SENATE THIRD READING
SB 954 (Blakespear)
As Amended August 13, 2026
Majority vote

SUMMARY

Repeals the California Environmental Quality Act (CEQA) exemption for advanced manufacturing facilities enacted by SB 131 (Budget Committee), Chapter 24, Statutes of 2025, replacing it with a more limited exemption with extensive environmental and labor conditions.

Major Provisions

1) Adds habitat for protected species to the list of "natural and protected lands" for purposes of excluding such habitat from this bill's exemption for advanced manufacturing facilities, as well as the SB 131 exemptions for day care centers, rural health clinics, nonprofit food banks, and high-speed rail maintenance facilities and stations.

2) Revises the SB 131 exemption for day care centers to include projects in residential areas and exclude projects in areas zoned for industrial use and areas within 3,200 feet of an oil or natural gas extraction or refining facility.

3) Repeals the SB 131 exemption for advanced manufacturing facilities on industrial sites and instead adds an exemption for advanced manufacturing facilities as follows:

   a) Limits to facilities used exclusively for final tier manufacturing, as defined.

   b) Adds the following location requirements:

      i) Site zoned exclusively for heavy industrial uses as of January 1, 2026.

      ii) Not located within 1,600 feet of a sensitive receptor (e.g., a residence, school, daycare, park, nursing home, or hospital), within 1,000 feet of a disadvantaged community, or on natural or protected lands.

   c) Adds the following emissions limits:

      i) Fifty-four pounds per day or 10 tons per year of reactive organic gases, whichever is lower.

      ii) Fifty-four pounds per day or 10 tons per year of oxides of nitrogen, whichever is lower.

      iii) Eighty pounds per day or 14.6 tons per year, whichever is lower, of particulate matter less than 10 microns in diameter.

      iv) Fifty-four pounds per day or 10 tons per year, whichever is lower, of particulate matter less than 2.5 microns in diameter.

      v) Ten pounds per day or less of methane.

vi) One hundred thirty-seven pounds per day or 25 tons per year, whichever is lower, of oxides of sulfur.

vii) Five hundred forty-eight pounds per day or 100 tons per year, whichever is lower, of carbon monoxide.

d) Requires compliance with a quality community risk reduction plan or demonstration of an increased cancer risk of no more than 10 in one million and an increase in noncancer risk of less than 1.0 on the hazard index for both chronic and acute exposure for receptors within 1,000 feet radius of the fence of the facility.

e) Prohibits the project from causing significant adverse impacts to tribal cultural resources, unless there is a documented enforceable agreement, as specified.

f) Requires use of zero-emission backup generation.

g) Requires the Governor to certify that the project:

i) Is certified Leadership in Energy and Environmental Desgin (LEED) gold or better.

ii) Demonstrates significant improvements over current industry standards for energy and water consumption, water quality impacts, specifically including reducing perfluoroalkyl or polyfuoroalkyl substances (PFAS) effluent as compared to industry baselines, and air quality impacts.

h) Requires the lead agency to hold at least one public hearing on the project and ensure that the applicant complies with specified "high road" employment standards, enters a community benefits agreement, and for construction work, pays prevailing wages and uses a skilled and trained workforce, or has a project labor agreement.

COMMENTS

The definition of "advanced manufacturing" borrowed for the CEQA exemption added by SB 131 was established in 2013 for purposes of a temporary tax credit program that currently expires in 2028. The definition is extremely broad and vague, in the sense that it describes general manufacturing products and processes rather than physical projects. The definition includes no reference to, or conditions regarding, the environmental benefits or impacts of advanced manufacturing projects.

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:

1) Strip Mining

2) Metal Forging and Thin Steel Plate Manufacturing

3) Semiconductor and Fabrication Equipment Manufacturing

4) Fertilizer Production

5) Lithium Battery Cell Manufacturing

6) Metal Products Manufacturing

7) Electric Vehicle Battery Manufacturing

8) Biopharmaceutical and Medical Device Manufacturing

9) Advanced Carpet Recycling

10) Water Bottling Facility

11) Lithium Recovery and Processing

12) Beverage Production

13) Solar Photovoltaic Manufacturing

14) Defense and Aerospace manufacturing

15) Advanced Robotic Surgical Systems and Tools

16) Electric Vehicle Charging Station Production

17) Peptide Pharmaceutical Manufacturing

18) Carbon Black Production

19) Biomass Processing, Fuel Production and Corn Oil Production

20) Rail Transportation Manufacturing

21) Residential Insulation Manufacturing

Unlike the tax credit process, which requires applications to be reviewed and approved by CAEATFA, the eligibility for the CEQA exemption typically will be determined by city or county lead agencies.

According to the Author
Last year, the Legislature passed Senate Bill 131 through the budget process. While SB 131 created many sensible CEQA exemptions and reforms, it also created an exemption for advanced manufacturing that is so broad it covers strip mining and other activities known to be especially harmful to the environment. SB 131 passed the Legislature with the commitment that the policy would be revisited to add stronger protections for habitat, tribal resources, and to reconsider the scope of CEQA exemptions for advanced manufacturing.

SB 954 follows through on those promises by adding important guardrails to the CEQA exemption for advanced manufacturing, including adding protections for tribal cultural resources, in addition to adding labor provisions to the CEQA exemption for advanced manufacturing. SB 954 also excludes habitat for protected species from many of the CEQA exemptions created in SB 131, and expands SB 131's CEQA exemption for daycare facilities to include residential areas while excluding industrial areas.

Ultimately, SB 954 advances the goals of SB 131 to reduce green tape while adding the important protections for habitat, communities, tribal resources, and workers needed to ensure that California is not just building more, but building better.

Arguments in Support
Writing in support of this bill, a coalition of organizations argues that legal experts have warned that the broad definition of "advanced manufacturing" in SB 131 "could include an incredibly large range of industrial projects, from chemical manufacturing to fuel production to nuclear facilities," and that "never before had the Legislature exempted such hazardous land uses from CEQA's requirements for transparency, impact mitigation, and community input."

Arguments in Opposition
Writing in opposition, a coalition of business and housing groups argues this bill eliminates eligible SB 131 sites, overrides local control, includes infeasible environmental standards and unprecedented labor standards, requires the Governor to personally approve projects, and introduces a problematic "final tier manufacturing" definition, among other objectionable provisions.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

1) The Governor's Office of Land Use and Climate Innovation (LCI) – which provides technical assistance related to CEQA to state and local government agencies and develops technical advisories on selected CEQA topics – estimates annual General Fund costs of $224,000 for two years for an air pollution specialist to draft guidelines, develop internal processes and procedures, accept project applications for certification by the Governor, review and make public evidence and materials demonstrating that a project meets the bill's requirements, and provide technical assistance to applicants.

   The bill allows LCI to charge a fee on an applicant seeking certification for the reasonable costs incurred by the Governor's Office in implementing this bill. Currently, LCI charges fees for applicants seeking its certification for judicial streamlining. For example, the office charges a clean renewable energy project that generates electricity exclusively through wind or solar seeking certification for judicial streamlining a $39,000 fee. LCI expects to similarly charge a fee to applicants seeking certification (for a full CEQA exemption) under this bill to cover its ongoing costs.

2) The California Energy Commission (CEC) – which the bill tasks with developing and making available to lead agencies guidelines for evaluating whether a project applicant demonstrates "high road employment standards" – estimates a one-time cost of $273,000 for one year for one attorney to develop the required guidelines. Because of the ongoing structural deficit within the Energy Resource Program Account (ERPA) Fund, the CEC's primary account, ERPA may not be able to support the implementation of this bill.

3) The Labor Commissioner's Office estimates costs of $850,000 in year one followed by ongoing annual costs of $800,000 (State Public Works Enforcement Fund) to enforce the bill's labor standards by investigating complaints, conducting audits, determining compliance with prevailing wage, skilled and trained workforce, and other applicable labor requirements, and issuing penalties or other enforcement actions.

VOTES

SENATE FLOOR: 23-9-8
YES: Allen, Archuleta, Arreguín, Ashby, Blakespear, Cervantes, Cortese, Durazo, Hurtado, Laird, Limón, McGuire, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson
NO: Alvarado-Gil, Choi, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares, Wiener
ABS, ABST OR NV: Becker, Cabaldon, Caballero, Dahle, Gonzalez, Grayson, McNerney, Niello

ASM NATURAL RESOURCES: 9-4-1
YES: Bryan, Connolly, Garcia, Haney, Kalra, Muratsuchi, Pellerin, Schultz, Zbur
NO: Ellis, Alanis, Hoover, Macedo
ABS, ABST OR NV: Wicks

ASM LABOR AND EMPLOYMENT: 5-1-1
YES: Ortega, Elhawary, Kalra, Lee, Ward
NO: Alanis
ABS, ABST OR NV: Chen

ASM APPROPRIATIONS: 11-4-0
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Hoover, Dixon, Ta, Tangipa

UPDATED

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