
SENATE COMMITTEE ON ENVIRONMENTAL QUALITY

Senator Blakespear, Chair

2025 - 2026 Regular

Bill No: SB 1239
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Urgency: No
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Fiscal: Yes

SUBJECT: State Air Resources Board: regulations: supplemental impact analysis

DIGEST: This bill requires the California Air Resources Boards (CARB) to submit a supplemental Standardized Regulatory Impact Analysis (SRIA) if a proposed major regulation materially changes after the initial SRIA but prior to adoption.

ANALYSIS:

Existing law:

- 1) Establishes the California Air Resources Board (CARB) as the air pollution control agency in California and requires CARB, among other things, to control emissions from a wide array of mobile sources and coordinate, encourage, and review the efforts of all levels of government as they affect air quality. (Health and Safety Code (HSC) § 39500 et seq.)
- 2) Establishes requirements for state agency rulemaking procedures and standards through the Administrative Procedures Act of 1945 (Government Code (GOV) § 11340 et seq.) including the following documents required of proposed, amended, or repealed regulation:
 - a) A Notice of Proposed Rulemaking;
 - b) An Initial Statement of Reasons (ISOR);
 - c) An economic impact assessment and/or a Standardized Regulatory Impact Analysis (SRIA) (GOV §§ 11346.2); and
 - d) A Final Statement of Reasons (FSOR) (GOV § 11346.9(a)).
- 3) Requires agencies to assess the economic impact of proposed regulations, including:
 - a) The creation or elimination of jobs within the state;
 - b) The creation or elimination of businesses within the state;
 - c) The expansion of existing businesses within the state; and

- d) The benefits to the health and welfare of California residents, worker safety, and the environment (GOV § 11346.3(b)).
- 4) Defines major regulation as a regulation that will have an economic impact greater than \$50 million to California individuals or businesses (GOV §§ 11342.548).
- 5) Requires agencies to prepare a Standardized Regulatory Impact Analysis (SRIA) for proposed major regulation which:
 - a) Must be submitted to the Department of Finance (DOF) for comments, and
 - b) Must include the following analysis in addition to the items listed in GOV § 11346.3(b):
 - i) The competitive advantages or disadvantages for businesses within the state;
 - ii) The increase or decrease of investment in the state;
 - iii) The incentives for innovation in products, materials, or processes; and
 - iv) The benefits to quality of life of California residents, among any other benefits identified by the agency (GOV § 11346.3(c)).
- 6) Requires the Final Statement of Reasons to include the following:
 - a) A summary of each objection or recommendation received from a public comment with an explanation of how the proposed action has been changed to accommodate each objection or recommendation or the reasons for making no change;
 - b) A determination that no alternative considered by the agency would be more effective, with supporting information and based in part upon the SRIA;
 - c) An explanation for rejecting any proposed alternatives that would lessen the adverse economic impact on small businesses, including the SRIA as supporting information (GOV § 11346.9(a)).
- 7) Requires CARB, through AB 32 (Nunez, Chapter 488, Statutes of 2006), to adopt greenhouse gas emission limits and emission reduction measures that achieve the following:
 - a) Minimize costs and maximize benefits to Californians;
 - b) Not disproportionately impact low-income communities; and
 - c) Consider the societal benefits of reduced air pollution, diversification of energy sources, and other benefits (HSC § 38562(a)).

This bill requires a supplemental SRIA in the case that a proposed regulation is materially changed after the release of the initial SRIA and before the adoption of the regulation. The supplemental SRIA shall:

- a) Include an update of the consumer cost analysis;
- b) Be reflective of late-stage amendments before adoption; and
- c) Be made available for public review.

Background

- 1) *Administrative Procedures Act*. Enacted in 1946 under the pressure of increasing government administration responsibilities, the APA provided a framework for California's present system of regulatory rulemaking. This bill, SB 1239, amends Chapter 3.5: *Administrative Regulations and Rulemaking*, Article 5: *Public Participation: Procedure for Adoption of Regulations* (GOV § 11340 et seq.). The procedures detailed in this code section, including the length of public comment and public hearing periods and required agency assessments, apply to every state agency. The APA generally applies equally to all agencies, but there are some notable exceptions:
 - a) AB 1706 (Eng, Chapter 771, Statutes of 2012) stipulates that CARB, the California Environmental Protection Agency (CalEPA), the California Energy Resources Conservation and Development Commission (CEC), and the Department of Motor Vehicles must consider how vehicle weight regulations impact vehicle manufacturers (GOV § 11343.3).
 - b) AB 410 (Swanson, Chapter 495, Statutes of 2011) places additional requirements on rulemaking pertaining to disability access for agencies which engage with disability regulation, such as the Department of Housing, the Department of Healthcare Services, and the California Building Standards Commission (GOV § 11346.6).

In short, the APA typically applies to all state agencies, and narrower requirements (such as those pertaining to disability access and vehicle weights) name multiple agencies which engage in rulemaking within that issue area.

- 2) *The Rulemaking Process*. When proposing, amending, or repealing regulations, an agency must follow steps laid out by the APA. First, the agency drafts the regulation and determines whether that regulation is a major regulation (i.e. whether it would have economic impacts to the state of \$50 million or more). If it is a major regulation, the agency drafts a SRIA and submits the SRIA to the Department of Finance (DOF) 60 to 90 days prior to the Notice of Proposed Rulemaking (Title 1, California Code of Regulations (CCR) § 2002). The SRIA is a detailed economic analysis of a regulation, including costs, benefits,

job creation, investment, and competitive advantage for traditional businesses, small businesses, and individuals. The agency and DOF iterate on the SRIA for months until the economic analysis is sufficient.

Once this internal process is completed, the public engagement period begins when the agency publishes the Notice of Proposed Rulemaking, the Initial Statement of Reasons (ISOR), and the SRIA. The agency will hold a mandatory public comment period of 45 days as well as optional public hearings. Finally, the agency releases the Final Statement of Reasons (FSOR) which includes any amendments to the draft regulation and a response to every public comment with either 1) the amendment addressing the concern or 2) why no action was taken. Additionally, the FSOR is required to include:

“A determination with supporting information that no alternative considered by the agency would be more effective in carrying out the purpose for which the regulation is proposed, would be as effective and less burdensome to affected private persons than the adopted regulation, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. *For a major regulation, as defined by Section 11342.548 proposed on or after November 1, 2013, the determination shall be based, in part, upon the standardized regulatory impact analysis of the proposed regulation and, in part, upon the statement of benefits identified in subparagraph (C) of paragraph (3) of subdivision (a) of Section 11346.5.*” (GOV § 11346.9(a)(4)) (emphasis added)

Therefore, the FSOR and final regulation must be consistent with the SRIA as the FSOR must use the SRIA to justify final rulemaking decisions.

- 3) *Climate Calculus: CARB's SRIA history.* CARB is subject to the same SRIA requirements as any other agency. Calculating the cost impacts of climate policy on businesses and individuals is no easy task. Not only does climate policy have a direct impact on costs through compliance costs, but there are indirect costs and benefits from the climate crisis itself. How much does one degree of warming competitively disadvantage California businesses compared to those in colder regions? How much does one degree of avoided warming decrease health costs? Despite this challenge, CARB conducts a robust socioeconomic impact analysis that includes considering how, “the effects of the regulation are distributed, for example, by industry, income, race, sex, or geography” (Title 1 of California Code of Regulations (CCR) § 2003).

As a specific example, CARB's SRIA for 2024 amendments on Cap and Trade included all of the required analysis in GOV § 11346.3(c). Additionally, this SRIA included additional analysis on the benefits and direct costs to typical businesses, small businesses, and individuals. The estimate of direct costs to individuals assumes that businesses regulated under Cap-and-Invest (known then as Cap-and-Trade) would fully pass compliance costs onto consumers through the pricing of consumer goods. CARB estimated this cost as \$90 per capita annually. Taking into account the \$80 of benefits from the Greenhouse Gas Reduction Fund (GGRF), utilities revenue, and health savings, Cap-and-Invest was estimated to cost the average individual \$10 per year. The 2024 SRIA also considered personal income and found negligible impact on individual income from Cap-and-Invest.

Comments

- 1) *Purpose of Bill.* According to the author, "Californians are struggling under some of the highest gasoline, electricity, and overall living costs in the nation. Meanwhile, the California Air Resources Board (CARB) regularly adopts major regulations that can significantly affect household budgets, business costs, and the price of everyday goods. Existing law requires state agencies, including CARB, to prepare a Standardized Regulatory Impact Assessment (SRIA) for major regulations expected to have an economic impact of more than \$50 million. The SRIA is prepared when a regulation is first proposed and is intended to inform the public and decisionmakers about the rule's expected economic effects.

"The CARB rulemaking process can take anywhere from 16 to 24 months, and major regulations can change substantially in that timeframe. As proposals are revised, the original economic analysis may no longer accurately reflect the regulation that CARB is actually preparing to adopt. SB 1239 would address that transparency gap by requiring CARB to prepare and publicly release a supplemental SRIA whenever a major regulation is materially changed, so the public and policymakers can evaluate the most up-to-date information on consumer cost impacts before the regulation is adopted."

- 2) *LCFS amendment drama.* In 2023, CARB amended the Low Carbon Fuel Standard (LCFS). After the public comment period and public hearings, CARB made several changes to the LCFS amendments which were listed in the FSOR.

However, the final 2023 LCFS amendments were initially rejected by the Office of Administrative Law (OAL). Though this rejection had to do with a lack of clarity on renewable natural gas from dairy farms,¹ some lawmakers conflated the rejection with gas prices. California Senate Republicans stated that “OAL previously halted the regulation due to transparency and procedural violations” as evidence of CARB’s “deceptive handling of the Low Carbon Fuel Standard (LCFS) update.”² On the 2023 LCFS amendments, Senator Jones said:

“CARB and the Governor pushed an expensive gas price hike behind closed doors, ignored public input, and misled Californians about the real cost. We believe their real goal is to drive gas prices so high that working families have no choice but to buy electric vehicles, whether they can afford them or not. The public deserves the truth and we intend to shine a light on this radical agenda.”²

Ultimately, there is little evidence of gas price deception. The SRIA included an “upper bound estimate” of gas prices, undercutting the claim that CARB was not transparent. As of this year, fuel prices did not increase by \$0.35-1.50 per gallon from LCFS; current estimates are between \$0.08 and \$0.20 per gallon.^{3,4} This undercuts the claim that “price hikes” were extreme enough to force working families to buy electric vehicles.

However, let’s consider a hypothetical where LCFS amendments were going through the rulemaking process today and SB 1239 is in effect. Two of the changes listed in the FSOR include: increasing the stringency of the 2025 carbon intensity reduction and restricting how many credits biodiesel producers can receive when using virgin cooking oil (incentivizing the use of waste oil instead).

- a) *2025 Carbon Intensity*. Changing the reduction in 2025 carbon intensity (CI) from 5% to 9% sounds like a large change, but the carbon intensity reduction over the decades long program remains the same: a 90% reduction in CI by 2045. This amendment simply reflected near-term increases in renewable biodiesel and allowed for smaller reductions in later

¹ California Renewable Transportation Alliance (2025) *OAL Releases Details on LCFS Disapproval Decision*. <https://ca-rta.org/oal-releases-details-on-lcfs-disapproval-decision/>

² California Senate Republicans (2025) *Leader Jones Files Public Records Request on Newsom’s Deceptive 65-Cent Gas Price Hike*. <https://src.senate.ca.gov/content/leader-jones-files-public-records-request-newsoms-deceptive-65-cent-gas-price-hike>

³ CARB (2024) *Myth vs. Fact: Low Carbon Fuel Standard (LCFS)*. <https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/lcfs-faq-and-factsheets>

⁴ Cullenward, D. (2025) *Tracking Gasoline Price Impacts in California: Part 1*, Kleinman Center for Energy Policy. <https://kleinmanenergy.upenn.edu/commentary/blog/tracking-gasoline-price-impacts-in-california-part-1/>

years. The updated economic analysis in the FSOR estimated this change would save businesses money over the program lifetime.

- b) *Biodiesel feedstock.* Alternative 1 in the SRIA considers a scenario in which virgin oil feedstock is phased out for waste oil feedstock. Therefore, this change was analyzed in the initial SRIA. Additionally, the updated economic analysis in the FSOR found that incentivizing renewable biodiesel would increase business revenue.

In these two examples, it is unlikely that the added assessments proposed by SB 1239 would be triggered. Both changes were considered in alternatives in the initial SRIA and/or were reflected in the updated economic analysis in the FSOR. Additionally, none of the material changes to the 2023 LCFS amendments were directly impactful on gas prices.

- 3) *A solution in search of a problem.* SB 1239 requires the supplemental SRIA to update the consumer cost analysis. There is no consumer cost analysis required in an initial SRIA, in either existing law or regulations. Therefore, the consumer cost analysis cannot be “updated.”

Though not called as such, CARB SRIAs do include several sections relating to impacts on individuals. The SRIA on 2023 amendments LCFS included sections such as “benefits to individuals” and “direct costs to individuals” as well as a table titled “Change in Personal Income.” While it is valid to want to know how proposed major regulations impact everyday Californians, SRIAs already include direct costs and personal income changes to individuals.

Additionally, the FSOR for the 2023 amendments to LCFS includes a section titled “Updates to Analysis as a Result of Modifications” where “staff updated the emissions and economic impact analyses to reflect the costs and benefits of the updated rulemaking proposal.” This section concludes that the changes to the proposed LCFS amendments decreased costs and increased benefits. Therefore, much of the important information SB 1239 seeks to have made available already exists today.

- 4) *To Amend or Not to Amend.* SB 1239 is a double-edged sword: on one hand, the bill is unlikely to be triggered. On the other hand, the threat that SB 1239 *could* be triggered could disincentivize collaborative rulemaking.
 - a) *Unlikely to trigger.* The FSOR (including its summary of revisions and response to public comments) must be consistent with the SRIA, inasmuch that the SRIA must justify the choices made in the FSOR. Put another way,

the economic analysis in the SRIA must support the revisions described in the FSOR (such as the choice of one regulation over an alternative due to lower cost). As seen in the 2023 LCFS rulemaking, the changes were consistent in the SRIA and the updated economic analysis. Thus, the conditions described (a material change to draft regulation which are inconsistent with the SRIA) in SB 1239 are unlikely to occur.

- b) *Disincentivizing collaborative rulemaking.* The rulemaking process was codified by the APA in 1945, in part, to decrease barriers to public engagement. It does so through requiring a 45-day public comment period, publication of draft rulemaking materials, responses to all public comments, and through the public's ability to request a public hearing. The FSOR is required to respond to every objection or recommendation made in the public comment period with either a change addressing the concern or an explanation as to why no changes were made (GOV § 11346.9(a)). If material changes are made to a proposed regulation in response to public comments, this is an example of successful public participation. The changes made to the 2023 LCFS amendments were made in direct response to public comments and decreased the costs of the program. Disincentivizing CARB from being responsive to issues raised in public comment would stymie CARB's ability to develop effective regulations.

In total, SB 1239 seeks to require information that is already published under existing law, and it could disincentivize collaborative rulemaking. *Given the value of CARB's regulatory process being efficient and responsive, the committee may wish to hold this measure.*

Related/Prior Legislation

SB 1123 (Weiner, 2026) would require a SRIA to include "offsetting benefits, impacts, or savings that might result directly or indirectly" from the proposed, major regulation. This bill is awaiting hearing in the Senate Governmental Organization Committee.

SB 885 (Strickland, 2026) would require the legislature to enact statute authorizing a state agency to adopt a major regulation. This bill is awaiting hearing in the Senate Governmental Organization Committee.

SB 981 (Neillo, 2026) would require CARB to estimate the cost-of-living impacts of major regulations. This bill failed passage in the Environmental Quality Committee on March 18th, 2026.

SB 1161 (Valladares, 2026) would require CARB to prepare an economic assessment on the impact of proposed regulation on low- and middle-income households and disadvantaged communities. Additionally, this bill would require any regulation with an economic impact above inflation to be heard in a joint informational hearing before adoption. This bill is awaiting hearing in this committee.

SB 415 (Durazo, 2023) would require local air districts to perform an assessment of the socioeconomic impacts of the proposed regulations on households whose annual income is less than \$100,000. This bill was held on suspense.

SB 474 (Niello, 2025) would revoke CARB's rulemaking authority. This bill died in the Environmental Quality Committee.

AB 1232 (Avila Farias, 2025) would require an analysis of cost-of-living impacts in the economic analyses done for non-major and major proposed regulation. This bill was held on suspense.

SOURCE: Author

SUPPORT:

California Council for Environmental & Economic Balance (CCEEB)
California Manufacturers and Technology Association
California Taxpayers Association
California Restaurant Association

OPPOSITION:

None received

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