Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 661 (Hurtado) – As Amended June 22, 2026

2/3 vote. Fiscal committee.

SENATE VOTE: 39-0

SUBJECT: Airports: financial assistance

SUMMARY: Requires that specified revenues derived from the imposition of sales and use taxes (SUTs) on purchases of "jet fuel" be transferred to the Aeronautics Account (Account) in the State Transportation Fund (Fund) for allocation, as provided, to airports and aviation-related purposes consistent with federal law and regulations. Specifically, **this bill**:

1) Makes various findings and declarations.

2) Defines "jet fuel" as Jet A aviation fuel or sustainable aviation fuel.

3) Requires revenues derived from the imposition of state SUT on purchases of jet fuel pursuant to Section 35 of Article XIII of the California Constitution, and Revenue and Taxation Code (R&TC) Sections 6051.2, 6051.3, 6201.2, and 6201.3, at a combined rate of 1.25%, be transferred for allocation to airports and aviation-related purposes.

4) Requires the State Controller to make the above transfer annually on July 1 and requires transferred amounts be allocated towards an aviation purpose, in compliance with 49 U.S.C. Sections 47107 and 47133.

5) Provides that the amounts subject to allocation are determined by the California Department of Tax and Fee Administration (CDTFA) pursuant to the quarterly information returns documenting taxable gallons of jet fuel sold by airport location.

6) Requires that all public and private use airports that sell or consume jet fuel report to the Division of Aeronautics (Division) the airport's fuel flowage statistics for the previous calendar year by March 31 for purposes of calculating individual airport fuel tax allocations and requires that the Division determine the fuel tax revenue allocation for each airport that reports fuel flowage statistics.

7) Requires the Division to annually allocate available funds to eligible recipients for airports and aviation-related purposes as follows:

   a) 70% divided among each public and private use airport that sells or consumes jet fuel based on the airport's fuel flowage statistics reported for the previous calendar year;

   b) 20% for qualifying general aviation airports;

c) 9% for existing grant programs that serve nonhub and small hub airports; and,

d) 1% to provide grants for aviation education that includes, but is not limited to, programs, projects, or initiatives that improve or enrich the aviation workforce within the California aviation community. Grants may include, but are not limited to, scholarships for flight training, traffic control training and education, and aviation-related degrees from accredited universities.

8) Provides that the Division may use up to $1 million to cover administrative costs from the first year of the 70% allocation for public and private use airports to establish a process for distributing funds and to distribute those funds. For each subsequent year, the Division may use up to $600,000 to cover the administrative costs of distributing funds for that year. Any unused funds shall be distributed among public and private use airports on a pro rata basis.

9) Requires that the Division use $500,000 from the 70% allocated to public and private use airports to provide grants, for each year until 2032, to rural, nonhub commercial airports with fewer than 300,000 enplanements annually to attract, establish, and expand air service through incentives, marketing, passenger studies, route analysis, and the acquisition of consultants. These grants must be consistent with the Federal Register, Volume 64, Number 30, as it read on February 16, 1999.

EXISTING FEDERAL LAW:

1) Prohibits revenues derived from local taxes on aviation fuel, except taxes in effect on December 30, 1987, and the revenues generated by airports, from being expended for any purpose other than the capital or operating costs of:

a) The airport;

b) The local airport system; or,

c) Other local facilities owned or operated by the airport owner or operator directly and substantially related to the air transportation of passengers or property. (49 U.S.C. 47133(a).)

2) Requires, for the U.S. Secretary of Transportation (Secretary) to approve an airport development project grant application, that airport operators provide written assurances of compliance with the restrictions on local tax revenues derived from sales of aviation fuel and revenues generated by the airport. (49 U.S.C. Section 47107(b)(1).)

3) Provides that local taxes, including local taxes on aviation fuel at public airports, enacted not later than September 2, 1982, in a law controlling financing by the airport owner or operator, or a covenant or assurance in a debt obligation issued not later than September 2, 1982, by the owner or operator, are not subject to the above restrictions and may also support the general debt obligations or other facilities of the owner or operator. (49 U.S.C. Sections 47107(b)(2) and 47133(b)(1).)

4) Provides that state taxes on aviation fuel to support a state aviation program or the use of airport revenue on or off the airport for a noise mitigation purpose are not subject to the above restrictions. (49 U.S.C. Sections 47107(b)(3) and 47133(c).)

5) Authorizes the Secretary to withhold federal grant funding if, after notice and opportunity for a hearing, the Secretary finds a violation of the assurances concerning airport revenues described above, provided that the Secretary has allowed the airport sponsor an opportunity to take corrective action to cure such violation, and such corrective action has not been taken within the period of time set by the Secretary. (49 U.S.C. Section 47111(e).)

6) Authorizes the Secretary to apply to the corresponding United States district court in which the violation occurred for enforcement of the above provisions. (49 U.S.C. Section 47111(f).)

EXISTING STATE LAW:

1) Imposes, subject to specified exemptions and exclusions, a sales tax on all retailers on the retail sale of tangible personal property (TPP) in California. If the sales tax does not apply, the SUT Law imposes a complimentary use tax on the storage, use, or other consumption in this state of TPP purchased from a retailer. (R&TC Section 6001 *et seq.*)

2) Authorizes counties and cities, under the Bradley-Burns Uniform Local SUT Law (Bradley-Burns), to impose a local SUT for TPP sold at retail in the county or city, or purchased for storage, use, or other consumption in the county or city. Requires the county or city to contract with the CDTFA for the administration of the taxes and requires CDTFA, in turn, to transmit those taxes to the city or county. (R&TC Section 7202 *et seq.*)

3) Provides that, for purposes of a local Bradley-Burns sales tax, all retail sales are consummated at the place of business of the retailer, unless otherwise specified. (R&TC Section 7205.)

4) Provides that the point of delivery of jet fuel is also the point of sale when determining local taxes under Bradley-Burns, regardless of whether the retailer has more than one place of business in this state. (R&TC Section 7204.03.)

5) Exempts aviation gasoline from the imposition of SUT. (R&TC Section 6357.)

6) Imposes the aircraft jet fuel tax, which is imposed on jet fuel dealers at $0.02 per gallon sold to jet fuel users. (R&TC Section 7385 *et seq.*)

7) Defines "aircraft jet fuel" as any inflammable liquid which is used or sold for use in propelling aircraft operated by the jet or turbine type of engine. (R&TC Section 7387.)

8) Exempts fuel sold for use by a common carrier, the U.S. Armed Forces, and manufacturers and servicers of aircraft from the aircraft jet fuel tax. (R&TC Section 7389.)

9) Requires, beginning January 1, 2020, retailers of aircraft jet fuel to provide quarterly information to the CDTFA regarding their sales of aircraft jet fuel by airport location and requires the CDTFA to post the information from these reports online on a quarterly basis to comply with the Federal Aviation Administration's (FAA's) "Policy and Procedures Concerning the Use of Airport Revenue; Proceeds from Taxes on Aviation Fuel" (79 Fed. Reg. 66282 (Nov. 7, 2014)). (R&TC Section 6452.052.)

FISCAL EFFECT: The CDTFA estimates a total of $3.492 billion in taxable jet fuel sales in fiscal year 2026-27. Applying a rate of 1.25%, the amount of revenues affected by this bill are estimated to be approximately $43.6 million.

COMMENTS:

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

> California's airports are vital gateways for economic opportunity, yet too many face barriers to improving infrastructure, expanding air service, and supporting local jobs. SB 661 creates a dedicated funding stream for airports to invest in airport infrastructure, attract new routes, and develop a skilled aviation workforce, helping regions across the state strengthen their economies and improve connectivity. By ensuring targeted, sustainable investments, this bill supports our statewide goals for equitable economic development, mobility, and job creation in growing industries.

2) This bill is supported by the California Airport Council, which notes, in part:

> SB 661 represents California's most significant effort to address the longstanding issue of aviation fuel tax revenue diversion and bring the state into compliance with federal aviation revenue use requirements. For decades, California has remained one of the few jurisdictions that continues to divert certain aviation fuel tax revenues to non-aviation purposes. SB 661 establishes a framework to dedicate those revenues to aviation uses and reinvest them in California's aviation system.
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> The consequences of continued noncompliance are significant. The Federal Aviation Administration has repeatedly identified California as a jurisdiction that has not aligned with federal Revenue Use requirements and has continued to seek information regarding the state's use of aviation fuel tax revenues. As federal scrutiny increases, uncertainty about California's compliance status poses risks not only to the state but also to the airports that rely on a strong partnership with the FAA to support infrastructure investments, safety initiatives, and long-term planning.
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> Commercial service airports depend on a stable and predictable federal-state partnership. Prolonged disputes over revenue diversion undermine the partnership and create unnecessary uncertainty about future aviation investments. SB 661 demonstrates California's commitment to resolving this issue in good faith and provides a practical path toward achieving compliance while reinvesting aviation-generated revenues back into aviation purposes.

3) Committee Staff Comments:

   a) *Double-referred*: This bill was double referred to the Assembly Committee on Transportation, which passed a prior version at its hearing on July 7, 2025, by a vote of 15-to-0 with one member not voting.

   b) *Federal law*: Enacted by Congress in 1982, the Tax Equity and Financial Responsibility Act imposed constraints on the use of revenues generated at airports by prohibiting the "diversion" of airport revenue for non-airport purposes. The prohibition was meant to ensure that publicly owned airports (also known as airport sponsors) used federal Airport

Improvement Program (AIP) grants and other revenues exclusively for airport-related costs, including operations and capital investment.[1] These requirements were later extended to apply to certain privately owned airports that received additional forms of federal assistance beyond the AIP.

To ensure that airport sponsors could support their existing legal and financial obligations, however, Congress provided an exemption from this prohibition, known as the "grandfathering" provision, for airport sponsors that were diverting certain airport revenue under local laws or bond covenants as of 1982.[2] By enacting the Airport and Airway Safety and Capacity Expansion Act of 1987, Congress extended the revenue-use requirements to local and state aviation-fuel taxes enacted after December 30, 1987. Additionally, it expanded the grandfather provision to allow the diversion of revenue derived from taxes on the sale of aviation fuel in place prior to that date.[3]

c) *Which California tax revenues*? Since 1933, the state has imposed a sales tax on California retailers for the privilege of selling TPP, absent a specific exemption. The tax is based upon the retailer's gross receipts from sales of TPP in California. In 1935, California adopted a complementary "use tax" on the storage, use, or other consumption of TPP purchased out-of-state but subsequently used in California, which is applied at the same rate. The table below shows the incremental structure of the SUT at its current statewide rate of 7.25%, the taxing jurisdiction, the tax's statutory authority, and the year the tax was enacted:

Rate	Jurisdiction	Authority	Enacted
3.6875%	State (General Fund)	R&TC Sections 6051 and 6201	1974
0.25%	State (General Fund)	R&TC Sections 6051.3 and 6201.3	1991
0.50%	State (Local Public Safety Fund)	Section 35, Article XIII, Constitution	1993
0.50%	State (Local Revenue Fund)	R&TC Sections 6051.2 and 6201.2	1991
1.0625%	Local Revenue Fund 2011	R&TC Sections 6051.15 and 6201.15	1974
1.25%	Local (City/County) 1.00% City and County 0.25% County	R&TC Sections 7202 and 7203	1972
7.25%	**Total Statewide Rate**		
Varies	Local Transactions and Use Taxes	R&TC Section 7251	Varies

The shaded rows represent the increments subject to the Revenue Use Policy that are not subject to the grandfathering provision. Additionally, cities and counties may increase the SUT rate up to 2% with voter approval for specific or general purposes pursuant to

[1] 49 U.S.C. § 47107(b) and § 47133. See Pub. L. No. 97-248, Title V, § 511(a)(12), Sept. 3, 1982, 96 Stat. 671.
[2] GAO. *Information on Grandfathered Revenue Diversion and Potential Implications of Repeal.* GAO-20-684 (Sept. 8, 2020). https://www.gao.gov/assets/gao-20-684.pdf.
[3] See Pub. L. No. 100-223, 101 Stat. 1486 (Dec. 30, 1987).

the California Constitution's vote requirements.

d) *Delayed arrival*: To help airport sponsors implement the requirements described above and promote compliance, the FAA Authorization Act of 1994 required the FAA to publish a Revenue Use Policy on the permissible uses of airport revenues. In 1999, the FAA formally published the Revenue Use Policy in the Federal Registrar, including responses to comments received primarily from airport sponsors and other aviation stakeholders regarding applicability to private airports, the definition of airport revenue, and permitted and prohibited uses of airport revenue.[4]

On November 7, 2014, the FAA published its "Final Policy Amendment" to the Revenue Use Policy, confirming the FAA's longstanding interpretation of the requirements for the use of proceeds from taxes on aviation fuel.[5] In response to comments made by airport sponsors and governmental agencies that airport sponsors could not provide assurances that other governmental agencies over which they had no control would comply with the revenue use requirements, the FAA noted that the overwhelming majority of airports designated as part of the national airport system are publicly owned by local and state governments, regional airport authorities, or port authorities. The FAA further concluded that airport sponsors often have influence on the taxation of aviation activities in their states and localities, and the FAA expects airport sponsors to use that influence to shape state and non-sponsor local taxation to conform to these federal laws. Moreover, the FAA asserted its power to pursue enforcement action against non-sponsor entities for the purposes of limiting the use of aviation tax revenues under 49 U.S.C. Sections 46301, 47133, and 47111(f).

While the FAA made clear that it has tools to ensure states and local governments comply with requirements in federal law, the 2014 Amendment also acknowledged the difficulty of changing state and local policies to comply with this rule. It provided that, "for existing taxes that do not qualify for grandfathering (which are state or local taxes on aviation fuel in effect on December 30, 1987), the FAA will [provide] an up to three-year transition period" during which state and local officials were required to prepare an "action plan" to initiate the process of identifying and amending local ordinances and state laws as necessary. The three-year transition period during which the FAA agreed to not enforce the revenue use requirements extended through December 8, 2017.

e) *Touch-and-go relationship*: Department of Finance (DoF) has maintained that the state satisfies the FAA's mandate by using General Fund dollars to support major airport-related expenditures that exceed the amount of aviation fuel tax revenue that is collected and subject to the Revenue Use Policy. In a letter dated November 25, 2015, DoF staff wrote to the FAA, noting:

> Because California's tax system is extensive, wide-ranging, and extremely complicated, determining compliance with the policy change is inherently difficult… The state does not segregate general sales tax revenue derived from aviation and jet

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[4] Policy and Procedures Concerning the Use of Airport Revenue, 64 Fed. Reg. 7696 (Feb. 16, 1999).
[5] Policy and Procedures Concerning the Use of Airport Revenue; Proceeds From Taxes on Aviation Fuel, 72 Fed. Reg. 66283, Docket No. FAA–2013–0988 (Nov. 7, 2014).

> fuel from other taxable sales. A reliable estimate of the portion of general sales tax revenues derived from aviation fuel is not easily determined, as it is, among other challenges, difficult to track necessary information due to confidentiality protections for taxpayer data and determine the amount of military and international flight tax exemptions.[6]

DoF staff noted that the most recent rough estimate of state general sales tax revenues potentially affected were approximately $25 million at that time. Additionally, the letter committed the following:

> Over the next two years, the state will continue to work with taxing authorities, local jurisdictions and other entities to coordinate the collection of data to refine (1) estimates of state general sales tax revenues derived from aviation fuel and (2) estimates of state expenditures on and investment in local public use airports, to confirm California complies with federal law.

California's action plan was submitted on December 8, 2017, after DoF staff outlined the offsetting expenditure methodology in an additional letter to the FAA on May 26, 2016, and discussed the methodology with FAA staff in person on April 27, 2016.[7,8] According to a letter from the FAA to DoF on June 13, 2017, the FAA supported the state's methodology and said the state's plan "was a good overall methodology by offsetting aeronautical expenditures equal to or in excess of the proceeds from aviation fuel sales tax."[9]

On May 20, 2019, however, DoF received a letter notifying the state that the FAA considered the state's action plan nonresponsive.[8] Further, the letter threatened "drastic actions" including "the withholding of federal funds from airports located in the state." The FAA asserted that the state lacked the necessary financial documentation to demonstrate a direct connection between expenditures and aviation-related purposes. Additionally, it requested the state submit a breakdown of aviation fuel tax receipts collected by local jurisdictions and airport sponsors in the state. In a letter on June 11, 2019, DoF staff requested additional time to provide a formal response and a phone call to understand the FAA's concerns.[8]

In 2020, California enacted AB 90 (Committee on Budget), Chapter 17, Statutes of 2020, which requires sellers of aviation fuels to include the relevant information to comply with the Revenue Use Policy by completing an additional schedule that lists each airport location in the state. DoF sent the FAA a letter with detailed information regarding the state's offsetting project expenditures on January 13, 2024, and additional county-level collections data has been shared with FAA staff using data collected starting in 2020.

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[6] Letter to Randall S. Fiertz, Director, Office Compliance & Management Analysis, FAA, from Michael Cohen, Director, DoF (Nov. 2015).
[7] Letter to Byron K. Huffman, Acting Director, Office of Airport Compliance & Management Analysis, FAA, from Kristin Shelton, Program Budget Manager, DoF (May 26, 2016).
[8] Letter to Kevin C. Willis, Director, Office of Airport Compliance & Management Analysis, FAA, from Keely Martin Bosler, Director, DoF (June 11, 2019).
[9] Letter to Daniel J. Edwards, Associate Administrator for Airports, FAA, from Joe Stephenshaw, Director, DoF (March 20, 2026).

f) *More turbulence*: In a letter dated April 1, 2025, the FAA requested clarification and information regarding the state's offsetting projects and aviation programs, aviation fuel tax reporting processes, and information on any enacted legislation or processes developed to meet federal requirements from 2017 to 2023.[10] On December 30, 2025, DoF responded and requested additional time to gather the requested data on qualifying state spending and explained that the state enacted expanded reporting requirements to provide the necessary information.

On March 5, 2026, the FAA responded, noting appreciation for the state's timely response and efforts made to meet the prior request.[11] Still, the FAA reiterated the need for specific data, including the "reporting and tracking of the amounts collected, expended, transferred, appropriated, or otherwise transacted", as well as a "schedule of transactions and identifiable accounts utilizing the proceeds from state levied aviation fuel taxes."

The March 5, 2026, letter concluded by stating:

> The FAA has been engaged in efforts to collaborate with the State for over a decade to achieve compliance with Federal law. We acknowledge the State's commendable effort in implementing a sound reporting methodology for aviation fuel tax collections. The FAA remains committed to resolving this matter cooperatively and looks forward to the State's timely response. We expect the State to fully comply with the FAA's information request by March 31, 2026.
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> However, should California fail to adequately respond to the information requests, the FAA reserves the right to take appropriate compliance and enforcement actions as necessary.

In a letter dated March 20, 2026, additional, detailed information was provided to the FAA by DoF, accounting for more than $2 billion of expenditures directly related to supporting the state's airports and aviation programs. No additional correspondence from the FAA on this matter has been received since that date, however, federal officials have allegedly threatened to withhold federal funding and refer the matter to the U.S. Attorney's Office if corrective action is not taken.

g) *What does this bill do*? SB 661 explicitly requires that the revenues derived from the imposition of SUT increments that are subject to the Revenue Use Policy be transferred to the Aeronautics Account for allocation to airports and aviation-related purposes that comply with federal requirements. The amounts subject to allocation are to be determined by the CDTFA using the information returns relating to taxable fuel sales at each airport. Additionally, this bill establishes an allocation regime for the distribution of funds as follows:

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[10] Letter to Michael Helvey, Director, Office Compliance & Management Analysis, FAA, from Joe Stephenshaw, Director, DoF (Dec. 30, 2025).
[11] Letter to Joe Stephenshaw, Director, DoF, from Daniel J. Edwards, Associate Administrator for Airports, FAA (March 5, 2026).

i) 70% to each public and private use airport that sells or consumes jet fuel based on the airport's fuel flowage statistics reported for the previous calendar year;

ii) 20% for qualifying general aviation airports, to be credited to individual airport subaccounts consistent with Public Utilities Code Section 21682;

iii) 9% to existing grant programs that serve nonhub and small hub airports; and,

iv) 1% to provide grants for aviation education that includes, but is not limited to, programs, projects, or initiatives that improve or enrich the aviation workforce within the California aviation community. Grants may include, but are not limited to, scholarships for flight training, traffic control training and education, and aviation-related degrees from accredited universities.

In other words, this bill would provide that 70% of the revenues would be allocated based on where the aviation fuel is sold. Accordingly, higher volume airports would receive a higher share of revenues compared to airports where less aviation fuel is sold. Since aviation gasoline, which is used in traditional propeller planes typically flown at general aviation airports, is exempt from SUT, only airports that sell aviation jet fuel would receive any allocation under this provision.

As currently drafted, up to $1 million in first-year startup administrative costs would be allocated from the 70% portion of the Fund and up to $600,000 in each subsequent year. Additionally, from this portion of the Fund, the Division would be required to provide grants to rural, nonhub commercial airports with fewer than 3000,000 enplanements annually, to attract, establish, and expand air service through incentives, marketing, passenger studies, route analysis, and the acquisition of consultants. Committee staff understands the author chose these specific criteria to prioritize Meadows Field Airport in Kern County, approximately three miles northwest of downtown Bakersfield.

The remaining 20% would be allocated to public-use airports consistent with existing state law administering the Fund with no or minimal commercial service, 9% would be allocated to existing grant programs for small and nonhub commercial airports, and the remaining 1% would support grants and scholarships.

h) *A tricky landing*: While there is unanimous, broad agreement among aviation stakeholders regarding the importance of complying with federal law to maintain access to funding for critical transportation projects across the state, disagreements remain regarding the specific allocation amounts among various stakeholders. As currently drafted, this bill is supported by several national aviation trade and individual membership associations representing stakeholders in the general and business aviation industry.

Airlines for America, the trade association for the leading U.S. airlines including both passenger and cargo carriers, maintains the position that most of the funds collected from jet fuel should remain at the airport of origin (where it was sold). Despite a general agreement regarding the need to invest in smaller and non-commercial airports, the airlines believe that the 70% figure is unfair and inequitable to larger airports with the most expensive infrastructure projects.

i) *What about local taxes*? As noted above, cities, counties, and special districts can impose district level Transactions and Use Taxes and many have done so since December 30, 1987. Accordingly, locally imposed SUT increments not in effect as of that date are subject to the Revenue Use Policy and the FAA has requested detailed collection data of these revenues. Even with expanded reporting starting in 2020, capturing the full scope of revenues potentially subject to the Revenue Use Policy is administratively complicated. Each of California's 58 counties, 482 cities, and more than 200 special districts are authorized to impose local SUT.

j) *Suggested technical amendments*:

   i) Change the date that the State Controller will transfer revenues from the Retail Sales Tax Fund to the Account from July 1 to "on or before September 1";

   ii) Clarify that the amounts subject to the allocation are based on the amounts reported by CDTFA for the fiscal year immediately preceding the fund transfer due date;

   iii) Revise the definition of jet fuel with reference to R&TC Section 7387 for clarity and consistency; and,

   iv) Clarify that private and public use airports do not collect or remit SUTs, but track fuel flowage amounts for flowage fees charged to jet fuel retailers.

   Additionally, as currently drafted, the terms "fuel flowage statistics" and "fuel flowage fees" are not defined. To ensure consistency of administration and predictability for taxpayers, the author and stakeholders are encouraged to provide a specific definition.

k) *Prior legislation*:

   i) AB 90 (Committee on Budget), Chapter 17, Statutes of 2020, required retailers of aircraft jet fuel to report additional information quarterly to the CDTFA regarding their sales of aircraft jet fuel, made failure to comply with this requirement subject to a fine, and required the CDTFA to post the information from these reports online on a quarterly basis to comply with applicable FAA policy.

   ii) SB 988 (McGuire), of the 2019-2020 Legislative Session, contained provisions substantially similar to those included in AB 90. SB 988 did not receive a hearing in the Senate Committee on Governance and Finance.

   iii) SB 747 (McGuire), of the 2015-16 Legislative Session, would have appropriated aviation fuel tax revenues from the General Fund to the Aeronautics Account. SB 747 was held in the Senate Committee on Appropriations.

   iv) AB 451 (Yee), Chapter 391, Statutes of 2005, provides that the point of delivery of jet fuel is also the point of sale when determining local taxes under Bradley-Burns, regardless of whether the retailer has more than one place of business in this state.

REGISTERED SUPPORT / OPPOSITION:

Support

Aircraft Owners and Pilots Association
California Airports Council
County of Kern
Experimental Aircraft Association (EAA)
National Air Transportation Association
National Business Aviation Association
Vertical Aviation International (VAI)

Opposition

None on file

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