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AB-23 The Cost of Living Reduction Act of 2025. (2025-2026)

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AMENDED IN ASSEMBLY MARCH 25, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 23

Introduced by Assembly Member DeMaio

December 02, 2024

An act ~~relating to cost of living~~, to add Chapter 6.6 (commencing with Section 25560) to Division 15 of the Public Resources Code, and to amend Section 739.9 of, and to add Chapter 10 (commencing with Section 8410) to Division 4.1 of, the Public Utilities Code, relating to energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 23, as amended, DeMaio. The Cost of Living Reduction Act of 2025.

Existing law vests the Public Utilities Commission (PUC) with regulatory authority over public utilities, including electrical corporations and gas ~~corporations, and requires the PUC to develop a definition of energy affordability~~ corporations. Existing law vests the State Energy Resources Conservation and Development Commission (Energy Commission) with various responsibilities for developing and implementing the state's energy policies.

Existing law, the California Global Warming Solutions Act of 2006, designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act requires the state board to ensure that statewide greenhouse gas emissions are reduced to at least 40% below the 1990 level by 2030. The act requires the state board to adopt regulations to establish a market-based compliance mechanism, operative until January 1, 2031, as specified. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund.

Existing law also establishes the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy (Little Hoover Commission) to promote economy, efficiency, and improved service in the transaction of the public business in the various departments, agencies, and instrumentalities of the executive branch of state government.

This bill, the Cost of Living Reduction Act of 2025, would ~~declare the intent of the Legislature to enact subsequent legislation to reduce the cost of living in California by undertaking specified activities, including, among other things, by suspending all state taxes and fees on gasoline and electric and gas utilities and by requiring the Little Hoover Commission to provide a report on methods to reduce the cost of living in other areas, as provided~~ require the Energy Commission and the PUC to post, and update

monthly, dashboards on their internet websites that include the difference in average gasoline prices and the average total price of electricity or natural gas in California compared to national averages, and any California-specific taxes, fees, regulations, and policies that directly or indirectly contribute to higher gasoline and electricity or natural gas prices within the state, as specified. The bill would require the Energy Commission and the PUC, on or before July 1, 2026, to each submit a report to the Legislature on the governmental and nongovernmental drivers of California's higher gasoline prices and higher electricity and natural gas prices, and recommendations for policy changes to reduce the costs associated with those drivers, as specified. If the average price of gasoline in California exceeds 10% of the national average in the preceding quarter, the bill would require all taxes and fees on gasoline, as specified, to be suspended for a period of 6 months, and, if the average price of electricity or natural gas in California exceeds 10% of the national average in the preceding quarter, the bill would require the PUC to suspend the collection of all fees, as specified, charged on electricity and natural gas bills for a period of 6 months.

This bill would also require the State Air Resources Board, if the average price of gasoline, electricity, or natural gas in California exceeds 10% of the national average, to suspend the requirements of the cap-and-trade program, as defined, for a covered entity that is an oil refinery, electrical corporation, or gas corporation, and the collection of any money under the cap-and-trade program from those entities, for a period of 6 months, as provided.

This bill would require the Energy Commission to develop a rebate methodology to compensate Californians for the higher cost of gasoline, electricity, and natural gas compared to the national average, and, beginning with the 2026–27 fiscal year, in any year where the average prices for gasoline, electricity, or natural gas have exceeded the national average for those energy sources by more than 10% in the preceding 12 months, would require the Controller to provide rebates to households consistent with the methodology developed by the commission. The bill would establish the Cost of Living Reduction Fund and would require an amount necessary to fund the rebates, as specified, to be transferred from the Greenhouse Gas Reduction Fund to the Cost of Living Reduction Fund, the moneys in which would be continuously appropriated to the Controller for the purpose of making the rebate payments. By requiring the transfer of moneys into a continuously appropriated fund, the bill would make an appropriation.

This bill would require the Little Hoover Commission, on or before January 1, 2027, to study and report on the effectiveness of the methodology and approach in this act to produce cost savings and penalize the government for its role in contributing to the excessive cost of living, and on its application to other areas, as provided.

Existing law authorizes the PUC to adopt new, or expand existing, fixed charges, as defined, for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. Existing law requires the PUC, no later than July 1, 2024, to authorize a fixed charge for default residential rates on an income-graduated basis, as specified.

This bill would repeal the authorization for the PUC to adopt new, or expand existing, fixed charges, and would require the PUC to repeal a specified fixed charge established pursuant to a PUC decision. The bill would prohibit the PUC and the governing body of a local publicly owned electric utility from adopting new, or expanding existing, fixed charges on and after January 1, 2026.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain provisions of this bill would be a part of the act and because a violation of a PUC action implementing its requirements would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: **majority**2/3 Appropriation: **noyes** Fiscal Committee: **noyes** Local Program: **noyes**

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. This act shall be known, and may be cited, as the Cost of Living Reduction Act of 2025.

~~SEC. 2. It is the intent of the Legislature to enact subsequent legislation to reduce the cost of living in California by reforming regulations and suspending all state taxes and fees on gasoline and electric and gas utilities, providing each household with up to two thousand five hundred dollars (\$2,500) in cost-of-living relief rebates, and requiring the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy to provide a report on methods to reduce the cost of living in other areas, such as homeowners' insurance, housing, and health care.~~

SEC. 2. Chapter 6.6 (commencing with Section 25560) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 6.6. Cost of Living Reduction Act of 2025 **Article 1. Gasoline Prices**

25560. (a) The commission shall post, and update monthly, a dashboard on its internet website that includes both of the following information:

(1) The difference in average gasoline prices in California compared to national average gasoline prices.

(2) All California-specific taxes, fees, regulations, and policies that directly or indirectly contribute to higher gasoline prices within the state, and the relative contribution of each individual tax, fee, regulation, or policy to the price difference identified in paragraph (1), including taxes, fees, regulations, and policies that contribute to higher costs for entities subject to Section 25354, to the extent that these higher costs are passed on to consumers.

(b) (1) On or before July 1, 2026, the commission shall submit a report to the Legislature on the governmental and nongovernmental drivers of California's higher gasoline prices and recommendations for policy changes to reduce the costs associated with those drivers.

(2) A report to be submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(c) (1) If the average price for gasoline in California, as reported pursuant to subdivision (a), exceeds 10 percent of the national average in the preceding quarter, the collection of all state taxes and fees on gasoline shall be suspended for a period of six months.

(2) All savings realized on the purchase of gasoline by any party other than an end-use consumer due to the suspension of taxes and fees pursuant to this subdivision shall be passed on to the end-use consumer.

(d) If the average price for gasoline in California, as reported pursuant to subdivision (a), exceeds 10 percent of the national average in the preceding quarter, the State Air Resources Board shall suspend the requirements of the cap-and-trade program for a covered entity that is an oil refinery, and the collection of any money under the cap-and-trade program from those entities, for a period of six months.

(e) For purposes of this section, the following definitions apply:

(1) "Cap-and-trade program" means the market-based compliance mechanism developed by the State Air Resources Board pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code.

(2) "State taxes and fees on gasoline" include, but are not limited to: all of the following:

(A) The oil and gas assessment rate, as determined pursuant to Article 7 (commencing with Section 3400) of Chapter 1 of Division 3.

(B) The oil spill prevention and administration fee imposed pursuant to Section 8670.40 of the Government Code.

(C) The underground storage tank maintenance fee imposed pursuant to Section 25299.41 of the Health and Safety Code and paid to the State Board of Equalization pursuant to the Underground Storage Tank Maintenance Fee Law (Part 26 (commencing with Section 50101) of Division 2 of the Revenue and Taxation Code).

(D) Any water quality fees imposed by the State Water Resources Control Board pursuant to Chapter 9 (commencing with Section 2200) of Division 3 of Title 23 of the California Code of Regulations.

(E) The state fuel tax for gasoline imposed pursuant to Chapter 2 (commencing with Section 7360) of Part 2 of Division 2 of the Revenue and Taxation Code.

(F) The state fuel tax for diesel fuel imposed pursuant to Chapter 2 (commencing with Section 60050) of Part 31 of Division 2 of the Revenue and Taxation Code.

(G) The state sales tax for gasoline imposed on gasoline as a motor vehicle fuel, calculated consistent with subdivision (b) of Section 6357.7 of the Revenue and Taxation Code and any other applicable law.

(H) The state sales tax for diesel imposed on diesel as a motor vehicle fuel, calculated consistent with subdivision (b) of Section 6357.5 of the Revenue and Taxation Code and any other applicable law, and the tax imposed on retail sales of diesel pursuant to Section 6051.8 of the Revenue and Taxation Code.

Article 2. Utility Rates

25561. (a) The Public Utilities Commission shall post, and update monthly, a dashboard on its internet website that includes all of the following information:

(1) The difference in the average total price per kilowatthour of electricity, inclusive of all government fees and charges, including for public purpose programs, compared to national average electricity prices.

(2) The difference in the average total price per therm of natural gas, inclusive of all government fees and charges, including for public purpose programs, compared to national average natural gas prices.

(3) The identification of all California-specific taxes, fees, regulations, and policies that directly or indirectly contribute to higher electricity or natural gas prices within the state, and the relative contribution of each individual tax, fee, regulation, or policy to the price difference identified in paragraph (1) or (2).

(b) (1) On or before July 1, 2026, the Public Utilities Commission shall submit a report to the Legislature on the governmental and nongovernmental drivers of California's higher electricity or natural gas prices and recommendations for policy changes to reduce the costs associated with those drivers.

(2) A report to be submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(c) If the average price of electricity or natural gas in California, as reported pursuant to subdivision (a), exceeds 10 percent of the national average in the preceding quarter, the Public Utilities Commission shall suspend the collection of all fees charged on electricity or natural gas bills for a period of six months.

(d) If the average price of electricity or natural gas in California, as reported pursuant to subdivision (a), exceeds 10 percent of the national average in the preceding quarter, the State Air Resources Board shall suspend the requirements of the cap-and-trade program for a covered entity that is an electrical corporation or gas corporation, and the collection of any money under the cap-and-trade program from those entities, for a period of six months.

(e) For purposes of this section, the following definitions apply:

(1) "Cap-and-trade program" means the market-based compliance mechanism developed by the State Air Resources Board pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code.

(2) "Fees charged on electricity and natural gas bills" include, but are not limited to, all of the following:

(A) All fees deposited into the Energy Resources Programs Account created pursuant to Section 25801.

(B) All fees collected for the Public Utilities Commission Reimbursement Account pursuant to Section 431 of the Public Utilities Code.

(C) The Wildfire Fund charge collected pursuant to Section 3289 of the Public Utilities Code.

(D) The Electric Program Investment Charge established pursuant to Chapter 8.1 (commencing with Section 25710).

(E) The electrical energy surcharge imposed pursuant to Section 40016 of the Revenue and Taxation Code.

Article 3. Cost of Living Reduction Fund

25562. (a) The Cost of Living Reduction Fund is hereby established in the State Treasury.

(b) Notwithstanding Chapter 4.1 (commencing with Section 39710) of Part 2 of Division 26 of the Health and Safety Code and Article 9.7 (commencing with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, the Controller shall transfer an amount equal to the amount reported by the commission pursuant to subdivision (c) of Section 25563 from the Greenhouse Gas Reduction Fund to the Cost of Living Reduction Fund.

(c) Notwithstanding Section 13340 of the Government Code, all moneys in the Cost of Living Reduction Fund are hereby continuously appropriated, without regard to fiscal years, to the Controller for the purpose of making rebate payments pursuant to Section 25563.

Article 4. Gas and Utility Rebate

25563. (a) Beginning with the 2026–27 fiscal year, in any year when the average prices for gasoline, electricity, or natural gas have exceeded the national average for those energy sources by more than 10 percent in the preceding 12 months, the Controller shall provide rebates to households consistent with the methodology developed by the commission pursuant to subdivision (b).

(b) (1) The commission shall develop a rebate methodology to compensate Californians for the higher cost of gasoline, electricity, or natural gas compared to the national average.

(2) The methodology shall be consistent with both of the following:

(A) The rebates shall not exceed two thousand five hundred dollars (\$2,500) per household.

(B) Only households with an income at or below one hundred twenty thousand dollars (\$120,000) if married, or at or below sixty-five thousand dollars (\$65,000) if single, are eligible for the rebate.

(c) The commission shall annually report to the Controller the amount necessary to fund the rebates consistent with the methodology developed pursuant to subdivision (b).

Article 5. Reporting

25564. (a) On or before January 1, 2027, the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy shall study and report to the Legislature on the effectiveness of the methodology and approach in this chapter to produce cost savings and penalize the government for its role in contributing to the excessive cost of living, and on its application to other services or products, including homeowners' insurance, housing, health care, water utilities, and any other cost-of-living element that the commission decides to examine.

(b) A report to be submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.

SEC. 3. Section 739.9 of the Public Utilities Code is amended to read:

739.9. (a) "Fixed charge" means any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed.

(b) Increases to electrical rates and charges in rate design proceedings, including any reduction in the California Alternate Rates for Energy (CARE) discount, shall be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect before January 1, 2014.

(c) Consistent with the requirements of Section 739, the commission may modify the seasonal definitions and applicable percentage of average consumption for one or more climatic zones.

~~(d) The commission may adopt new, or expand existing, fixed charges for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. The commission shall ensure that any approved charges do all of the following:~~

~~(1) Reasonably reflect an appropriate portion of the different costs of serving small and large customers;~~

~~(2) Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction;~~

~~(3) Are set at levels that do not overburden low-income customers;~~

~~(e) (1) For the purposes of this section and Section 739.1, the commission may authorize fixed charges for any rate schedule applicable to a residential customer account. The fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds so that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage. The commission shall, no later than July 1, 2024, authorize a fixed charge for default residential rates.~~

~~(2) For purposes of this subdivision, "income-graduated" means that low-income customers pay a smaller fixed charge than high-income customers.~~

~~(f) Notwithstanding the requirements of subdivision (d) of Section 739 and Section 739.7, the commission shall not apply the composite tier method to the treatment of any revenues resulting from any fixed charge adopted pursuant to this section.~~

(d) The commission shall repeal the fixed charge established pursuant to former subdivision (e), as this section read on January 1, 2025, in commission Decision 24-05-028 (May 9, 2024), Decision Addressing Assembly Bill 205 Requirements for Electric Utilities.

(e) On and after January 1, 2026, the commission shall not adopt a new, or expand an existing, fixed charge.

SEC. 4. Chapter 10 (commencing with Section 8410) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 10. Fixed Charges

8410. *On and after January 1, 2026, the governing body of a local publicly owned electric utility, as defined in Section 224.3, shall not adopt a new, or expand an existing, fixed charge, as defined in Section 739.9.*

SEC. 5. *No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.*