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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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### **SB 981 (Niello) - Administrative regulations: standardized regulatory impact analysis: State Air Resources Board**

**Version:** March 9, 2026

**Urgency:** No

**Hearing Date:** May 4, 2026

**Policy Vote:** E.Q. 7 - 0

**Mandate:** No

**Consultant:** Ashley Ames

**Bill Summary:** The bill would require additional analysis on the cost-of-living impact of major regulations from the California State Air Resources Board (CARB).

#### **Fiscal Impact:**

- Unknown but likely significant ongoing costs, at least \$3.66 million annually (various funds), to CARB for additional staff and contract costs. According to CARB, in order to address the bill's cost of living requirements, each major rulemaking would require at least one additional program staff. Generally, CARB prepares about 5 major rulemakings per year, necessitating at least one additional position for these rulemakings and at least three additional economists to develop cost of living sector-specific modeling tools and develop and manage associated contracts, which could exceed \$500,000. Staff notes the fund source would vary depending on the rulemaking it is associated with.

#### **Background:**

*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. SB 981 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. GOV § 11340 et seq. rarely references individual agencies.

The following are two examples of when the APA references specific agencies. 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). 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.

*CARB's Standardized Regulatory Impact Analysis (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.

*Cost-benefit analysis.* Thoughtful policymaking is ultimately a balancing of trade-offs: who will be better off, who will be worse off, and when considered in totality, do those effects merit the proposed action? “Cost-benefit analysis” is a more formalized method for assessing the economic efficiency of proposed public policies through the systematic prediction of social costs and social benefits. In theory, comprehensively valuing effects and aggregating across all members of society yields the net social benefits of the policy. In practice, this is often easier said than done.

**Proposed Law:** This bill would require CARB to, in addition to the existing requirements for the SRIA, address the following:

- a) Retail gasoline and transportation costs,
- b) Consumer electric bills,
- c) Consumer goods and food costs,
- d) Housing and building construction costs, and
- e) Costs to businesses.

**Related 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.

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

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.

SB 1239 (Jones, 2026) would require CARB to release a supplemental SRIA if the proposed regulation undergoes material changes after the initial SRIA but before adoption. This bill failed passage 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 died in policy committee.

SB 474 (Niello, 2025) would revoke CARB's rulemaking authority. This bill died in policy 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 in Assembly Appropriations.

**Staff Comments:** CARB regulates various sectors to control emissions to meet federal air quality standards by specified dates. CARB notes that if the bill were to hinder rulemaking and attainment deadlines were not achieved, it could put tens of billions of dollars of federal funding for highway projects at risk.

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