SENATE COMMITTEE ON TRANSPORTATION
Senator Dave Cortese, Chair
2025 - 2026 Regular

Bill No:	SB 661	**Hearing Date:**	8/25/2026
Author:	Hurtado		
Version:	8/13/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Isabelle LaSalle		

SUBJECT: Airports: financial assistance

DIGEST: 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.

ANALYSIS:

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 an airport 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 California Department of Fee & Tax Administration (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 CDTFA regarding their sales of aircraft jet fuel by airport location and requires CDTFA to post the information from these reports online on a quarterly basis to comply with Federal Aviation Administration's (FAA) "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.)

This bill:

1) Makes various findings and declarations.

2) 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.

3) Requires Division of Aeronautics (Division), within the California Department of Transportation (Caltrans), to annually allocate from revenue collected from taxes on jet fuel sold at airports, after deducting administrative expenses, to eligible recipients the following percentages of available funds for airports and aviation-related purposes as follows:

a) 75% of the revenue to be divided among each public and private airport where jet fuel is sold or consumed based on the airport's fuel flowage statistics reported for the previous calendar year. Of this total annual allocation, until December 31, 2031, the division must use $500,000 to provide grants to rural, nonhub commercial airports and general aviation airports;
b) 15% for general aviation airports, to be divided and credited to individual airports consistent with a process established by the Division;

c) 9% to 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 that provide workforce development, flight training, traffic control training and education, and aviation-related degrees from accredited universities.

4) In the first year, up to $1 million is available for administrative costs incurred by the Division to establish a process and allocate funds pursuant to (b) above; thereafter, up to $600,000 annually is available to the Division for administrative costs.

5) Requires all public and private use airports where jet fuel is sold or consumed to report to the Division the airport's fuel flowage statistics for the previous calendar year by March 31 for purposes of calculating individual airport fuel tax allocations.

6) Specifies that "fuel flowage statistics" includes the total gallons of jet fuel sold or consumed annually at an airport.

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

COMMENTS:

1) *Purpose of the bill.* According to the author, "California's airports operate as one interconnected system, where the strength of every airport contributes to the resiliency, efficiency, and competitiveness of the entire network. When smaller airports fall behind, our statewide transportation system, economy, and connectivity suffer. SB 661 establishes a dedicated funding stream using existing jet fuel sales tax revenues to strengthen our entire airport system. By making targeted investments across our entire airport network, this bill promotes equitable economic development, creates jobs, improves mobility,

and better positions California to meet the demands of a rapidly evolving aviation industry while advancing compliance with federal aviation revenue requirements. If California intends to remain the nation's leader in transportation, innovation, and economic opportunity, we must invest in the entire airport system—not just individual airports. With SB 661 California is taking a more strategic approach to the future of aviation."

2) *SB 661 redirects approximately $39 million annually to California's airports.* In order to meet federal requirements and better fund California's airports, SB 661 requires that the revenues derived from the imposition of sales and use taxes on purchases of jet fuel be transferred to the state Aeronautics Account for allocation to airports and aviation-related purposes. The amounts subject to allocation are to be determined by CDTFA and the funds must primarily be used to improve airport infrastructure based on a prescribed funding formula. The author intends for this bill to resolve the dispute between California and FAA and to provide adequate funding for the state's aviation system. The current version of the bill is the final product of extensive negotiations among stakeholders, including airports and airlines.

3) *Seeking federal compliance.* In November 2014, FAA issued a directive (Docket No. FAA-2013-0988) to confirm its longstanding policy, based on federal law, that aviation fuel taxes be used exclusively for airport purposes and state aviation programs. The directive does not apply to state and local taxes on aviation fuel in effect prior to December 30, 1987. However, in July 2012, California began transferring revenues attributable to aviation fuel taxes from the Aeronautics Account to the General Fund.

   As such, according to the FAA, California has yet to reach federal compliance. In correspondence with the FAA over the last ten years, the California Department of Finance (DOF) disagrees, arguing that California meets the FAA's requirement by funding offsetting project costs that are beneficial to the state's airport network. DOF wrote to the FAA in 2017 that "California complies with federal law by spending more on its airports than the State receives in state general tax revenue derived from aviation fuel." The FAA rejected this assertion, arguing that DOF's contention was unsubstantiated and asked for detailed financial documentation of the State's expenditures that were directly related to air transportation. The FAA has threatened to withhold federal money and "seek assistance from the U.S. Attorney's Office" if California does not comply. The dispute remains unresolved.

   According to the California Airports Council, "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…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."

4) *A new funding formula.* The new funding formula within SB 661 reflects an agreement reached in the Assembly between the airlines, the airports, and the bill's author. The formula includes a partial return-to-source provision, which directs 75% of the revenue collected from taxes on jet fuel to be retained by the airport at which the jet fuel was sold. The airport would be able to use the funds for purposes related to airport operations, capital improvements, maintenance, and other aviation-related infrastructure needs as determined by the airport's governing authority.

   The bill requires 15% of the revenue to be allocated to general aviation airports, to be divided and credited to individual airports consistent with a process established by the Division. Nine percent of the revenues would be allocated to existing grant programs for smaller, regional airports. One percent would go towards grants for training, education, and workforce development.

   Writing in support, Airlines for America states, "A4A has consistently advocates that state sales tax revenues on jet fuel—which are almost wholly generated by commercial aviation at the state's largest airports—should return to the airport of origin as closely as possible. This carefully crafted bill achieves this important goal while balancing the interest and needs of the Caltrans Aeronautics Division, small airports and the general aviation community."

   The California Airports Council (CAC) also notes, "CAC appreciates that SB 661 recognizes the interconnected nature of California's aviation network. Commercial service airports, reliever airports, and general aviation airports each serve distinct but complementary roles that collectively support statewide mobility, economic development, emergency response, and public safety."

5) *What does this mean for airports?* SB 661 will redirect roughly $39 million annually from the state General Fund to the Aeronautics Account. Seventy-five percent of that amount (just over $29 million) will be divided among each public and private use airport where jet fuel is sold or consumed based on the

airport's fuel flowage statistics reported for the previous calendar year. This means large airports, where the majority of jet fuel is sold, will receive a higher share of revenues compared to airports where less aviation fuel is sold.

However, the bill diverts additional funding to smaller airports instead of using a pure return-to-source formula. Nine percent of the revenue would go to existing grant programs that serve nonhub and small hub airports. Additionally, SB 661 earmarks $500,000 annually for rural, nonhub commercial airports and general aviation airports until 2032.

General aviation airports are publicly or privately owned airports that do not primarily serve scheduled commercial airline traffic. They accommodate a wide range of aviation activities, from private flying and flight training to business aviation, emergency services, and recreational flying. SB 661 directs fifteen percent of the funding directly to these airports.

Lastly, one percent of the funding will go 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 scholarships for flight training, traffic control training and education, and aviation-related degrees from accredited universities.

6) *Senate Rule 29.10(d).* SB 661 is being heard in this committee pursuant to Senate Rule 29.10(d). SB 661 was substantially amended in the Assembly to rewrite provisions related to the collection and distribution of revenue collected from taxes on jet fuel.

RELATED/PREVIOUS LEGISLATION:

AB 90 (Committee on Budget, Chapter 17, Statutes of 2020) – This budget trailer bill required retailers of aircraft jet fuel to report quarterly to CDTFA on their sales of aircraft jet fuel. This bill made failure to comply with this requirement subject to a fine. It also required CDTFA to post the information from these reports online on a quarterly basis to comply with applicable Federal Aviation Administration policy.

SB 988 (McGuire, 2020) — This bill would have required aviation fuel retailers to provide quarterly information showing the information required for the state to comply with the Federal Aviation Administration's "Policy and Procedures Concerning the Use of Airport Revenue; Proceeds from Taxes on Aviation Fuel."

The bill would have also required CDTFA to collect and disseminate information from those information returns and calculate the amount of revenue collected from the sale, storage, use, or consumption of aviation fuel in the state. *This bill was not set for a hearing in the Senate Governance and Finance Committee, but the contents of the bill were successfully included in the budget.*

SB 747 (McGuire, 2015) – This bill would have provided for an annual appropriation of aviation fuel tax revenues from the General Fund to the Aeronautics Account in order to comply with federal law. *This bill died in Senate Appropriations Committee.*

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee:

- 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%).

- 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.

POSITIONS: (Communicated to the committee before noon on Monday, August 24, 2026.)

SUPPORT:

Aircraft Owners and Pilots Association
Airlines for America (A4A)
Association of California Airports
California Airports Council
City of Bakersfield
County of Kern
Experimental Aircraft Association (EAA)
National Air Transportation Association
National Business Aviation Association
Vertical Aviation International (VAI)

OPPOSITION:

None received.

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