DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/14/2026 **BILL NUMBER:** SB 954
POSITION: Oppose **AUTHOR:** Blakespear, Catherine S

BILL SUMMARY: California Environmental Quality Act: advanced manufacturing facilities: exemption.

This bill revises exemptions to the California Environmental Quality Act (CEQA) recently adopted in a 2025 Budget Act trailer bill (SB 131): narrowing manufacturing exemptions and imposing new requirements thereupon, revising day care facility exemptions, expanding the definition of natural and protected lands which are excluded from exemptions, and subjecting new tourism facilities, as defined, to CEQA requirements.

FISCAL SUMMARY

The California Energy Commission estimates this bill will require $273,000 General Fund ongoing and 1.0 permanent position to implement the work of guiding CEQA lead agencies in evaluating applicants' demonstration of high road employment standards. Finance notes the workload required by this bill is time-bounded, and requests for ongoing resources are subject to review and approval through the annual budget process.

The Governor's Office of Land Use and Climate Innovation estimates this bill will require $224,000 General Fund for two years to establish guidelines, processes, and procedures, and for technical assistance on the addition of the advanced manufacturing category to judicial streamlining certification. Finance notes the Office is authorized to charge fees to applicants that cover costs, and that the bill does not require the Office to develop guidelines or provide technical assistance.

The Department of Industrial Relations was not able to provide an estimate of fiscal impacts at the time of this analysis; however, Finance estimates costs to the Labor Commissioner's Office in the low millions of dollars from the State Public Works Enforcement Fund to implement the provisions of the bill.

The Judicial Council of California was not able to provide an estimate of fiscal impacts at the time of this analysis; however, Finance estimates unknown and potentially significant General Fund cost pressure in the low millions of dollars to the extent that projects certify for judicial streamlining that otherwise would not have qualified. In addition, the establishment of new processes and requirements beyond existing CEQA review requirements will likely result in additional judicial proceedings.

The State Water Resources Control Board indicates costs arising from this bill are likely to be minor and absorbable within existing resources. Finance concurs.

The Departments of Conservation and Fish and Wildlife were not able to provide an estimate of fiscal impacts at the time of this analysis; however, Finance estimates costs arising from this bill are likely to be minor and absorbable within existing resources. Any requests for additional

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Department Deputy Director			Date
Governor's Office: By:		Date:	Position Approved________ Position Disapproved

FISCAL SUMMARY (continued)
resources are subject to review and approval through the annual budget process.

COMMENTS

The Department of Finance is opposed to this bill because it is inconsistent with Administration policy and it creates both significant additional direct General Fund costs and indirect cost pressures not considered in the 2026 Budget. In addition, this bill appears to negate efficiencies gained with the enactment of SB 131and add new requirements that are more onerous and impractical to comply with than the conditions that existed prior to the enactment of SB 131.

Among its provisions, this bill would replace a CEQA exemption for advanced manufacturing activities on industrial-zoned land with an entirely new process dependent upon undefined terms that introduces significant new processes and requirements beyond the scope of existing CEQA requirements. It is difficult to precisely estimate costs associated with this bill due to the likelihood of judicial proceedings from both project proponents and opponents, some of which may or may not be eligible for judicial streamlining. Further, this bill expands definitions of natural and working lands, which is highly likely to have downstream impacts to other projects beyond those targeted in the existing exemption or this bill. Taken together, this bill is inconsistent with policy adopted in SB 131 (Ch. 24, Stats. 2025).

Existing law, CEQA, requires a lead agency to prepare and certify an environmental impact report on discretionary projects that may have significant environmental impacts. CEQA further exempts certain projects from its requirements, including advanced manufacturing exclusively on industrial-zoned land and day care centers on residential-zoned land. Existing law further defines terms for CEQA purposes. Further, CEQA is generally inapplicable to land rezoning implementing actions contained in an approved housing element, with some exceptions.

This bill repeals the existing CEQA exemption for advanced manufacturing and replaces it with new requirements for final tier manufacturing and requires the Governor to certify such projects, that such projects contain a community benefits agreement, requires lead agencies to hold public hearings related to such projects, among other new requirements. This bill further extends the existing CEQA exemption for day care centers on residential-zoned land to family day care homes within specific parameters. This bill further adds language to expand the definition of "natural and working lands" for CEQA purposes. Further, this bill makes CEQA applicable to rezoning of land in conjunction with an approved housing element that allows tourism facilities that were not previously permitted, including expansion of such facilities, or for the authorization of construction of oil or gas infrastructure.

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Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2026-2027	FC	2027-2028	FC	2028-2029	Fund Code
			(Fiscal Impact by Fiscal Year) (Dollars in Thousands)						
3360/Energy Comm	SO	No	C	273	C	273	C	273	0001
0650/LndUseClmt	SO	No	C	224	C	224	C	224	0001
7350/DIR	SO	No	C	1,000-5,000	C	1,000-5,000	C	1,000-5,000	3150
0270/Jud Council	SO	No	C	1,000-5,000	C	1,000-5,000	C	1,000-5,000	0001
3860/Water Res	SO	No		----- No/Minor Fiscal Impact -----					0001
3480/Conservation	SO	No		----- No/Minor Fiscal Impact -----					0001
3600/FishWild	SO	No		----- No/Minor Fiscal Impact -----					0001

Fund Code	Title
0001	General Fund
3150	Public Works Enforcement Fund, State