Bill Summary: AB 258 would increase the amount the Governor must propose to distribute to California Department of Food and Agriculture for allocation to fairs in the annual Governor's Proposed Budget, as specified.

Fiscal Impact: This bill would result in an estimated annual General Fund cost pressure of about \$8 million by increasing the amount of sales tax revenue subject to transfer to the Department of Food and Agriculture's (CDFA's) Fair and Exposition Fund. The enacted 2025-26 budget includes a transfer of \$4.9 million. Under this bill, the transfer would have \$8.2 million higher.

Background: Except where a specific exemption or exclusion is provided, current law imposes SUT on all retailers for the privilege of selling tangible personal property (TPP) at retail in California, or on the storage, use, or other consumption in this state of TPP purchased from a retailer. Unless purchasers pay the sales tax to the retailer, they are 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.

After the California Department of Tax and Fee Administration (CDTFA) collects SUT revenue (\$78 billion in 2021-22), it allocates the money to various state and local funds. Roughly half—collected from an approximately 3.9 percent rate—goes to the General Fund and can be spent on any state program, such as education, health care, and criminal justice. Another 1.25 percent, known as the Bradley-Burns rate, goes to cities and counties for general purposes. Three sales tax funds have uniform state rates and support specified programs—a 1.0625 percent rate for 2011 realignment (county-administered criminal justice, mental health, and social service programs); a 0.5 percent rate for 1991 realignment (county-administered health and social services programs); and a 0.5 percent rate for city and county public safety programs pursuant to Proposition 172 (1993). Additionally, some local governments levy optional local rates—known as Transactions and Use Taxes (TUTs)—and a small portion of these funds are used for general purposes. . As of December 31, 2024, the average statewide SUT rate was 8.71 percent.

Current law establishes a network of California-designated fairs, composed of 52 district agricultural associations (DAA), 23 county fairs, 2 citrus fruit fairs, and the California Exposition and State Fair (Cal Expo). The Division of Fairs and Expositions within CDFA provides fiscal and policy oversight for the network of California fairs. Beginning in 2009-10, fees on horse racing wagers that were previously used to supplement fair funding was replaced by an annual continuous appropriation of \$32 million from the General Fund. However, the 2011-12 Budget Act eliminated General Fund support to

the Fairs and Exposition Fund, requiring DAAs and all other designated fairs to be financially self-sufficient as of January 1, 2012.

The Legislature created a new funding mechanism to support the fairs in 2017 (AB 1499, Gray). First, AB 1499 required retailers who file sales tax returns to segregate the gross receipts from the sales price of TPP when the place of sale or use is on the real property of a state-designated fair. Second, the bill directs CDTFA to report the amount of total gross receipts segregated under the bill to the Director of Finance on or before November 1 of each year. Third, the measure requires the Governor's annual budget to include 0.75 percent of the amount of gross receipts recorded in CDFA's budget for allocation to fairs. Finally, the State Controller must transfer the amount appropriated by the Legislature in the Budget Act to the Fair and Exposition Fund in the State Treasury.

AB 1499 became effective on July 1, 2018, but did not initially specify the fiscal year upon which CDTFA and the Department of Finance (DOF) should make their required calculations and allocations. On November 1, 2019, CDTFA reported the amount segregated on returns for sales made between July 1, 2018, and June 30, 2019. Based on CDTFA's reporting, the DOF included \$18.6 million for allocation to CDFA for fairs for 2019-20 and 2020-21.

However, CDTFA indicated there were significant errors from retailers when segregating sales made at state-designated fairs, and noted that in its report to DOF. Consequently, the Legislature enacted AB 92 (Committee on Budget, 2020) to: (1) provide that CDTFA's calculation of total gross receipts is subject to its review for errors, (2) require CDTFA to note any errors identified in the review and the approximate impact of those errors on the total gross receipts in its report to DOF, to allow an adjusted total gross receipt amount to be determined, (3) allow the review to include a sample of returns, and (4) apply retroactively to the 2019-20 fiscal year, and to all subsequent fiscal years, with respect to calculating the amount included in the Governor's Budget.

As a result of the errors, DOF used AB 92's provisions to reduce the amount of funds allocated to CDFA for fairs from the estimated \$18.6 million to the figure to \$7.9 million. DOF used this same \$7.9 million figure as an estimate for sales made between July 1, 2020, and June 30, 2021, for the Governor's proposed 2021-22 budget. In 2021, the Legislature enacted SB 820 (Committee on Governmental Organization), which reconciled the timing of retailer reporting and inclusion in the Governor's proposed Budget, among other changes.

The amount proposed and appropriated under AB 1499 declined to \$3.1 million in 2022-23, but rebounded to \$5.1 million in 2023-24 and 2024-25. The amount proposed in the 2025-26 budget is \$4.9 million; this amount remained in the enacted version of the budget as well. These amount remains below the funding levels from before the Legislature redistributed license fees on horse racing wagers to the General Fund.

AB 2143 (Connolly, 2024) repealed and recast provisions referencing the Division of Fairs and Expositions in the Business and Professions Code into the Food and Agricultural Code. Several provisions are still required, including (1) segregation of sales on fairgrounds, (2) the November 1 CDTFA report, and (3) the requirement that

0.75% of prior-year gross receipts be proposed in the Governor's Budget are still required. However, AB 1499 applied to "state-designated fairs," while AB 2143 uses the broader term "fair."

Proposed Law: This bill would increase the amount the Governor must propose to distribute to CDFA for allocation to fairs in the annual proposed state budget from 0.75 percent to 2 percent of gross receipts segregated under AB 2143.

Related Legislation:

- SB 1261 (Alvarado-Gil, 2024) was substantially similar to this bill, except it would have increased the transfer value to 3 percentage points. The bill was held under submission on the Suspense File of the Assembly Appropriations Committee.
- SB 624 (Alvarado-Gil, 2023) was substantially similar to this bill, except it would have increased the transfer value to 3.5 percentage points. The bill was held under submission on the Suspense File of the Assembly Revenue and Taxation Committee.
- SB 96 (Portantino, Chapter 595, Statutes of 2023) enacted a funding mechanism for historic venues, similar to this funding mechanism for fairs.

Staff Comments: Staff notes that the future fiscal impact of this bill would depend on (1) annual fair attendance, and (2) growth in affected taxable sales, which in turn would depend on future economic conditions.

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