Office of Senate Floor Analyses
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UNFINISHED BUSINESS

Bill No: SB 954
Author: Blakespear (D), et al.
Amended: 8/21/26
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

SENATE FLOOR: 23-9, 5/27/26
AYES: 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
NOES: Alvarado-Gil, Choi, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares, Wiener
NO VOTE RECORDED: Becker, Cabaldon, Caballero, Dahle, Gonzalez, Grayson, McNerney, Niello

ASSEMBLY FLOOR: Passed, 8/26/26

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.

Assembly Amendments remove provisions in this bill related to housing and narrow the scope of the guardrails applied to the 'advanced manufacturing' CEQA exemption, including removing the requirement that projects be certified as eligible for the CEQA exemption by the Governor.

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 projects for wildfire preparedness, Drinking water and wastewater for disadvantaged systems, broadband projects, climate adaptation and mitigation plans, parks and trail facilities funded by Prop 4, rural health clinics, food pantries in industrial zones, farmworker housing, daycare centers in all areas except residential zones, rezoning that implements a housing element, and 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) 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 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) Prohibits the project from producing emissions of criteria air pollutants and toxic air contaminants through construction or operation that exceed 50% of the air district's CEQA thresholds of significance.

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

e) Requires use of at least 50% zero-emission backup generation.

f) Requires the project to be eligible for certification as Leadership in Energy and Environmental Design (LEED) gold or better, or gold through the Green Globes program.

g) Requires a semiconductor facility to install and operate:

i) Onsite wastewater treatment equipment designed to remove and destroy perfluoroalkyl or polyfluoroalkyl substances without incineration.

ii) Point of use treatment systems designed to achieve 99% destructive removal efficiency for fluorinated process gases.

iii) Cooling systems to minimize the emission of fugitive fluorinated heat transfer fluids.

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.

Background

1) *How is 'advanced manufacturing' defined in California law?* Advanced manufacturing is defined in existing law as part of a tax credit program. The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) Sales and Use Tax Exclusion (STE) Program, authorized under CA PRC 26003, offers qualified manufacturers a full sales and use tax exclusion on equipment purchases. Any business wishing to

receive this exclusion must apply to CAEATFA, which reviews the applications to determine if they qualify for the STE. Statute limits the program to awarding $100 million in sales and use tax exclusions in each calendar year, and applicants are limited to $10-15 million per year. Currently, 85 projects have received the STE for advanced manufacturing, and 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
- Recycled Food Packaging Manufacturing and Label Production
- 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
- Health and Beauty Products
- Fuel Grade Hydrogen Production
- Carbon Black Production
- Biomass Processing, Fuel Production and Corn Oil Production
- Rail Transportation Manufacturing
- Residential Insulation Manufacturing

2) *CEQA exemptions for childcare facilities*. Currently, most childcare facilities are exempt from CEQA. A search of the terms "childcare" and "preschool" on CEQAnet, the statewide database of CEQA documents, returns dozens of examples of Notices of Exemptions for preschools and childcare facilities. Common CEQA exemptions for childcare facilities include the 'existing facilities' CEQA exemption for buildings that are being repurposed, and the Class 32 'infill' exemption for projects in infill areas. Many more daycare facilities are likely considered by-right, meaning that they are not subject to CEQA at all and may not file notices of exemption. The same search of

'childcare' and 'preschool' returned no examples of the more environmentally intensive EIR documents being prepared for daycare facilities. In other words, childcare facilities are almost always CEQA exempt under current law.

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 projects will have tribal consultation, limiting eligibility to projects that do not exceed certain air pollution thresholds and that are located in industrial zones set back from disadvantaged communities, among other criteria.

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

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.

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 (LCO) 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.

SUPPORT: (Verified 8/26/26)

California Medical Association (CMA)
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 8/26/26)

Bay Area Council
California Cement Manufacturers Environmental Coalition
California Chamber of Commerce
California Manufacturing Technology Association
Western Electrical Contractors Association

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