

THIRD READING

Bill No: SB 954
Author: Blakespear (D), et al.
Amended: 5/14/26
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 5-2, 4/15/26
AYES: Blakespear, Allen, Gonzalez, Hurtado, Menjivar
NOES: Valladares, Dahle

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 4/22/26
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SUBJECT: California Environmental Quality Act: advanced manufacturing facilities: exemption

SOURCE: Author

DIGEST: This bill excludes ‘habitat for protected species’ from a number of California Environmental Quality Act (CEQA) exemptions introduced in (SB 131, Chapter 24, Statutes of 2025), and adds further eligibility criteria to the CEQA exemption for ‘advanced manufacturing,’ including that the exemption be restricted to final tier manufacturing as defined.

ANALYSIS:

Existing law:

- 1) Requires under CEQA that a lead agency determines whether a project is exempt from CEQA, or if it must do an initial study to determine if a project will have significant effects on the environment. If a project has no effect on

the environment or effects that can be mitigated, the lead agency prepares a negative declaration (ND) or mitigated ND (MND). If the project will have significant impacts, the lead agency prepares an environmental impact report (EIR) to evaluate and propose mitigation measures for any effects on the environment, including impacts or likely impacts to land, air, water, minerals, flora, fauna, ambient noise, and historic or aesthetic significance. (Public Resources Code (PRC) §§21000 et seq.)

- 2) Through the passage of SB 131 (Weiner, Chapter 24, Statutes of 2025), established a dozen new CEQA exemptions including:
 - a) Maintenance facility projects and stations that are within a mile of an existing right of way and are approved for high speed rail
 - b) Wildfire exemptions for prescribed fire and fuel reduction projects under 50 acres within ½ mile of subdivision and with an exemption for sensitive habitat coastal sage brush.
 - c) Defensible space and fuel management with 100 or 200 feet of an ingress/egress route so long as they don't cut down mature trees
 - d) Defensible space within 200 feet of structures
 - e) Drinking water and wastewater for disadvantaged systems and community water systems funded by Prop 4 or SAFER.
 - f) Broadband projects within an existing right of way or 30 feet from roads.
 - g) Any climate adaptation and mitigation plan
 - h) Parks and trail facilities funded by Prop 4
 - i) Rural health clinics
 - j) Food pantries in industrial zones
 - k) Farmworker housing
 - l) Daycare centers in all areas except residential zones
 - m) Rezoning that implements a housing element
 - n) Advanced Manufacturing facilities in industrial zones

- 3) Defines 'advanced manufacturing' as
 - a) "Advanced manufacturing" means manufacturing processes that improve existing or create entirely new materials, products, and processes through the use of science, engineering, or information technologies, high-precision tools and methods, a high-performance workforce, and innovative business or organizational models utilizing any of the following technology areas:
 - i) Microelectronics and nanoelectronics, including semiconductors
 - ii) Advanced materials
 - iii) Integrated computational materials engineering
 - iv) Nanotechnology

- v) Additive manufacturing
- vi) Industrial biotechnology, and;
- b) “Advanced manufacturing” includes any the following:
 - i) Systems that result from substantive advancement, whether incremental or breakthrough, beyond the current industry standard, in the production of materials and products. These advancements include improvements in manufacturing processes and systems that are often referred to as “smart” or “intelligent” manufacturing systems, which integrate computational predictability and operational efficiency, among others.
- 4) Establishes a definition of ‘natural and protected lands’ where some of the new SB 131 CEQA exemptions do not apply.

This bill:

- 1) Changes the CEQA exemption for daycare facilities to include residential areas and exclude industrial zones or areas within 3,200 feet of a facility that actively extracts or refines oil or natural gas.
- 2) Adds “habitat for protected species” as defined, to the list of “Natural and protected lands” (lands where the dozen newly created CEQA exemptions in SB 131 do not apply).
- 3) Specifies that advanced manufacturing for purposes of the CEQA exemption applies only to ‘final tier manufacturing’ as defined.
- 4) Adds further guardrails to the ‘advanced manufacturing’ CEQA exemption to specify that CEQA exemption only applies if the projects meet the following criteria:
 - a) Uses zero emission backup generation.
 - b) Includes a community benefits agreement to address labor and community concerns.
 - c) Specifies that the project will not harm tribal resources or will use the existing CEQA consultation process.
 - d) Requires that projects meet high labor standards, including skilled and trained labor requirements for public projects, prevailing wage for private projects, and meeting high roads labor standards, as defined.
 - e) Holds a public hearing on the proposed project.
 - f) Be in heavy industrial zones, identified as such in 2026.

- g) Be in areas that are at least 1,000 foot setbacks from disadvantaged communities, as defined.
- h) Projects cannot emit more than a set amount air pollutants including PM and NOx and toxic air contaminants (TACS) that mirror the threshold for significance for air pollution for CEQA review in the current version of air pollution guidance by Bay Area Air Quality Management District, including cumulative emission thresholds for TACs.

Background

1) *How is 'advanced manufacturing' defined in California law?* Advanced manufacturing is defined in existing law as part of a tax credit program. This definition is extremely broad and includes “manufacturing processes that improve existing or create entirely new materials, products, and processes” and includes anything that has “systems that result from substantive advancement, whether incremental or breakthrough, beyond the current industry standard, in the production of materials and products.” The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) Sales and Use Tax Exclusion (STE) Program, offers a full sales and use tax exclusion on equipment purchases for qualified advanced manufacturers meeting this definition. Any business wishing to receive this exclusion must apply to CAEATFA, which reviews the applications to determine if they qualify for the STE. Currently, 85 projects have received the STE for advanced manufacturing. Some examples of project types include the following:

- Strip Mining
- Metal Forging and Thin Steel Plate Manufacturing
- Semiconductor and Fabrication Equipment Manufacturing
- Fertilizer Production
- Lithium Battery Cell Manufacturing
- Metal Products Manufacturing
- Electric Vehicle Battery Manufacturing
- Biopharmaceutical and Medical Device Manufacturing
- Advanced Carpet Recycling
- Water Bottling Facility
- Lithium Recovery and Processing
- Beverage Production
- Solar Photovoltaic Manufacturing
- Defense and Aerospace manufacturing
- Advanced Robotic Surgical Systems and Tools
- Electric Vehicle Charging Station Production

- Peptide Pharmaceutical Manufacturing
- Carbon Black Production
- Biomass Processing, Fuel Production and Corn Oil Production
- Rail Transportation Manufacturing
- Residential Insulation Manufacturing

2) *Governor Certification process for CEQA streamlining ELDP.* The Legislature has developed the Environmental Leadership Development Program, which authorizes projects meeting strong environmental and labor to be certified by the Governor as “leadership” projects and receive judicial and administrative streamlining (judicial streamlining requires that a CEQA lawsuit against an ELDP project be heard in 270 days, including all appeals, as feasible.) While the specific criteria for ELDP certification depends on the project type, existing ELDP certification requires that projects meet skilled and trained or prevailing wage labor standards, and environmental criteria such as achieving Leadership in Energy and Environmental Design (LEED) Gold certification and being greenhouse gas neutral. (SB 149, Caballero, Chapter 60, Statutes of 2023). The average time between submitting the application and getting the ELDP certification by the Governor is relatively short, typically 1-3 months.

Comments

1) *Purpose of Bill.* According to the author “SB 954 makes targeted changes to last year’s California Environmental Quality Act (CEQA) reforms enacted in SB 131. In particular, the bill would narrow overly broad definitions of advanced manufacturing, add environmental guardrails to protect communities, and clarify language so the original intent of SB 131 is followed without harming the environment, labor or tribal resources.”

“SB 954 strengthens protections for habitat of protected species, extends CEQA exemptions for residential daycare facilities, and adds clear environmental guardrails to the CEQA exemption for advanced manufacturing, and specifies the intent of the Legislature to further narrow the definition of advanced manufacturing to appropriate sectors, allowing room for stakeholders and the Legislature to continue discussions on the definition of advanced manufacturing and CEQA exemptions.”

2) *Is strip mining really “Advanced Manufacturing”?* The current definition of advanced manufacturing could arguably apply to most manufacturing so long as it improves systems, even incrementally, using ‘smart’ systems such as integrating AI or computing. Nothing in the current definition restricts products

on their environmental impacts or even requires that this manufacturing be to create cutting edge products: as a result, the CAEFTA tax credit using this definition of ‘advanced manufacturing’ has been awarded to many projects that have significant environmental impacts, including a strip mining operation. Such a broad definition may be reasonable for a tax credit, where each applicant is evaluated by the CAEFTA, but exempting projects from ceqa regardless of their environmental impacts could result in a myriad of problems for applicants, communities, and the environment.

3) *What does it mean to exempt advanced manufacturing from CEQA?*

On the pros list, a CEQA exemption for advanced manufacturing can send a strong signal to industry that their business is welcome in California, and potentially (though not guaranteed) reduce times and costs associated with environmental review, especially reducing risk of litigation.

On the cons list, manufacturing projects that are exempt from CEQA will not have the same public transparency or mitigation requirements integral to CEQA. One study by the Institute of Research on Labor and Employment has already considered the environmental and economic impacts associated with ‘advanced manufacturing’ projects that have received the CAEFTA tax credit to try and estimate how a CEQA exemption for such projects could impact the environment and economy. According to that report: “The specific risks presented by the “advanced manufacturing” CEQA exemption can be illustrated by several examples. The first of these is the Mountain Pass Rare Earth Mine in the Mojave Desert, operated by MP Materials Corporation, which was granted tax credits as an “advanced manufacturing” facility in 2021. If this facility is issued a CEQA exemption for its planned expansion (Kimball, 2025), its parent company could circumvent key CEQA requirements for radioactive waste containment and groundwater protection. Critically, the facility was previously ordered to shut down in 2002 after about 600,000 gallons of radioactive toxic waste had spilled from seven separate spill events from a ruptured pipeline at the mine (Ali, 2014). Another example is the CertainTeed fiberglass insulation plant in Chowchilla. In 2020, the facility was sued for their glass melting furnace exceeding the opacity emission standard for soot and PM2.5 by more than 8,700 times, committing at least 163 discharge violations of smog-forming NOx, and failing to properly monitor pollution. In 2021, the plant was awarded “advanced manufacturing” STE tax credits, despite the facility’s record of environmental violations. Just two years after being classified as “advanced manufacturing” and awarded tax credits,

CertainTeed emitted the second most PM2.5 pollution of any facility in the San Joaquin Valley.”

In addition, projects like manufacturing that can have significant impacts on air water, wildlife hazardous waste etc. may run into hurdles when trying to get all the permits that they need without CEQA. CEQA establishes processes by which permitting agencies work with developers and the lead agency, and the analyses created for CEQA are used to inform many of those permitting processes. Without CEQA, projects that have significant environmental impacts may face extended timelines and difficulties in getting permits.

Historically, CEQA exemptions have primarily been applied to projects that do not have significant impacts on the environment or that, with appropriate guardrails, will substantially avoid those significant impacts. The CEQA exemption for advanced manufacturing, with its broad scope for projects that are likely to have significant impacts on the environment, is unprecedented.

- 4) *‘Advanced manufacturing’ in SB 954.* This bill specifies that advanced manufacturing applies only to ‘final tier’ manufacturing, as defined, which does not include resource extraction, fuels or recycling. This somewhat narrows the existing CEQA exemption for advanced manufacturing (e.g., it would exclude strip mining and other extractive processes), but still leaves the definition very broad which will accommodate a wide range of manufacturing industries including future industries that have not yet been contemplated.

While this bill leaves intact the broad list of advanced manufacturing facilities, it protects the environment by adding guardrails to the CEQA exemption for manufacturing: only projects meeting the high standards established in this bill for labor and environmental protection are eligible for the exemption. Environmental guardrails include requiring a community benefits agreement, specifying that the project will not harm tribal resources, limiting eligibility to projects that do not exceed certain air pollution thresholds and that are located in heavy industrial zones set back from disadvantaged communities, among other criteria.

This bill also requires that projects, in order to be eligible for the ‘advanced manufacturing’ CEQA exemption, become certified by the Governor as advanced manufacturing leaders. This parallels the certification process in existing law which allows projects to get expedited judicial review and adds important state oversight for a CEQA exemption for such a broad list of

potential projects. To be certified as an advanced manufacturing leader project applicants will have to make the case that the project is significantly better on resource consumption and less polluting than current industry standards, be LEED Gold eligible, and meet high roads labor criteria for construction and operation of projects (requiring skilled and trained standards for construction of projects, and CBAs guaranteeing high roads labor standards, as defined, including for construction).

- 5) *'Habitat for protected species': not good sites for CEQA exemptions.* The framework for protecting sensitive habitats and species in California is done through CEQA. CEQA can require biological assessments as part of environmental review documents: these biological assessments would not generally be done outside of CEQA, unless there is another CDFW permit required, such as a Lake and Streambed Alteration Agreement. These biological assessments ensure that the California Endangered Species Act is enforced: if a species is protected by the California Endangered Species Act then a take permit would be required, but without the biological assessments, there may be no knowledge that a particular listed species is present unless a biological assessment is done. In this way, CEQA acts as a linchpin for environmental laws protecting endangered species. This bill sets up a process by which a developer in areas that are likely to have habitat would have to conduct biological assessments to determine whether or not protected species are present before beginning construction.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The Governor's Office of Land Use and Climate Innovation (LCI) estimates one-time costs of \$448,000 spread over two years for one limited-term positions to establish to draft guidelines, develop internal processes and procedures, begin accepting applications, and provide technical assistance and engagement regarding the addition of an advanced manufacturing category to judicial streamlining certification.
- Unknown but potentially significant one-time costs (Energy Resources Program Account [ERPA] or General Fund) for the California Energy Commission (CEC) to develop and make available to lead agencies guidelines for evaluating whether a project applicant demonstrates high road employment standards.
- To the extent that projects qualify for judicial streamlining certification that otherwise would not have qualified absent this bill, it would result in potential cost pressure of an unknown amount (General Fund) to the state-funded court

system to process and hear challenges to a project's environmental review within the required timeframes.

- Unknown costs (various funds) for other state entities and lead agencies to implement the provisions of this bill.

SUPPORT: (Verified 5/14/26)

California Medical Association

California State Association of Electrical Workers

California State Pipe Trades Council

Solano County Democratic Central Committee

Unite Here International Union, Afl-cio

Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION: (Verified 5/14/26)

Bay Area Council

California Cement Manufacturers Environmental Coalition

California Chamber of Commerce

California Manufacturing Technology Association

Western Electrical Contractors Association

Prepared by: Brynn Cook / E.Q. / (916) 651-4108
5/18/26 15:05:44

**** END ****