

Date of Hearing: April 28, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 258 (Connolly) – As Introduced January 16, 2025

**SUSPENSE**

Majority vote. Fiscal committee.

**SUBJECT:** Fairs: allocation of revenues: gross receipts for sales and use tax

**SUMMARY:** Increases, from 0.75% to 5%, the percentage of gross receipts from sales at state-designated fairs used to calculate the annual proposed budget augmentation for the California Department of Food and Agriculture (CDFA) for allocation to fairs via the Fair and Exposition Fund (Fund).

**EXISTING LAW:**

- 1) Requires a tax return filed with the California Department of Tax and Fee Administration (CDTFA) reporting gross receipts for sales and use tax (SUT) purposes to segregate the gross receipts on a line or a separate form when the place of sale in this state is on the real property of a "fair", as defined. (Food and Agricultural Code Section 3203.)
- 2) Requires, on or before November 1 of each year, the CDTFA to report to the Department of Finance (DOF) the amount of the total gross receipts segregated on returns for the prior fiscal year (FY). 0.75% of these gross receipts must then be included in the next annual Governor's Budget for the CDFA for allocation to fairs. Specifically, these funds must be transferred by the State Controller to the Fund, which is continuously appropriated, as prescribed. (*Id.*)
- 3) Provides that the Office of Emergency Services shall be permitted the use of all state and local fair properties as conditions require. (Government Code Section 8589.)

**FISCAL EFFECT:** Unknown, but in excess of \$150,000 per year.

**COMMENTS:**

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

Our fairgrounds across California serve as hubs for events, local businesses, livestock, arts, and emergency response, and it is vital they receive the funding they need to maintain and update their facilities, serve the community and prepare for emergencies. Today, fairgrounds in Southern California have been called into action to assist as a relocation center for victims, humans and animals, of the devastating fires. I have seen the same activity in my district when our fairgrounds played similar roles.

- 2) This bill is co-sponsored by California State Treasurer Fiona Ma, who notes:

As time has passed since the percentage was reduced ten years ago it is now salient to restore the legislation given that many fairgrounds have been vital for emergency responses during wildfires. Not only have fairgrounds served as emergency response centers, but they also serve as hubs for important events, small businesses, arts, and livestock. This proposal is vital to the success of fairgrounds and their ability to maintain their facilities and provide opportunities to address our deferred maintenance issues.

AB 258 takes an important step toward achieving that goal by increasing the funding formula. This initiative is not only a response to the ongoing vulnerabilities fairgrounds face, but it also reinforces California's commitment to safeguarding their prosperity and ensuring they continue to serve as essential resources for communities throughout the state.

3) This bill is supported by the California Agricultural Teachers' Association, which notes:

This legislation proposes a dedicated funding source to address the aging infrastructure and emergency preparedness needs of local fairgrounds by increasing the percentage of total gross receipts allocated from sales and use tax purposes from 0.75% to 5%.

[ . . . ]

In addition to their educational role, fairgrounds are crucial for community resilience. They function as command centers for emergency operations, disaster response staging areas, and important community gathering spaces. Unfortunately, these fairgrounds often lack the necessary funding to maintain their facilities and continue providing these essential services. AB 258 offers a sustainable funding mechanism to support the longevity of these vital institutions.

4) Committee Staff Comments:

- a) *General background:* In 2017, Governor Brown signed into law AB 1499 (Gray), Chapter 798, Statutes of 2017, to provide a dedicated funding source for state fairs. Specifically, the law now requires that SUT returns filed with the CDTFA must segregate the retailer's gross receipts when the place of sale in this state is at a state-designated fair, as defined. On or before November 1 of each year, CDTFA must report to DOF the total gross receipts segregated on returns for the prior FY. An amount equal to 0.75% of the total gross receipts for the prior FY must then be included in the next annual Governor's Budget for CDFA for allocation to fairs.
- b) *What would this bill do?* This bill would simply increase, from 0.75% to 5%, the percentage of gross receipts from sales at state-designated fairs used to calculate the annual budget augmentation for the CDFA for allocation to fairs. According to the author, California's network of fairs is critically underfunded and many fairs are in need of repairs to their infrastructure and emergency management facilities. Specifically, the author's office notes:

For roughly 75 years, California's fairs received funding from horse racing license fees and supplementary General Fund allocations. Unfortunately, these funding sources were eliminated in the 2011-12 state budget, and all fairs were required to become self-sufficient. This has caused fairs to suffer from deferred maintenance and

- infrastructure deterioration. This problem is being exacerbated as fairground use has increased as a result of pandemics, natural disasters and climate emergencies.
- c) *The scale of the need:* On January 1, 2023, the CDFA submitted a report to the Legislature identifying the total scope of its deferred maintenance (DM) backlog. This report noted the following:
- i) *"Size of Fairs DM Backlog:* In 2015, a survey of California Fairs was performed. The survey was divided into five categories: 1- immediate fire, life & safety, 2 – immediate building infrastructure, 3 – immediate building deficiencies, 4 – conservation measures, and 5 – deferred maintenance, for [a] total of approximately \$215 million. The immediate building deficiencies [in] categories (1-3) totaled \$43 million, which was the cost reported to the [DOF] in 2018-19.
  - ii) *"Reason for Increase to Backlog:* In 2019-20, CDFA reassessed the Network and asked each fairground to report their top five DM projects. The California Construction Authority (CCA), a Joint Powers Authority created to provide finance, design, and construction services for health and safety and other projects at fairgrounds throughout California, estimated that it would cost approximately \$139,708,975 to address these identified prioritized DM projects. Since the fairgrounds have not been assessed since 2019-20, annually CDFA has adjusted the projected cost from 2019-20 to account for the increase in construction costs, arriving at the most recent estimated cost of \$253 million reported in September 2022; however, the list of prioritized projects is not comprehensive. There are over 370 facilities throughout the Network that require major infrastructure updates, including Americans with Disabilities Act upgrades.
  - iii) *"Steps taken to address the DM needs of fairs:* Since 2018-19, the Network has received investments in DM through a variety of sources. Through the standard General Fund Budget Act appropriations, the Network has received \$3 million in 2018-19 through Control Section 6.10. Additionally, Proposition 68: California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All, provided \$18 million for Network DM costs. Finally, the Budget Act of 2021 provided CDFA with \$150 million one-time General Fund for community resilience centers, of which \$94 million has been allocated to DM or new structures at fairs."
- d) *How much additional revenue would this bill designate for state fairs?* While this Committee has not been provided an estimate of the additional revenue this bill is likely to earmark for California's network of state fairs, an analysis of recent budgetary augmentations suggests the amounts could be sizable. For example, in FY 2023-24, the CDTFA reported over \$655,179,935 in total sales at fairgrounds. Using the current 0.75 percentage, this resulted in an allocation total of \$4,913,850. Assuming an allocation of 5%, as this bill proposes, that amount would have increased to \$32,758,997.

	FY 2021-22	FY 2022-23	FY 2023-24
<b>Net Sales Reported to DOF</b>	\$598,450,020	\$682,102,519	\$655,179,935
<b>Current Allocation of 0.75%</b>	\$4,488,375	\$5,115,769	\$4,913,850
<b>Proposed Allocation of 5%</b>	\$29,922,501	\$34,105,126	\$32,758,997

- e) *The benefits and perils of earmarking:* Proponents of this bill might argue that this bill provides a stable and much-needed source of funding for California's network of state fairs. Critics, however, might contend that the practice of earmarking restricts the Legislature's ability to fund vital state programs in a holistic manner through the annual budgetary process. Critics might also argue that this bill elevates the needs of state fairs above other vital programs designed to address basic human necessities, ranging from health care to public safety. It should be noted, however, that while this bill calls for an ongoing augmentation of funding for state fairs in future years, these augmentations would still be subject to adjustment and approval in the annual budget process.
- f) *Prior legislation:*
- i) SB 1261 (Alvarado-Gil), of the 2023-24 Legislative Session, would have increased, from 0.75% to 3%, the percentage of gross receipts from sales at state-designated fairs used to calculate the annual budget augmentation for the CDFA for allocation to fairs via the Fund. SB 1261 (Alvarado-Gil) was held on the Suspense File of the Assembly Committee on Appropriations.
  - ii) SB 624 (Alvarado-Gil), of the 2023-24 Legislative Session, would have increased, from 0.75% to 3.5%, the percentage of gross receipts from sales at state-designated fairs used to calculate the annual budget augmentation for the CDFA for allocation to fairs via the Fund. SB 624 (Alvarado-Gil) was held on the Suspense File of this Committee.
  - iii) SB 96 (Portantino), Chapter 595, Statutes of 2023, enacted the Historic Venue Restoration and Resiliency Act, which created a funding mechanism for historic venues that is similar to the mechanism proposed by this bill. Specifically, SB 96 established the Historic Venue Restoration and Resiliency Fund in the State Treasury, requires that retailers making sales at historic venues during qualified events segregate the taxable gross receipts from those sales on a separate line or form when filing sales tax returns with CDTFA, and requires the next annual Governor's budget to include an amount equal to 5% of the total amount of gross receipts, or adjusted gross receipts, reported by CDTFA to DOF for the previous FY, for deposit into the

Historic Venue Restoration and Resiliency Fund to transmit to cities and counties with identified historic venues.

- iv) AB 1499 (Gray), Chapter 798, Statutes of 2017, required a return filed with the CDTFA for SUT purposes to segregate the gross receipts of the seller on a line or separate form when the place of sale in this state is on or within the real property of a state-designated fair, as provided.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California State Treasurer Fiona Ma (Co-sponsor)  
California Agricultural Teachers Association, Inc.  
California Fairs Alliance  
California Farm Bureau  
California State Association of Counties  
Rural County Representatives of California  
Western Fairs Association  
40<sup>th</sup> District Agricultural Association

**Opposition**

None on file

**Analysis Prepared by:** M. David Ruff / REV. & TAX. / (916) 319-2098