

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 840 (Limón) – As Amended March 26, 2025

Policy Committee: Natural Resources

Vote: 12 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill (1) removes the 2030 sunset on the Legislative Analyst's Office (LAO) annual report to the Legislature on the economic impacts and benefits of greenhouse gas (GHG) emissions targets for 2020 and 2030 and (2) requires the Independent Emissions Market Advisory Committee (IEMAC) to review the LAO's annual report at a public hearing.

FISCAL EFFECT:

Costs of an unknown, but likely absorbable, amount for the LAO to continue producing the annual report beyond 2030. However, this committee sees a wide array of bills that require the LAO to complete a variety of activities. The LAO estimates its analysts spend about 50% of their time over a full year preparing annual reports. Extending this reporting requirement means LAO staff would continue dedicating a portion of its time to completing this annual report, and therefore would be unavailable to work on other potential priority projects for the Legislature. The LAO's budget is subject to the Legislature's constitutional spending cap, and the LAO does not typically receive additional funding for completing statutorily required reports.

COMMENTS:

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

California has ambitious climate goals, reducing our overall greenhouse gas emissions 40% the 1990 levels by 2030. Cap and trade has been a cost effective way to reduce greenhouse gas emissions in California, but it is set to sunset in 2030. This bill removes the sunset date on a report the Legislative Analyst's Office is required to submit to the legislature on the economic impacts of our climate targets.

2) **Background. Reducing GHG Emissions.** Over the years, the Legislature has adopted various statewide GHG emission reduction targets. AB 32 (Núñez), Chapter 488, Statutes of 2006, established the target of limiting GHG emissions statewide to the 1990 level by 2020. SB 32 (Pavley), Chapter 249, Statutes of 2016, extended the limit to at least 40% below the 1990 level by 2030. AB 1279 (Muratsuchi), Chapter 337, Statutes of 2022, extended the limit to at least 85% below the 1990 level by 2045. AB 1279 also established a goal of attaining zero net carbon emissions by 2045, commonly known as carbon neutrality.

Since its creation through the passage of AB 32, the cap-and-trade program has served as one of the state's primary policies to help it achieve its ambitious GHG reduction goals. AB 398 (Garcia), Chapter 135, Statutes of 2017, extended the statutory authorization for the program from 2020 through 2030. AB 398 requires the LAO to annually report on the economic impacts and benefits of the state's GHG emissions reduction targets.

IEMAC. AB 398 also established the IEMAC, which analyzes the environmental and economic performance of the cap-and-trade program and other relevant climate policies, then reports its findings to the Air Resources Board and the Joint Legislative Committee on Climate Change. The IEMAC is statutorily required to meet at least once a year.

LAO. The LAO has provided fiscal and policy advice to the Legislature for 75 years. It is known for its fiscal and programmatic expertise and nonpartisan analyses of the state budget. According to the LAO, its office serves as the "eyes and ears" for the Legislature to ensure the executive branch is implementing legislative policy in a cost efficient and effective manner.

Vehicle. This bill is a placeholder for a potential extension of the cap-and-trade program. The "support if amended" and "oppose unless amended" letters on file reflect various organizations' positions on the extension of and proposed changes to the program, not the current contents of the bill.

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