

Date of Hearing: April 1, 2025

Fiscal: No

ASSEMBLY COMMITTEE ON PRIVACY AND CONSUMER PROTECTION

Rebecca Bauer-Kahan, Chair

AB 1150 (Schultz) – As Amended March 26, 2025

SUBJECT: Local agencies: airports: alternative customer facility charges

SYNOPSIS

For nearly three decades, many California commercial airports have chosen to locate rental car services in consolidated facilities that house all on-airport car rental companies in one location. Common-use transportation systems, such as shuttle bus systems and automated trains, can then be used to transport rental car customers between terminals and the consolidated rental car facility. These facilities and their associated transport systems are financed largely via customer facility charges (CFCs) collected from airport rental car patrons. There are two kinds of CFCs: one imposed on per-contract basis, capped at \$10. The other – known as the “alternative” CFC – is a capped at \$9 per-day, for up to five days. Beginning in 1998, more than a dozen bills have been enacted to regulate the collection and use of CFCs. This bill is the latest in this series.

This bill, sponsored by the California Airports Council, would increase the cap on the alternative CFC to \$12, allow for revenue from either CFC to be used for major maintenance of rental facilities, and clarify that alternative CFC revenue may be used for any purpose that bond proceeds backed by such revenues may be used.

Proponents argue the bill is necessary to ensure that airport infrastructure remains up to date, noting that California will be hosting several major sporting events, including the FIFA World Cup, NFL Super Bowls, and the 2028 Los Angeles Summer Olympics.

THIS BILL:

- 1) Increases, effective January 1, 2026, the allowable charge for an alternative CFC from \$9 to \$12.
- 2) Expands permissible uses of CFC and alternative CFC revenue to include major modifications of rental facilities.
- 3) Clarifies that revenues generated from alternative CFCs may be directly used for the same purposes as proceeds backed by alternative CFCs.

EXISTING LAW:

- 1) Defines a CFC as any fee, including an alternative fee, required by an airport to be collected by a rental company from a renter for any of the following purposes:
 - a. To finance, design, and construct consolidated airport vehicle rental facilities.
 - b. To finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated vehicle rental facilities, and acquire vehicles for use in that system.

- c. To finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. (Gov. Code § 50474.21(a).)
- 2) Prohibits airports from collecting more than the reasonable costs, as determined by an independent auditor, to finance, design, and construct the afore-mentioned facilities. (*Id.*, (b).)
- 3) Provides that an airport may require a rental company to collect a \$10 CFC if certain conditions are met. (Gov. Code § 50474.3(a).)
- 4) Provides that an airport may require rental companies, in lieu of the CFC, to charge an alternative CFC, provided that:
 - a. The airport first conducts a public hearing to review the costs of financing the design and construction of a consolidated rental vehicle facility and the design, construction, and operation of any common-use transportation system in which certain findings and disclosures are made.
 - b. The fee does not exceed \$9 per day and is not collected for more than five days.
 - c. The airport annually discloses the total amount of the alternative CFC charge collected, how the funds are being spent, and the amount of and reason for any changes in the airport's budget or financial needs for the facility or common-use transportation system.
 - d. The airport completes an independent audit before initial collection of the alternative CFC, updates information in the audit upon increasing the amount collected, and completes a new audit every three years thereafter.
 - e. Limits the use of proceeds for bonds backed by alternative CFC to construction and design of consolidated rental vehicle facilities, terminal modifications, and operating costs of common-use transportation systems. (*Id.*, subd. (b).)

COMMENTS:

1) **Author's statement.** According to the author:

With California preparing to host major international sporting events in the coming years, our airports will face unprecedented demand, welcoming millions of visitors. To provide a positive experience for these travelers and uphold the state's reputation as a world-class destination, we must invest in maintaining sound infrastructure and creating efficient, future-ready facilities.

AB 1150 is a critical step toward ensuring California's airports have the necessary resources to maintain and improve their infrastructure. By increasing the maximum daily user fee for airport rental car customers to \$12 and implementing periodic inflation adjustments starting in 2029, this bill allows airports to address urgent maintenance needs, enhance safety measures, and modernize facilities to meet future demands.

2) **Airport customer facility charges on vehicle renters.** A CFC is a fee airports may require car rental companies to collect from renters in order to subsidize costs associated with vehicle rental facilities, common-use transportation systems, and related terminal modifications. Funds from these charges have enabled airports to consolidate rental facilities in central locations that allow for more efficient transportation, return, and fleet maintenance, reducing traffic and the overall footprint of facilities formerly scattered across the airport vicinity.¹ Such projects have been undertaken at several airports, including LAX and SFO.

CFCs were initially authorized in the late 1990s for a few airports before being expanded to all commercial airports in 2001.² The CFC is capped at \$10 and is imposed on a per-contract basis. In 2010, recognizing this amount was insufficient to fund some proposed consolidated facilities, the Legislature authorized an “alternative” CFC of \$6 per day for up to five days.³ That amount increased statutorily to \$7.50 per day as of January 1, 2014, and to the current \$9 per day as of January 1, 2017.⁴ As a result, a renter can be charged up to \$45 for a rental from an airport that uses the alternative CFC, compared to \$10 at an airport that uses the standard CFC. According to the sponsors, LAX, San Diego, San Jose, and Palm Springs airports are the only airports currently charging the full amount of the alternative CFC, with several others charging less.

In order to impose the alternative CFC, an airport must hold a public hearing to review the need for the fee, complete an audit before collecting the fee and every three years thereafter, and make certain disclosures relating to the need, collection, and use of the fee. Any bonds backed by fee proceeds can be used only for construction and design of consolidated rental vehicle facilities, terminal modifications, and operating costs of common-use transportation systems.

3) **What this bill would do.** This bill would:

- Starting in 2026, increase the cap on the alternative CFC to \$12.
- Expand permissible uses of revenues from the CFC and the alternative CFC may be used for major maintenance of rental car facilities.
- Clarify that revenues from the alternative CFC may be used for the same purposes as bond proceeds backed by CFCs. Under existing law, these purposes are limited to construction and design of the consolidated rental vehicle facility, terminal modifications, and operating costs of the common-use transportation system.

ARGUMENTS IN SUPPORT: California Airports Council, the sponsors of the bill, write:

Since 2010, the CFC cap has remained unchanged despite rising costs for airport infrastructure, maintenance, and operations. Increasing the CFC to \$12 will allow our airports to maintain safe, modern rental car facilities, enhance essential features like elevators, escalators, and HVAC systems, and prepare for upcoming global events such as

¹ See generally “Burbank-Glendale-Pasadena Airport Authority: Schedule of Customer Facility Charge Revenues and Expenditures” (2019), p. 5, <https://www.hollywoodburbankairport.com/wp-content/uploads/2020/02/BGPAA-Customer-Facility-Charge-2019-Final-Report.pdf>.

² AB 491 (Frommer; Ch. 661, Stats. 491).

³ SB 1192 (Oropeza; Ch. 642, Stats. 2010).

⁴ *Ibid.*

the 2026 FIFA World Cup, the 2028 Summer Olympics, and two Super Bowls. These upgrades help ensure smooth, efficient travel experiences for athletes, media, and visitors.

Equally important, this legislation minimizes the impact on everyday Californians. Because the CFC applies only to airport rental car transactions—and most rentals last only three days—this change will help maintain world-class airport facilities without broadly raising costs for all Californians.

The County of Sacramento writes:

The current CFC rate of \$9 per rental transaction day has been maintained under California law since 2016. This static rate has not kept pace with inflation and the increasing costs of operating or constructing rental car facilities. As a result, the CFC has become outdated and insufficient to fully fund essential projects, including the planned consolidated rental car facility at SMF. AB 1150 proposes to increase the CFC to \$12 on January 1, 2026, ensuring that our facilities remain adequately funded and continue to meet the needs of our customers and communities for years to come.

REGISTERED SUPPORT / OPPOSITION:

Support

California Airports Council
County of Sacramento
Port of Oakland
San Diego County Regional Airport Authority

Opposition

None on file.

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