Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1069 (Grayson) – As Amended June 22, 2026

Policy Committee: Transportation Vote: 15 - 0

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

SUMMARY:

This bill creates a process for the Air Resources Board (ARB) to grant conditional approval for a manufacturer to sell an add-on or modified part for an on-road vehicle or engine before ARB grants the manufacturer an executive order (EO) to sell that part.

Specifically, this bill, among other things:

1) Authorizes an applicant who meets specified requirements to seek conditional approval from ARB to sell an add-on or modified part before issuance of an EO while a final determination from ARB is pending.

2) Requires ARB to determine application completeness and eligibility and provide written notice of its findings, as specified.

3) Requires ARB to grant conditional approval if specified requirements are met or, if not, explain the deficiencies and work with the applicant to satisfy the requirements.

4) Deems an application conditionally approved if ARB does not determine eligibility within 30 business days of receipt.

5) Authorizes parts covered by a conditional approval to be sold, offered for sale, advertised, or installed in the state and treats the approval as equivalent to an EO.

6) Provides that a conditional approval remains valid despite ARB requests for additional information, testing, or other materials needed for a final determination.

7) Provides that a conditional approval expires upon issuance of an EO or after two years, unless extended by ARB's executive officer.

8) Requires manufacturers to maintain and provide sales records upon request, authorizes ARB to suspend or revoke conditional approvals for noncompliance, and specifies that sales under a conditional approval are not Vehicle Code violations solely because a final determination is pending.

9) Authorizes the executive officer, upon withdrawal, revocation, or expiration of a conditional approval, to require recalls, stop-sale orders, corrective actions, or other appropriate remedies.

10) Makes manufacturers responsible for recall costs and authorizes ARB to require and enforce recall or corrective action plans.

11) Subjects manufacturers that fail to comply with required recalls or corrective action plans to specified civil penalties.

12) Requires ARB, by January 1, 2028, to revise specified procedures, forms, guidance, and regulations as necessary to implement the bill.

FISCAL EFFECT:

1) ARB estimates ongoing annual costs of $1.8 million (Air Pollution Control Fund and Motor Vehicle Account (MVA)) for seven positions and contract funds to make changes to its regulations (specifically the “Procedures for Exemption of Add-On and Modified Part(s) For On-Road Vehicles/Engines” and the “Mobile Source Certification and Compliance Fees” regulations); workload related to reviewing applications and providing written notices; providing guidance and outreach to manufacturers, Bureau of Automotive Repair, smog check stations, and other stakeholders to ensure consistent understanding of the law and prevent disruptions in vehicle registration at the Department of Motor Vehicles (DMV); and enforcement-related tasks, such as audit testing and field investigations. According to DMV, MVA is projected to become insolvent as early as fiscal year (FY) 2028–29.

   In late 2025, ARB conducted a public workshop on amendments to the aforementioned “Procedures for Exemption of Add-On and Modified Part(s) For On-Road Vehicles/Engines” regulation. The proposed amendments are intended to clarify, modify, and update the processes and criteria for obtaining an EO to increase the transparency and efficiency of the application review process. ARB has postponed this regulatory update; therefore, the committee notes ARB may be able to combine efforts and fold some of the work required by this bill into its existing rulemaking process, thereby reducing costs.

   The FY 2018-19 budget approved six positions for ARB’s emissions certification and compliance division, four of which are still in ARB’s aftermarket branch (which would implement this bill). In addition, current law gives ARB the authority to adopt fees to cover its costs associated with the certification, audit, compliance, and deficiencies of off-road or non-vehicular engines and equipment, aftermarket parts, and emissions control components sold in the state. Since 2022, ARB’s aftermarket branch has collected between $300,000 and $590,000 annually in fees but has expended close to $3 million annually on staffing and administrative workload. Therefore, ARB argues, given that fee revenues are insufficient to cover ARB’s current program costs, these fees and current staffing levels at ARB are unlikely to offset the costs associated with this bill, even if application volume increases.

2) By subjecting a manufacturer that fails to comply with a recall or corrective action plan required pursuant to this bill to civil penalties, this bill may result in cost pressures (Trial Court Trust Fund, General Fund) of an unknown amount to the courts to adjudicate additional filings resulting from this bill. Costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately $1,000 to operate a courtroom for one hour. Although courts are not funded based on workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual

General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately $117.3 million in FY 2025-26.

COMMENTS:

1) **Purpose.** According to the author:

> Despite the creation of additional employment positions, a revised regulatory structure/application process, and the establishment of fees, processing times for EOs have not improved and continue to be a point of uncertainty for manufacturers which can create a sense of competitive disadvantage. Manufacturers depend on timely and predictable EO reviews to lawfully bring emissions-compliant products to market. Yet prolonged and inconsistent review timelines continue to delay market entry, increase costs, and create uncertainty for businesses operating within the aftermarket sector.

2) **Background.** Current law prohibits anyone from modifying a vehicle in a way that may increase emissions. An aftermarket part may be installed if a manufacturer and ARB prove the part or modification does not increase vehicle emissions. The certification process culminates in ARB issuing an EO which allows the part to be sold and installed on vehicles in California. Getting ARB to approve more aftermarket parts has been a long-standing request of the industry.

   There is no registered opposition to this bill. The bill is sponsored by the Specialty Equipment Market Association (SEMA), which argues that the cost of the EO process, often in the thousands of dollars per product, is a significant challenge for aftermarket companies – and that these costs are compounded by extended and increasingly unpredictable review timelines. SEMA writes:

> Manufacturers must pay these fees upfront, invest in engineering and laboratory testing, dedicate internal compliance staff, and often carry inventory and development costs while awaiting approval. When review timelines extend unpredictably, capital is tied up in products that cannot be sold, revenue is delayed, and small businesses operating on narrow margins bear the strain…
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> SB 1069 addresses these challenges by establishing a conditional approval process for certain aftermarket emissions-related products. Under the bill, manufacturers that submit a complete application supported by emissions testing, engineering analysis, and technical documentation may receive conditional approval to sell, advertise, and install qualifying products while CARB completes its review of the application.

   In July, the Trump administration issued an executive order recognizing SEMA's Certified Emissions Program as an alternative certification authority that may be used to approve aftermarket vehicle for sale in 49 states; ARB certification is still required in California.

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