Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 661 (Hurtado) – As Amended July 1, 2026

Policy Committee:	Transportation	Vote:	15 - 0
	Revenue and Taxation		7 - 0

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

SUMMARY:

This bill transfers from the General Fund (GF), the Local Public Safety Fund (LPSF) and the Local Revenue Fund (LRF) to the Aeronautics Account in the State Transportation Account certain revenues derived from the imposition of state sales and use tax (SUT) on jet fuel and dedicates those revenues to specified airports and aviation-related purposes.

Specifically, this bill:

1) Directs the State Controller, by September 1 of each year, to transfer from the GF, LPSF and the LRF to the Aeronautics Account a dollar amount equal to 1.25% (0.25% GF, 0.50% LPSF and 0.50% LRF) of revenues derived from the imposition of state SUT, as specified, on jet fuel and dedicates the amounts transferred to airport and aviation-related purposes.

2) Bases the amount the Controller is to transfer each year from the GF to the Aeronautics Account on the amounts of sales of jet fuel as reported by retailers to the California Department of Tax and Fee Administration (CDTFA) for the preceding fiscal year.

3) Tasks the Division of Aeronautics within the California Department of Transportation (Caltrans) with allocating annually the funds deposited into the Aeronautics Account, 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 programs, projects or initiatives that improve or enrich the aviation workforce within the California aviation community, which may include scholarships for flight training, traffic control training and education, and aviation-related degrees from accredited universities.

4) Of the 70% allocation described above:

   a) Provides that the division may use (a) up to $1 million the first year to establish a process for distributing funds and to distribute those funds and (b), for each subsequent year, up to $600,000 to cover the administrative costs of distributing funds for that year, and that any unused funds be distributed among public and private use airports on a pro rata basis.

   b) Requires the division use $500,000 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, provided such grants are consistent with specified federal requirements.

FISCAL EFFECT:

1) Increased annual revenue of approximately $39 million to the Aeronautics Account and a corresponding revenue loss to the GF of approximately $7.8 million and $15.6 million to each the LPSF and the LRF (based on recent annual jet fuel sales in California of $3.1 billion and the bill's transfer rate of 1.25%).

2) Significant annual costs to Caltrans to allocate funds deposited into the Aeronautics Account. Caltrans estimates these costs at approximately $800,000 to fund four positions to allocate funds to over 200 airports. If Caltrans' cost estimate turns out to be accurate, the bill provides sufficient funding to cover this administrative cost in the first year of implementation—up to $1 million—but insufficient funding—up to $600,000—in each subsequent year.

COMMENTS:

Taxation of Aviation Fuel—a Lot of Baggage. The state imposes SUT on aviation fuel. As provided in the analysis of this bill by the Assembly Committee on Revenue and Taxation, the following table shows the specific current components of the SUT, its jurisdiction (to which funds are deposited), the statutory authority for each component, and the year of enactment of the statutory authority of each component.

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**		

*Revenue and Tax Code

For purposes of this bill, the date of enactment of the statutory authority for each component matters greatly. This is because the federal Tax Equity and Financial Responsibility Act, enacted in 1982, generally prohibits diversion of revenues generated at airports to non-aviation purposes; however, the act exempts from the prohibition revenue generated by law as of 1982. Relevant to discussion of this bill, the components of the SUT applied to jet fuel not subject to the federal act's prohibition are those shaded in the purple in the table above. These "grandfathered" SUT components sum to 1.25%.

California has long maintained that it complies with the federal act's requirement by providing monies from the GF to support airport-related expenditures, rather than directly segregating SUT on jet fuel for aviation-related expenditures. Despite California' assertion, in 2019, the Department of Finance received notice from the Federal Aviation Administration (FAA) asserting the FAA considered California's plan to ensure adequate, legally defensible funding to airports inadequate and threatened "drastic actions," including "withholding of federal funds." In response, the 2020 state budget required each seller of jet fuel in California to provide the state with information, including revenue derived from imposition of SUT on jet fuel, required for California to comply with federal requirements.

Despite California's publication of information regarding collection of SUT from jet fuel, and despite additional back-and-forth with the federal government, on March 5 of this year, the FAA sent a letter to the Department of Finance that stated, among other things:

> 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...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.

The author intends this bill to resolve the dispute between California and the FAA and to provide adequate funding for the state's aviation system. Similarly, the California Airport Council describes the bill as:

> 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…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.

There is no opposition registered against this bill.

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