

SENATE THIRD READING
SB 1069 (Grayson)
As Amended August 13, 2026
Majority vote

SUMMARY

Creates a process for the California Air Resources Board (CARB) to grant conditional approval for a manufacturer to sell an add-on or modified part for on-road vehicles or engines before CARB grants them an executive order to sell the part.

Major Provisions

- 1) Defines "applicant" as a manufacturer of an add-on or modified part, or a manufacturer's representative, who submits an application for an executive order pursuant to subdivision (e) of section 2222 of Title 13 of the California Code of Regulations.
- 2) Defines "complete application" as an application submitted pursuant to subdivision (e) of section 2222 of Title 13 of the California Code of Regulations for an executive order that includes all information required by the exemption procedures, all applicable fees, and a testing report from an emissions test laboratory that complies with the exemption procedures. The testing report shall include:
 - a) Complete test results and supporting analysis.
 - b) Identification of all test vehicles, engine families, and configurations.
 - c) Description of all test procedures, conditions, and methodologies.
 - d) Validation and sign-off by the emissions testing facility.
 - e) A clear conclusion regarding whether the part satisfies the criteria for exemption under Section 27156 of the Vehicle Code.
- 3) Further states that a complete application shall also include:
 - a) A complete and accurate description of the product, its installation, and the vehicle or engine coverage requested.
 - b) A certification to the state board that, based on the submitted test data, the part satisfies the criteria for exemption under Section 27156 of the Vehicle Code.
- 4) Defines "Emissions test laboratory" as a test laboratory determined by CARB to have the equipment necessary to conduct testing, or engineering justification, in support of an application submitted pursuant to subdivision (e) of section 2222 of Title 13 of the California Code of Regulations.
- 5) Defines "Exemption procedures" as the "Procedures for Exemption of Add-On and Modified Part(s) for On-Road Vehicles/Engines," adopted by CARB on June 29, 2021, as amended March 23, 2023, and incorporated by reference in subdivision (e) of section 2222 of Title 13 of the California Code of Regulations.

- 6) Defines "final determination" as a written decision issued by the executive officer granting or denying an application for an executive order under subdivision (e) of section 2222 of Title 13 of the California Code of Regulations.
- 7) States that an applicant who satisfies the following requirements may request CARB issue a conditional approval to sell an add-on or modified part before issuance of an executive order while the applicant is awaiting final determination for the add-on or modified part.
 - a) An applicant may only submit a request if they have received 10 executive orders to the application pursuant to subdivision (e) of section 2222 of Title 13 of the California Code of Regulations and at least one of the executive orders was issued for an add-on or modified part within the same application category set forth in Section III(a) of the exemption procedures as the part that is the subject of the application.
- 8) States that CARB shall do both of the following:
 - a) Determine whether the application is a complete application and the applicant is eligible to apply; and,
 - b) Notify the applicant in writing whether the above requirements have been met.
- 9) States that if CARB determines that the application is complete and the applicant meets all requirements, CARB shall grant a conditional approval, which shall become effective on the date that CARB notifies the applicant that requirements have been met.
- 10) States that if CARB determines that the application is incomplete and the applicant does not meet all requirements, CARB shall submit a response to the applicant detailing the reasons why the application is incomplete and shall work with the applicant to satisfy the requirements.
- 11) States that if CARB does not determine whether or not the application requirements have been satisfied within 30 business days of receipt of the request, the application shall be deemed to be conditionally approved. The conditional approval shall become effective on the date that the applicant notifies CARB in writing of its intent to sell the add-on or modified part.
 - a) If CARB receives more than 50 applications during any 30-business-day period, CARB may extend the determination period by 15 business days for each increment of 50 applications received during that period. CARB must notify each affected applicant in writing of the extension and the revised deadline within five business days after the threshold specified is reached. An application may be subject to no more than one extension.
- 12) States that upon the effective date of a conditional approval, the add-on or modified part specified in the application may be sold, offered for sale, advertised, or installed in the state. A conditional approval shall be treated as the equivalent to an executive order.
- 13) Provides that upon the effective date of conditional approval, the validity of a conditional approval shall not be affected by a request from the state board for additional information,

clarification, supplemental documentation, supplemental testing, or other materials necessary for granting an executive order.

- 14) States that a conditional approval shall expire two years from the effective date of the conditional approval, unless extended by the executive officer, or upon issuance of an executive order, whichever occurs sooner.
- 15) States that the manufacturer shall maintain detailed records of all parts sold under the conditional approval and provide those records to the state board within 30 days of a request for those records.
 - a) CARB may suspend or revoke a conditional permit for any of the following reasons:
 - i) The applicant fails to maintain the detailed records as specified;
 - ii) CARB determines that the application contained materially inaccurate or misleading information at the time of submission.
- 16) Provides that an add-on or modified part sold, offered for sale, advertised, or installed under a conditional approval shall not be deemed a violation of Section 27156 of the Vehicle Code solely because a final determination has not been made.
- 17) States that upon withdrawal, revocation, or expiration of a conditional approval, the executive officer may require the manufacturer to implement a recall, corrective action, stop-sale order, or other remedy for parts sold, offered for sale, advertised, or installed in the state, as the executive officer determines necessary and appropriate.

States that the manufacturer shall be responsible for all costs associated with any recall and remedy required pursuant to this subdivision. CARB may require the manufacturer to submit and implement a recall or corrective action plan for parts sold, offered for sale, advertised, or installed in the state.
- 18) States that a manufacturer that fails to comply with a recall or corrective action plan required pursuant to this subdivision may be subject to civil penalties pursuant to Section 43008.6.
- 19) Provides that on or before July 1, 2028, the state board shall revise the exemption procedures and any associated forms, guidance documents, or regulations as necessary to implement the requirements of this section.

COMMENTS

Vehicles and air pollution. Vehicles are one of the primary sources of air pollution. As such, the Federal Clean Air Act (FCAA) authorizes the U.S. Environmental Protection Agency (USEPA) to establish and regulate emissions standards for mobile sources.

California has explicit authority under the FCAA to set vehicle-emission standards that are stricter than federal standards due to the state's severe motor vehicle air pollution problems. Other states may choose to follow either the national standard or the stricter California standards.

State law assigns CARB with primary responsibility for control of mobile-source air pollution, including adoption of rules for reducing vehicle emissions, the specification of vehicular fuel composition, emissions control devices, and engine standards.

Recent actions by Congress and the USEPA preclude CARB from enforcing a number of vehicle emission standards it established that would be more stringent than required under the FCAA. CARB retains the authority to enforce multiple regulations that utilize the executive order process.

Executive Orders and Aftermarket Parts. Due to the air pollution caused by vehicles, CARB requires vehicle manufacturers to develop engine and emission equipment systems that reduce the specific pollutants that cause California's severe air quality problem. These emission control systems are also required to be proven durable and reliable.

To ensure that these systems operate as designed, current law prohibits anyone from making modifications to a vehicle that would increase emissions. A part may be installed if a manufacturer and CARB prove that an aftermarket part or modification does not increase vehicle emissions. The certification process culminates in CARB issuing what is called an Executive Order (EO), which allows the part to be sold, and installed on vehicles in California.

All aftermarket parts sold in California belong to one of the following four groups:

- 1) *Replacement Parts.* Replacement parts include things like carburetors, distributors, fuel injection systems, and fuel tanks. Typically, these are parts on a vehicle that wear out with use and must be replaced during the lifetime of the vehicle. When a replacement part does not meet the original factory specifications it requires an Executive Order to be legal for street use.
- 2) *Legal Add-On or Modified Parts (Executive Order Parts).* These parts alter a vehicle from its original equipment manufacturer configuration and are typically added on for safety or performance enhancement. Safety devices include antitheft devices; performance enhancers include air intake systems that cool an engine to increase horsepower or superchargers that increase air pressure in the engine allowing it to burn more fuel to increase power.
- 3) *Competition or Racing Use Only Parts.* These parts may only be sold and installed on vehicles that are exclusively used for competition off public highways and roads. These parts replace or otherwise interfere with the operation of an emission control device, such as a catalytic converter or oxygen sensor.
- 4) *Catalytic Converters.* Catalytic converters catalyze (i.e., cause or accelerate) the conversion of toxic gases created during the combustion of fuel into less harmful ones. Catalytic converters can decrease the performance of an engine, so some people chose to replace the catalytic converter that comes installed on a car with a more expensive one that reduces performance less.

Longstanding problem. Getting CARB to approve more aftermarket parts has been a long-standing request of the industry, and steps have been taken to attempt to address approval process length. According to information provided by the author, nearly 10 years ago in 2017, SB 660 (Newman) would have provided a legislative basis for enabling industry to fund additional staff at CARB to better address the workload for EO applications. Ultimately, this

legislation was set aside and instead, the Administration and the Legislature secured additional staff through the state budget process to accelerate the issuance of EOs, resulting in six additional staff in the Emissions Certification & Compliance Division at CARB.

Recognizing that the new CARB positions required financial support, industry again worked with the Legislature, CARB, and stakeholders to provide a mechanism secure funding. Consequently, additional budget action was taken to allow CARB to impose a reasonable fee on EO applications to offset some of the costs of the staffing needed to improve processing times. In 2021, CARB committed to reviewing the impact of the fee, and to reevaluating the processing times for EOs. However, subsequent budget constraints meant that some of the positions committed to processing EO applications were removed. In late-2025, CARB began a stakeholder engagement process to attempt to honor these 2021 commitments.

Layers of complexity. Despite the EO process seeming relatively straightforward, there is tremendous variation between parts, applications, and even applicable regulations. Each of these affects the scope of prospective changes that this bill would result in.

CARB's efforts to reduce vehicle emissions are effectuated through many regulations. Some of those make use of the EO process for evaluating aftermarket parts, including those for aftermarket catalytic converters, aftermarket diesel particulate filters for heavy duty diesel engines, auxiliary gasoline fuel tanks, medium- and heavy-duty hybrid conversion systems, off-vehicle charge capable conversion systems, aftermarket critical emission control parts on highway motorcycles, alternative fuel retrofit systems, and various alternative-fuel conversion systems. By making changes to the EO process, many regulations would likely need to be amended.

Consider an aftermarket catalytic converter intended for light-duty trucks. It could affect emissions differently between makes (e.g. a Ford F-150 vs a Chevrolet Silverado), models (e.g. a Ford F-150 vs A Ford F-250), or interactions with other parts. It could be manufactured by a third-party company of any size or capability (e.g. a sophisticated operations that has been making catalytic converters for decades vs a small start-up making its first). It could, because of the chemistry of the device itself, vary in effectiveness across conditions (e.g. at different operating temperatures, during different duty cycles, or using different fuels).

For CARB to be able to attest that a part will still comply with California's air pollution laws, many of these variables must be tested. Further, it may be that the manufacturer responsible for demonstrating the device's performance may be more or less able to provide that information, especially in a timely and reliable manner.

Committee comments. This bill represents a compromise between the sponsor and CARB, though very minor amendments may be needed as conversations continue. This bill only applies to manufacturers that have a good track record of receiving executive orders. The policy further places the onus on the manufacturers of add-on or modified parts to be certain their testing is verifiable. If CARB must suspend or revoke the conditional approval to sell, the manufacturer is responsible for all costs associated with any recall or remedy required by the executive officer. This bill seems to be narrowly crafted and provides for few downsides if it were implemented.

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."

Arguments in Support

The Specialty Equipment Market Association, sponsors of this bill, writes, "For decades, SEMA has worked closely with the California Air Resources Board (CARB) to ensure emissions-related aftermarket products meet California's clean-air standards and are lawfully brought to market. SEMA assists manufacturers in securing CARB EOs, which certify that aftermarket parts comply with state emissions regulations and may be legally sold and installed. Because an EO is required under Vehicle Code Section 27156 for many emissions-related products, this process is the only lawful pathway for these products to reach the California market.

"The SEMA Emissions Compliance Center is the foundation of our emissions work and the basis of our constructive relationship with CARB. It provides concrete data and real-world examples of what works and what does not within the EO process. Over the past ten years, SEMA has invested more than \$30 million to help the aftermarket industry comply with emissions laws.

Our emissions compliance centers in Diamond Bar, California, and Plymouth, Michigan, offer comprehensive aftermarket product testing supported by state-of-the-art equipment. We have made it our mission to hire experienced emissions professionals who educate manufacturers on compliance requirements and help them design and validate products that meet California's standards. Over the past eight years, SEMA has assisted with approximately 50 percent of all aftermarket EOs issued by CARB and has completed more than 800 EO applications on behalf of member companies.

"These costs are compounded by extended and increasingly unpredictable review timelines. Based on SEMA Emissions Compliance Center data, the average time from application submission to EO issuance is approximately 178 days, representing a notable increase over prior years despite regulatory changes intended to streamline the process. More recent data shows average timelines closer to 8 to 11 months, with prolonged periods of inactivity between CARB responses. In worst case scenarios, applications have remained under review for more than 25 months without resolution."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 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."

VOTES

SENATE FLOOR: 39-0-1

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNERney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Niello

ASM TRANSPORTATION: 15-0-1

YES: Wilson, Davies, Aguiar-Curry, Ahrens, Carrillo, Harabedian, Hart, Hoover, Jackson, Macedo, Papan, Ransom, Rogers, Sharp-Collins, Ward

ABS, ABST OR NV: Lackey

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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