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SB-127 Climate change. (2025-2026)

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Senate Bill No. 127

CHAPTER 15

An act to amend Section 11553 of the Government Code, to amend Sections 43019, 43019.1, 44127, and 44272 of the Health and Safety Code, to amend Sections 25711.5 and 25806 of the Public Resources Code, to amend Section 80710 of the Water Code, and to amend Section 18 of Chapter 61 of the Statutes of 2022, relating to climate change, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 27, 2025. Filed with Secretary of State June 27, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 127, Committee on Budget and Fiscal Review. Climate change.

Existing law establishes the State Energy Resources Conservation and Development Commission (Energy Commission) under the direction of a chairperson. Existing law provides an annual salary for members and for the chairperson and prescribes a method by which those salaries may be increased.

Existing law grants an additional salary increase of 5% in each of the 2023–24, 2024–25, and 2025–26 fiscal years for members of the Energy Commission.

This bill would, similarly, grant the chairperson of the Energy Commission an additional salary increase of 5% for the 2025–26, 2026–27, and 2027–28 fiscal years.

Existing law requires the Energy Commission to develop and implement the Electric Program Investment Charge (EPIC) program to award moneys for projects that will benefit electricity ratepayers, lead to technological advancement and breakthroughs, and result in a portfolio of projects that is strategically focused and sufficiently narrow to make advancement on the most significant technological challenges, as specified. Existing law, until July 1, 2025, authorizes the Energy Commission to award, through a noncompetitive method, follow-on funding for projects that meet specified criteria, including the EPIC program's eligibility requirements and that the projects have been funded, at least in part, through the EPIC program.

This bill would extend the authorization to award follow-on funding for those projects until January 1, 2028.

Existing law vests the Energy Commission with the exclusive jurisdiction to certify the construction of stationary or floating electrical generating facilities using a source of thermal energy with a generating capacity of 50 megawatts or more and prohibits a person from constructing those facilities unless that person obtains a certificate from the commission, as provided. Existing law establishes an opt-in certification process, as provided, for solar photovoltaic, terrestrial wind electrical generation powerplants, and thermal powerplants that do not use fossil or nuclear fuels, with a generating capacity of 50 megawatts or more, an energy storage system capable of storing 200 megawatthours or more of electricity, or projects associated with the manufacture, production, or assembly of energy storage systems, wind systems, solar photovoltaic energy systems, or specialized products, components, or systems integral to renewable energy or energy storage technologies, that authorizes a person proposing to

construct those facilities to file an application for certification with the Energy Commission. Existing law requires a person submitting an application for certification to submit a fee of \$250,000 plus \$500 per megawatt of gross generating capacity or per megawatt-hour of gross energy storage capacity, or \$0.70 per square foot of those manufacturing, production, or assembly facilities. Existing law prohibits the application fee from exceeding \$750,000. Existing law requires a person receiving a certification from the Energy Commission to pay an annual fee of \$25,000 for each year the facility retains its certification. Existing law requires a person submitting a petition to amend an existing project that previously received certification to submit with the petition a fee of \$5,000. Existing law requires that those fees be adjusted annually, as provided.

This bill would instead require a person submitting an application for certification to submit with the application a nonrefundable deposit of \$750,000 and would require the applicant to pay all costs incurred by the Energy Commission in processing the application. The bill would require the Energy Commission to provide invoices for additional fees, at least annually, for the actual costs incurred by the Energy Commission in excess of the deposit. The bill would increase the annual fee to \$70,000 for each year the facility retains its certification. The bill would specify that the petition fee is nonrefundable.

Existing law requires the Energy Commission to implement and administer the Distributed Electricity Backup Assets Program to incentivize the construction of cleaner and more efficient distributed energy assets that would serve as on-call emergency supply or load reduction for the state's electrical grid during extreme events, and the Demand Side Grid Support Program to incentivize dispatchable customer load reduction and backup generation operation as on-call emergency supply and load reduction for the state's electrical grid during extreme events, as provided.

Existing law requires the Department of Water Resources, in consultation with the Energy Commission, to implement those projects, purchases, and contracts to carry out the above-described purposes. Existing law requires facilities constructed by the department, or under a contract with the department, that use any form of fossil fuel to be operated as necessary to respond to extreme events and prohibits those facilities from being operated any other time, except as provided.

This bill would instead require facilities constructed and owned by the department, rather than constructed by the department, or under a contract with the department, that use any form of fossil fuel to be operated as necessary to respond to extreme events and prohibit those facilities from being operated any other time, except as provided.

Existing law, for the 2021–22 fiscal year, appropriates \$200,000,000 to the Energy Commission to be used for a program to provide incentives for demand side grid support and associated mitigation costs and authorizes the expenditure of those moneys for the adoption of regulations, guidelines, or other standards for the program, third-party block grants or contracts with incentive program implementers for purposes of implementing the program, or advancing up to 25% of the awarded funds at a time to parties that are eligible for funding for purposes of the program.

This bill would authorize the use of any additional funding appropriated by the Legislature to the Energy Commission for demand side grid support and associated mitigation costs for the above-specified uses.

Existing law establishes the Clean Transportation Program, administered by the Energy Commission, to provide funding to certain entities to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. Existing law limits funding under the program to specified categories of programs and projects, including, among others, block grants or incentive programs administered by public entities or not-for-profit technology entities for multiple projects, education and program promotion within California, and development of zero-emission fuel and vehicle technology centers.

This bill would revise that category of programs and projects eligible for this funding by eliminating the restriction that the block grants or incentive programs be administered by public entities or not-for-profit technology entities and by expanding the category to authorize this funding for block grants or incentive programs for zero-emission vehicle infrastructure.

Existing law requires the State Air Resources Board (state board) to adopt and implement motor vehicle emission standards. Existing law provides that a person who violates specified vehicular air pollution statutes or specified orders, rules, or regulations of the state board is subject to a civil penalty, and requires those penalties to be deposited in the Air Pollution Control Fund.

Existing law authorizes the state board to adopt a schedule of annual fees for the certification, audit, and compliance of motor vehicles and engines sold in the state to cover the state board's reasonable costs in implementing the certification, audit, and compliance programs, and requires those fees be deposited in the Certification and Compliance Fund. Existing law authorizes the state board to adopt a schedule of fees to cover all or a portion of the state board's reasonable costs for the certification, audit, and compliance of off-road or nonvehicular engines and equipment, aftermarket parts, and emissions control components sold in the state, and requires all moneys collected by the state board as part of that schedule of fees to be deposited in the Certification and Compliance Fund.

This bill would also authorize the state board to adopt a schedule of annual fees for deficiencies of motor vehicles and engines sold in the state and a schedule of fees to cover all or a portion of the state board's reasonable costs for the deficiencies of off-

road or nonvehicular engines and equipment, aftermarket parts, and emissions control components sold in the state. The bill would require the fees collected under both of those schedules to be deposited in the Certification and Compliance Fund.

Existing law establishes the Charge Ahead California Initiative, administered by the state board, and with the goals of, among other things, placing in service at least 1,000,000 zero-emission and near-zero-emission vehicles by January 1, 2023, and increasing access for disadvantaged, low-income, and moderate-income communities and consumers to zero-emission and near-zero-emission vehicles. Existing law also establishes the Clean Cars 4 All Program, which is administered by the state board, to focus on achieving reductions in the emissions of greenhouse gases, improvements in air quality, and benefits to low-income state residents through the replacement of high-polluter motor vehicles with cleaner and more efficient motor vehicles or a mobility option. Under existing law, the distribution of incentives under the program is implemented in air pollution control and air quality management districts that choose to participate in the program and through a statewide program. Existing law requires the state board, with respect to specified funds made available to the state board and that the state board allocated to the program, to maintain funding for each local air district participating in the program by requiring the state board to reallocate funds to local air districts under certain circumstances.

This bill would expand the requirement to maintain funding to local air districts in that manner using other specified funds made available to the state board for the suite of equity transportation programs established under the Charge Ahead California Initiative, including the Clean Cars 4 All Program.

This bill would appropriate the sum of \$132,175,000 from the Air Pollution Control Fund to the State Air Resources Board for the 2025–26 fiscal year, when funds are available from a specified consent decree, to be administered through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, as specified. The bill would make the funds available for encumbrance or expenditure until June 30, 2027, and available for liquidation until June 30, 2029.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

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

SECTION 1. Section 11553 of the Government Code is amended to read:

11553. (a) Effective January 1, 1988, an annual salary of eighty-one thousand six hundred thirty-five dollars (\$81,635) shall be paid to each of the following:

- (1) Chairperson of the California Unemployment Insurance Appeals Board.
- (2) Chairperson of the Agricultural Labor Relations Board.
- (3) Chairperson of the Fair Political Practices Commission.
- (4) Chairperson of the State Energy Resources Conservation and Development Commission.
- (5) Chairperson of the Public Employment Relations Board.
- (6) Chairperson of the Workers' Compensation Appeals Board.
- (7) Administrative Director of the Division of Industrial Accidents.
- (8) Chairperson of the State Water Resources Control Board.
- (9) Chairperson of the Cannabis Control Appeals Panel.

(b) (1) The annual compensation provided by this section shall be increased in any fiscal year in which a general salary increase is provided for state employees. The amount of the increase provided by this section shall be comparable to, but shall not exceed, the percentage of the general salary increases provided for state employees during that fiscal year.

(2) In addition to the annual increase provided in paragraph (1), the chairperson of the State Energy Resources Conservation and Development Commission shall receive an annual salary increase of 5 percent in each of the 2025–26, 2026–27, and 2027–28 fiscal years.

(c) Notwithstanding subdivision (b), any salary increase pursuant to paragraph (1) of subdivision (b) is subject to Section 11565.5.

(d) This section shall be operative on July 1, 2019.

SEC. 2. Section 43019 of the Health and Safety Code is amended to read:

43019. The state board may adopt, by regulation, a schedule of annual fees for the certification, audit, compliance, and deficiencies of motor vehicles and engines sold in the state to cover the state board's reasonable costs of implementing the certification, audit, and compliance programs as authorized or required under the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500)) or this part related to mobile sources. The fee shall be paid by an entity seeking that certification. The fee shall be in an amount sufficient to cover the state board's reasonable costs in implementing those state programs, including any administrative costs and may be adjusted by the annual change in the California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding year. The fees collected by the state board pursuant to this section shall be deposited in the Certification and Compliance Fund created pursuant to Section 43019.2 and shall solely be used to cover the state board's reasonable costs of implementing the certification, audit, and compliance programs as authorized or required under the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500)) or this part related to mobile sources.

SEC. 3. Section 43019.1 of the Health and Safety Code is amended to read:

43019.1. (a) (1) The state board may adopt a schedule of fees to cover all or a portion of the state board's reasonable costs associated with the certification, audit, compliance, and deficiencies of off-road or nonvehicular engines and equipment, aftermarket parts, and emissions control components sold in the state, as authorized pursuant to Sections 38560, 43013, and 43018 of this code and subdivision (h) of Section 27156 of the Vehicle Code. For purposes of this paragraph, "reasonable costs" does not include the state board's costs recovered in a fee assessed pursuant to Section 43019.

(2) For a certification not subject to a fee assessed by the state board pursuant to Section 43019, the state board may adopt a fee to cover all, or a portion of, the state board's reasonable costs associated with each type of certification described in paragraph (1), to be paid by the entity seeking the certification. The state board may assess a fee at the time of application and upon certification to spread the financial burden to entities remitting the fee.

(b) In adopting a schedule of fees pursuant to subdivision (a), the state board shall work with impacted industries and consider all of the following:

(1) Potential impacts on manufacturers that may result from the fee.

(2) Size of the manufacturer compared to the industry average served by the product on which the fee will be assessed.

(3) Number of certifications requested and consistency with prior year certifications by the manufacturer.

(4) Complexity of the regulated category for which a certification is requested.

(5) A product's potential impact on emissions, and the complexity of the evaluation required, including, for an aftermarket part, determining there is no risk to the environment when the aftermarket part is in actual use.

(6) Anticipated change in the number of certifications issued annually.

(7) Potential impacts for enacting a partial fee that does not fully cover the state board's costs for activities associated with certification, including the impacts on the processing time for certification.

(c) All fees collected pursuant to this section shall be deposited in the Certification and Compliance Fund, created pursuant to Section 43019.2.

SEC. 4. Section 44127 of the Health and Safety Code is amended to read:

44127. (a) Upon appropriation by the Legislature, the state board may allocate moneys for the expansion of the replacement component or mobility option component of the program or Clean Cars 4 All from any of the following:

(1) The Enhanced Fleet Modernization Subaccount, created pursuant to Section 44126.

(2) The High Polluter Repair or Removal Account, created pursuant to Section 44091.

(3) The Vehicle Inspection and Repair Fund, created pursuant to Section 9886 of the Business and Professions Code.

(b) Upon appropriation by the Legislature, the state board may allocate moneys consistent with law for Clean Cars 4 All from the Greenhouse Gas Reduction Fund, created pursuant to Section 16428.8 of the Government Code.

(c) Of the funds made available in Item 3900-101-3228 of the Budget Act of 2021 (Section 118 of Chapter 69 of the Statutes of 2021), Items 3900-101-0001 and 3900-101-3228 of the Budget Act of 2022 (Sections 115 and 116 of Chapter 249 of the Statutes of 2022), and Items 3900-101-0001 and 3900-101-3228 of the Budget Act of 2023 (Sections 110 and 111 of Chapter 38 of the Statutes of 2023) to the state board for the suite of equity transportation programs established under the Charge Ahead California

Initiative, including, but not limited to, Clean Cars 4 All, the state board shall maintain funding for each district participating in Clean Cars 4 All, such that if a district has insufficient funds to meet processed demand, the state board shall reallocate moneys to that district to ensure operation is minimally impacted for district Clean Cars 4 All programs.

(d) (1) In allocating funding under Clean Cars 4 All to districts participating in the program, and to the statewide program, the state board shall consider, at a minimum, all of the following metrics:

(A) Number of vouchers deployed.

(B) Proportion of applications that have been started and resulted in completed replacement transactions or mobility vouchers.

(C) Demand for vouchers.

(D) Proportional investment to underserved populations identified pursuant to paragraph (4) of subdivision (c) of Section 44125.5.

(E) Population in eligible Clean Cars 4 All ZIP Codes.

(2) Beginning January 1, 2023, and every year thereafter, the state board shall publish, as part of its funding plan, a report identifying how each criterion was used to allocate funding to districts and to the statewide program.

(e) (1) Up to 10 percent of the moneys allocated by the state board for Clean Cars 4 All may be used for outreach programs in accordance with both of the following requirements:

(A) Before a district allocates more than 5 percent of the moneys received from the state board for Clean Cars 4 All in a fiscal year for outreach, the district shall submit a description to the state board of the outreach efforts that will be funded with any money above 5 percent of the moneys allocated by the state board and a justification of how the additional funding for outreach will support deployment of Clean Cars 4 All to households in census tracts shown to be the most impacted in each region, households making less than 225 percent of the federal poverty level, households that are primarily non-English speaking, and other underserved populations identified pursuant to paragraph (4) of subdivision (c) of Section 44125.5.

(B) A district that allocates more than 5 percent of the moneys received from the state board for Clean Cars 4 All in a fiscal year for outreach shall submit a report to the state board on the outcome of this expenditure, including a description of outreach efforts that were funded or augmented with any money above 5 percent of the moneys allocated by the state board for Clean Cars 4 All and how that funding supported deployment of Clean Cars 4 All to households in census tracts shown to be the most impacted in each region, households making less than 225 percent of the federal poverty level, households that are primarily non-English speaking, and other underserved populations identified pursuant to paragraph (4) of subdivision (c) of Section 44125.5.

(2) Documents and information submitted by a district to the state board pursuant to this subdivision shall be for informational purposes only.

(f) (1) Notwithstanding Section 10231.5 of the Government Code, the state board shall report annually to the budget committees of both houses of the Legislature the amount of funding allocated by the state board to the statewide Clean Cars 4 All program and to each district Clean Cars 4 All program and detailed performance metrics consistent with the requirements of subdivision (d) for the statewide and district Clean Cars 4 All programs, including the number and dollar amount of grants awarded by each district program and by the statewide program and regionally specific information for grant awards made by the administrator under the statewide program.

(2) Notwithstanding Section 9795 of the Government Code, a report prepared pursuant to paragraph (1) shall be submitted as an electronic copy to the committees described in paragraph (1) and posted on the state board's internet website.

SEC. 5. Section 44272 of the Health and Safety Code is amended to read:

44272. (a) The Clean Transportation Program is hereby created. The program shall be administered by the commission. The commission shall implement the program by regulation pursuant to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The program shall provide, upon appropriation by the Legislature, competitive grants, revolving loans, loan guarantees, loans, or other appropriate funding measures to public agencies, California Native American tribes, tribal organizations, vehicle and technology entities, businesses and projects, public-private partnerships, workforce training partnerships and collaboratives, fleet owners, consumers, recreational boaters, and academic institutions to develop and deploy innovative technologies that transform California's fuel and

vehicle types to help attain the state's climate change policies. The emphasis of this program shall be to develop and deploy zero-emission technology and fuels in the marketplace where feasible and near-zero-emission technology and fuels elsewhere.

(b) The goals of the program shall be to advance the state's clean transportation, equity, air quality, and climate emission policies, including, but not limited to, any of the following:

- (1) Section 39719.2.
- (2) Section 39730.5.
- (3) Section 43024.2.
- (4) Section 44124.5.
- (5) Section 44391.2.
- (6) Section 25229 of the Public Resources Code.
- (7) Section 25327 of the Public Resources Code.
- (8) Section 14517 of the Government Code.

(c) On or after January 1, 2025, when developing the investment plan pursuant to Section 44272.5, the commission shall prioritize program investments into the following:

- (1) Deployment of infrastructure and other projects that advance or support the deployment of medium- and heavy-duty vehicles to meet the clean transportation, equity, air quality, and climate emission goals described in subdivision (b).
- (2) Deployment of light-duty vehicle infrastructure technology to fill deployment gaps identified pursuant to Sections 25229 and 25231 of the Public Resources Code and advance the goals identified in Executive Order No. N-79-20.

(d) On and after January 1, 2025, no less than 50 percent of investments expended pursuant to subdivision (a) shall be expended in accordance with Section 44272.1.

(e) A project that receives more than seventy-five thousand dollars (\$75,000) in funds from the commission shall be approved at a noticed public meeting of the commission and shall be consistent with the priorities established by the investment plan adopted pursuant to Section 44272.5. Under this article, the commission may delegate to the commission's executive director, or the executive director's designee, the authority to approve either of the following:

- (1) A contract, grant, loan, or other agreement or award that receives seventy-five thousand dollars (\$75,000) or less in funds from the commission.
- (2) Amendments to a contract, grant, loan, or other agreement or award if the amendments do not increase the amount of the award, change the scope of the project, or modify the purpose of the agreement.

(f) The commission shall provide preferences to those projects that maximize the goals of the Clean Transportation Program, based on the following criteria, as applicable:

- (1) The project's consistency with existing and future state climate change policy and low-carbon fuel standards.
- (2) The project's ability to reduce greenhouse gas emissions, criteria air pollutants, and air toxics, and reduce or avoid multimedia environmental impacts.
- (3) The project does not adversely impact the sustainability of the state's natural resources, especially state and federal lands.
- (4) The project provides nonstate matching funds. Costs incurred from the date a proposed award is noticed may be counted as nonstate matching funds. The commission may adopt further requirements for purposes of this paragraph. The commission is not liable for costs incurred pursuant to this paragraph if the commission does not give final approval for the project or the proposed recipient does not meet requirements adopted by the commission pursuant to this paragraph.
- (5) The project provides economic benefits for California by promoting California-based technology firms, jobs, and businesses.
- (6) The project uses existing or proposed fueling infrastructure to maximize the outcome of the project.
- (7) The project drives new technology advancement for vehicles, vessels, engines, and other equipment, and promotes the deployment of that technology in the marketplace.

(8) The project's ability to transition workers to, or promote employment in, zero-emission fuel and vehicle technology where feasible and near-zero-emission fuel and vehicle technology elsewhere.

(9) The project is in a nonattainment area pursuant to the federal Clean Air Act (42 U.S.C. Sec. 7401 et seq.), and, if applicable, preference shall be given to projects in the highest designation of nonattainment.

(10) The project advances the comprehensive strategy for vehicles pursuant to Section 43024.2.

(g) The commission shall rank applications for projects proposed for funding awards based on solicitation criteria developed in accordance with subdivision (f), and shall give additional preference to funding those projects with higher benefit-cost scores.

(h) Only the following shall be eligible for funding:

(1) Zero-emission fuel projects where feasible and near-zero-emission fuel projects elsewhere to develop and improve zero-emission and near-zero-emission fuels, including electricity, renewable diesel, hydrogen, and biomethane, among others, and their feedstocks that have high potential for long-term or short-term commercialization, including projects that lead to sustainable feedstocks.

(2) Demonstration and deployment projects that optimize zero-emission fuels and infrastructure where feasible and near-zero-emission fuels and infrastructure elsewhere for existing and developing technologies.

(3) Projects to produce alternative and renewable low-carbon fuels in California.

(4) Projects to decrease the overall impact of an alternative and renewable fuel's life-cycle carbon footprint and increase sustainability.

(5) Zero-emission fuel infrastructure, fueling stations, and equipment where feasible and near-zero-emission fuel infrastructure, fueling stations, and equipment elsewhere.

(6) Projects to develop and improve light-, medium-, and heavy-duty vehicle technologies that provide for better fuel efficiency and lower greenhouse gas emissions, alternative fuel usage and storage, or emission reductions, including propulsion systems, lightweight materials, intelligent transportation systems, energy storage, control systems and system integration, physical measurement and metering systems and software, development of design standards and testing and certification protocols, battery recycling and reuse, engine and fuel optimization electronic and electrified components, hybrid technology, plug-in hybrid technology, battery electric vehicle technology, fuel cell technology, and conversions of hybrid technology to plug-in technology through the installation of safety certified supplemental battery modules.

(7) Programs and projects that accelerate the commercialization of zero-emission vehicles, fuels, and infrastructure where feasible and near-zero-emission vehicles, fuels, and infrastructure elsewhere, including buy-down programs through near-market and market-path deployments, advanced technology warranty or replacement insurance, development of market niches, supply-chain development, and research related to the pedestrian safety impacts of vehicle technologies and alternative and renewable fuels.

(8) Programs and projects to retrofit medium- and heavy-duty on-road and nonroad vehicle fleets with zero-emission technologies where feasible and near-zero-emission technologies elsewhere that create higher fuel efficiencies, including alternative and renewable fuel vehicles and technologies, idle management technology, and aerodynamic retrofits that decrease fuel consumption.

(9) Infrastructure projects that promote zero-emission infrastructure development where feasible and near-zero-emission fuel infrastructure development elsewhere connected with existing fleets, public transit, and existing transportation corridors, including physical measurement or metering equipment and truck stop electrification.

(10) Workforce training programs related to the development and deployment of technologies that transform California's fuel and vehicle types and assist the state in implementing its climate change policies, including, but not limited to, zero-emission vehicles, technologies, fuels, and infrastructure where feasible and near-zero-emission vehicles, technologies, fuels, and infrastructure elsewhere; automotive computer systems; mass transit fleet conversion, servicing, and maintenance; and other sectors or occupations related to the purposes of this chapter, including training programs to transition dislocated workers affected by the state's greenhouse gas emission policies, including those from fossil fuel sectors, or training programs for low-skilled workers to enter or continue in a career pathway that leads to middle skill, industry-recognized credentials or state-approved apprenticeship opportunities in occupations related to the purposes of this chapter.

(11) Block grants or incentive programs for education and program promotion within California, zero-emission vehicle infrastructure, and development of zero-emission fuel and vehicle technology centers. The commission may adopt guidelines for implementing the block grant or incentive program, which shall be approved at a noticed public meeting of the commission.

(12) Life-cycle and multimedia analyses, sustainability and environmental impact evaluations, and market, financial, and technology assessments performed by a state agency to determine the impacts of increasing the use of zero-emission transportation fuels and technologies, and to assist in the preparation of the investment plan and program implementation.

(13) A program to provide funding for homeowners who purchase a plug-in electric vehicle to offset costs associated with modifying electrical sources to include a residential plug-in electric vehicle charging station. In establishing this program, the commission shall consider funding criteria to maximize the public benefit of the program.

(i) (1) The commission shall require the following data to be reported to the commission, consistent with paragraph (2), as a condition of accepting a grant issued pursuant to this section:

(A) For a hydrogen-refueling station grant recipient, the availability of operational fueling nozzles, whether hydrogen is available for refueling at that station, the volume of hydrogen-dispensed basis, the number of vehicles fueled by a station, and any other data deemed necessary by the commission to monitor reliability and accessibility of the refueling infrastructure.

(B) For an electric vehicle charging station grant recipient, the availability of operational charging plugs, whether the station was energized, the volume of electricity in kilowatthours used to charge by vehicles, the number of vehicles charged by a station, and any other data deemed necessary by the commission to monitor reliability and accessibility of the charging infrastructure.

(2) The commission shall require this data to be measured no less frequently than on a daily basis and reported electronically to the commission no less frequently than quarterly.

(j) (1) The commission may make a single source or sole source award pursuant to this section to either of the following:

(A) A public or nonpublic entity that manages a United States Department of Energy national laboratory.

(B) A public or nonpublic entity for an applied research project.

(2) The same requirements set forth in Section 25620.5 of the Public Resources Code shall apply to awards made on a single source basis or a sole source basis.

(k) (1) For purposes only of any hydrogen application scoring pursuant to this section, the commission shall provide preference to applicants with the least carbon-intensive proposed fuel, measured well-to-gate, consistent with the clean hydrogen federal tax credit created by Section 45V of Title 26 of the United States Code using the order of tiers created by the regulations adopted pursuant to that section to score hydrogen grant applications, upon the effective date of regulations issued by the United States Department of the Treasury for that tax credit.

(2) This scoring preference does not establish a new hydrogen standard and shall only be used to score applications submitted to the program established pursuant to this section.

(l) The commission shall require the awardees of funding pursuant to this section for any hydrogen-fueling infrastructure to provide to the commission the source and carbon intensity of the hydrogen produced for, or dispensed by, hydrogen-fueling stations, as measured by the methodology in the Low Carbon Fuel Standard regulation (Subarticle 7 (commencing with Section 95480) of Article 4 of Subchapter 10 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations).

(m) The commission shall require the awardees of funding pursuant to this section for any electric vehicle charging infrastructure to report to the commission the source and greenhouse gas emissions intensity, on an annual basis, of the electricity used and dispensed by electric vehicle charging stations at the meter, consistent with the disclosure methodology set forth in Article 14 (commencing with Section 398.1) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code.

(n) The commission may do all of the following:

(1) Contract with the Treasurer to expend funds through programs implemented by the Treasurer, if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).

(2) Contract with small business financial development corporations established by the Governor's Office of Business and Economic Development to expend funds through the Small Business Loan Guarantee Program if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).

(3) Advance funds, pursuant to an agreement with the commission, to any of the following:

(A) A public entity.

(B) A nonpublic entity managing a United States Department of Energy national laboratory.

(C) A recipient to enable it to make advance payments to a public entity that is a subrecipient of the funds and under a binding and enforceable subagreement with the recipient.

(D) An administrator of a block grant program.

(o) The commission shall collaborate with entities that have expertise in workforce development to implement the workforce development components of this section, including, but not limited to, the California Workforce Development Board, the Employment Training Panel, the Employment Development Department, and the Division of Apprenticeship Standards.

SEC. 6. Section 25711.5 of the Public Resources Code is amended to read:

25711.5. In administering moneys in the fund for research, development, and demonstration programs under this chapter, the commission shall develop and implement the Electric Program Investment Charge (EPIC) program to do all of the following:

(a) Award funds for projects that will benefit electricity ratepayers and lead to either of the following:

(1) Technological advancement and breakthroughs to overcome the barriers that prevent the achievement of the state's statutory energy goals and that result in a portfolio of projects that is strategically focused and sufficiently narrow to make advancement on the most significant technological challenges that shall include, but not be limited to, energy storage, renewable energy and its integration into the electrical grid, energy efficiency, integration of electric vehicles into the electrical grid, and accurately forecasting the availability of renewable energy for integration into the electrical grid.

(2) Technological advancements to reduce the costs of building electrification, including by reducing or avoiding costs of expanding electrical service and electrical panel upgrades for existing buildings.

(b) In consultation with the Treasurer, establish terms that shall be imposed as a condition to receipt of funding for the state to accrue any intellectual property interest or royalties that may derive from projects funded by the EPIC program. The commission, when determining if imposition of the proposed terms is appropriate, shall balance the potential benefit to the state from those terms and the effect those terms may have on the state achieving its statutory energy goals. The commission shall require each reward recipient, as a condition of receiving moneys pursuant to this chapter, to agree to any terms the commission determines are appropriate for the state to accrue any intellectual property interest or royalties that may derive from projects funded by the EPIC program.

(c) Require each applicant to report how the proposed project may lead to technological advancement and potential breakthroughs to overcome barriers to achieving the state's statutory energy goals.

(d) Take into account, when applicable, the adverse localized health impacts of proposed projects to the greatest extent possible.

(e) Establish a process for tracking the progress and outcomes of each funded project, including an accounting of the amount of funds spent by program administrators and individual grant recipients on administrative and overhead costs and whether the project resulted in any technological advancement or breakthrough to overcome barriers to achieving the state's statutory energy goals.

(f) Notwithstanding Section 10231.5 of the Government Code, prepare and submit to the Legislature no later than April 30 of each year an annual report in compliance with Section 9795 of the Government Code that shall include all of the following:

(1) A brief description of each project for which funding was awarded in the immediately prior calendar year, including the name of the recipient and the amount of the award, a description of how the project is thought to lead to technological advancement or breakthroughs to overcome barriers to achieving the state's statutory energy goals, and a description of why the project was selected.

(2) A brief description of each project funded by the EPIC program that was completed in the immediately prior calendar year, including the name of the recipient, the amount of the award, and the outcomes of the funded project.

(3) A brief description of each project funded by the EPIC program for which an award was made in the previous years but that is not completed, including the name of the recipient and the amount of the award, and a description of how the project will lead to technological advancement or breakthroughs to overcome barriers to achieving the state's statutory energy goals.

(4) Identification of the award recipients that are California-based entities, small businesses, or businesses owned by women, minorities, or disabled veterans.

(5) Identification of which awards were made through a competitive bid, interagency agreement, or sole source method, and the action of the Joint Legislative Budget Committee pursuant to paragraph (2) of subdivision (h) for each award made through

an interagency agreement or sole source method.

(6) Identification of the total amount of administrative and overhead costs incurred for each project.

(7) A brief description of the impact on program administration from the allocations required to be made pursuant to former Section 25711.6, including any information that would help the Legislature determine whether to reauthorize those allocations beyond June 30, 2023.

(8) A brief description of each project for which follow-on funding was awarded in the immediately prior calendar year, including the amount of follow-on funding awarded for the project and the method and criteria used to select that project.

(g) Establish requirements to minimize program administration and overhead costs, including costs incurred by program administrators and individual grant recipients. Each program administrator and grant recipient, including a public entity, shall be required to justify actual administration and overhead costs incurred, even if the total costs incurred do not exceed a cap on those costs that the commission may adopt.

(h) (1) Use a competitive bid as the preferred method to solicit project applications and award funds pursuant to the EPIC program, except as specified in paragraphs (2) and (4).

(2) (A) The commission may use a sole source or interagency agreement method to noncompetitively award funding for a project if the project has a reasonable cost, the project satisfies one or more of the criteria described in subdivision (f) of Section 25620.5, and both of the following conditions are met:

(i) The commission, at least 60 days before making an award pursuant to this subdivision, notifies the Joint Legislative Budget Committee and the relevant policy committees in both houses of the Legislature, in writing, of its intent to take the proposed action.

(ii) The Joint Legislative Budget Committee either approves or does not disapprove the proposed action within 60 days from the date of notification required by clause (i).

(B) It is the intent of the Legislature to enact this paragraph to ensure legislative oversight for awards made on a sole source basis, or through an interagency agreement.

(3) Notwithstanding any other law, standard terms and conditions that generally apply to contracts between the commission and any entities, including state entities, do not automatically preclude the award of moneys from the fund through the competitive bid method.

(4) (A) Notwithstanding any other law, the commission may award, through a noncompetitive method, follow-on funding for projects that meet all of the following requirements:

(i) The project is eligible to receive an award of funds from the EPIC program.

(ii) The project has been funded, at least in part, through the EPIC program.

(iii) The project has a prime recipient that is located in California.

(iv) The project will spend a minimum of 80 percent of its funding from the program in California.

(v) The project has received funding for the original project or technology through a competitive bid process from a state or federal agency.

(vi) The project has demonstrated significant results under its previous award.

(vii) The project has technology breakthrough potential that can enable the state to achieve its statutory energy policy goals on or ahead of schedule.

(viii) The project can address near-term priorities impacting the electricity sector and its ratepayers, such as mitigating wildfires and reducing the occurrence of deenergization events.

(ix) Absent follow-on funding, the project would experience a gap in funding that would likely prevent the technology from achieving significant advancement, negatively impact the ability of the project to attract sufficient private investment, or prevent the project's commercialization and associated sales revenue.

(x) The project has not previously received follow-on funding through a noncompetitive method.

(B) The commission shall approve any award of follow-on funding at a business meeting.

(C) Follow-on funding is not subject to the requirements of paragraph (2).

(D) A project's follow-on funding shall not exceed the project's most recent competitively bid award through the EPIC program.

(E) The commission may adopt guidelines for follow-on funding awards. The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to the adoption of these guidelines.

(F) This paragraph shall become inoperative on January 1, 2028.

SEC. 7. Section 25806 of the Public Resources Code is amended to read:

25806. (a) A person who submits to the commission an application for certification under Chapter 6 (commencing with Section 25500) or Chapter 6.2 (commencing with Section 25545) shall pay all costs incurred by the commission in processing the application and shall submit with the application a nonrefundable deposit of seven hundred fifty thousand dollars (\$750,000). For the actual costs incurred by the commission in excess of the deposit, the commission shall provide invoices, at least annually, to the applicant who shall timely remit the additional fees to the commission.

(b) A person who receives certification of a site and related facility pursuant to Chapter 6 (commencing with Section 25500) or Chapter 6.2 (commencing with Section 25545) shall pay an annual fee of seventy thousand dollars (\$70,000). For a facility certified on or after January 1, 2004, the first payment of the annual fee is due on the date the commission adopts the final decision. All subsequent payments are due by July 1 of each year that the facility retains its certification. The fiscal year for the annual fee is July 1 to June 30, inclusive.

(c) The deposit required pursuant to subdivision (a) and the fees described in subdivisions (b) and (e) shall be adjusted annually to reflect the percentage change in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, as published by the United States Department of Commerce.

(d) The Energy Facility License and Compliance Fund is hereby created in the State Treasury. All fees received by the commission pursuant to this section shall be remitted to the Treasurer for deposit into the fund. The moneys in the fund shall be expended, upon appropriation by the Legislature, for processing applications for certification and for compliance monitoring.

(e) A person who submits to the commission a petition to amend an existing project that previously received certification shall submit with the petition a nonrefundable fee of five thousand dollars (\$5,000). The commission shall conduct a full accounting of the actual cost of processing the petition to amend, for which the project owner shall reimburse the commission if the costs exceed five thousand dollars (\$5,000). Any reimbursement and fees received by the commission pursuant to this subdivision shall be deposited into the Energy Facility License and Compliance Fund. This subdivision does not apply to a change in ownership or operational control of a project.

SEC. 8. Section 80710 of the Water Code is amended to read:

80710. (a) The department, in consultation with the commission, shall implement projects, purchases, and contracts to carry out the purposes of Chapter 8.9 (commencing with Section 25790) of Division 15 of the Public Resources Code, including, but not limited to, the Distributed Electricity Backup Assets Program and the Demand Side Grid Support Program.

(b) (1) In furtherance of subdivision (a) and notwithstanding any other law, the department may construct, own and operate, or contract for the construction and operation of, contract for the purchase of electricity from, or finance through loans, reimbursement agreements, or other contracts actions to secure resources for summer reliability or to preserve the option to extend the life of only the following facilities:

(A) Extension of the operating life of existing nonnuclear generating facilities planned for retirement.

(B) New emergency and temporary power generators of five megawatts or more. If a generator is operated using diesel fuel, the department shall not operate it after July 31, 2023.

(C) New energy storage systems that are located outside of the coastal zone and the jurisdiction of the San Francisco Bay Conservation and Development Commission, of 20 megawatts or more, that are capable of discharging for at least two hours.

(D) Generation facilities that are located outside of the coastal zone and the jurisdiction of the San Francisco Bay Conservation and Development Commission and use clean, zero-emission fuel technology of any size to produce electricity.

(E) Supporting the development of zero-emission generation capacity with a point of interconnection at a California balancing authority, with the majority of its capacity contracted for by a load-serving entity that has a service area primarily in California, with an operational date no later than December 31, 2024. For purposes of this subparagraph, only a facility with a net qualifying capacity of at least 50 percent of its nameplate capacity, as estimated at 8:00 p.m. on a date in September, shall be eligible.

(2) In furtherance of subdivision (a) of Section 80700, the department may reimburse electrical corporations, as defined in Section 218 of the Public Utilities Code, for the value of imported energy or import capacity products that are (A) delivered or capable of being delivered between July 1, 2022, and on or before October 31, 2023, and (B) are procured at above-market costs or in excess of procurement authorizations set by the Public Utilities Commission and above the requirements needed to serve its bundled customers in support of summer electric service reliability.

(c) Facilities, except those new energy storage systems described in subparagraph (C) of paragraph (1) of subdivision (b) that charge from the electrical grid but do not otherwise use any form of fossil fuel or fuel derived from fossil fuels, constructed and owned by the department or under a contract with the department pursuant to this division that use any form of fossil fuel shall only operate as necessary to respond to extreme events, as defined in subdivision (b) of Section 25790.5 of the Public Resources Code, and shall not operate at any other time.

(d) Facilities constructed by the department or under a contract with the department pursuant to this division shall not constitute State Water Resources Development System facilities under Chapter 8 (commencing with Section 12930) of Part 6 of Division 6.

(e) (1) The department shall consult with the commission, the Public Utilities Commission, the Independent System Operator or other applicable California balancing authorities, and the State Air Resources Board in carrying out the purposes of this division.

(2) Beginning October 1, 2022, and at least every three months thereafter, the department shall provide an update on the investments made and being considered into the strategic reliability reserve at a commission business meeting. The President of the Public Utilities Commission or the president's designee and the President of the Independent System Operator or the president's designee shall attend the presentation.

(3) The department shall prioritize investments that do not compete with generating facilities already planned for development and disclosed by load-serving entities or local publicly owned electric utilities.

(4) In fulfilling the requirements of this division to achieve electricity reliability, the department shall prioritize investments in feasible, cost-effective zero-emission resources, and then feasible, cost-effective conventional resources.

(f) The department shall develop, execute, and implement contracts covering power generation, operation and maintenance, fuel management, site leases, power settlements, invoice verification, billing, and other associated items. The department shall also enter into contracts for external services to provide specialized expertise.

(g) (1) Contracts entered into pursuant to this division, amendments to those contracts during their terms, or contracts for services reasonably related to those contracts, and entered on or before December 31, 2023, shall not be subject to competitive bidding or any other state contracting requirements, shall not require the review, consent, or approval of the Department of General Services or any other state department or agency, and are not subject to the requirements of the State Contracting Manual, the Public Contract Code, or the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code.

(2) This subdivision shall not apply to any contract, grant, or loan entered into for purposes of this chapter that does not directly contribute to electrical grid reliability by October 31, 2027.

(3) This subdivision is inoperative December 1, 2026.

(h) For contracts entered into pursuant to this division, amendments to those contracts during their terms, or contracts for services reasonably related to those contracts, and executed after December 31, 2023, Sections 10295, 10297, and 10340 of the Public Contract Code do not apply to a contract that meets the conditions established by the department for those contracts.

(i) For contracts entered into pursuant to this division by the department after October 31, 2022, the department shall notify the commission through an investment plan of the terms, costs, and scope at a commission business meeting and the commission shall consider the investment plan for approval in a meeting held consistent with the terms of Chapter 3 (commencing with Section 25200) of Division 15 of the Public Resources Code. No less than 10 days after the commission approves the investment plan, the executive director of the commission shall give written notice to the Joint Legislative Budget Committee of the action.

(j) A contract entered into, or an approval granted by the department pursuant to this division is not subject to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) and regulations adopted pursuant to that act.

(k) Facilities constructed by the department or under a contract with the department pursuant to this division shall comply with both of the following:

(1) Regulations issued by the State Air Resources Board pursuant to Part 2 (commencing with Section 38530) of Division 25.5 of the Health and Safety Code, including the requirement to disclose emissions of greenhouse gases from facilities.

(2) Regulations issued by the State Air Resources Board pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code, including the requirement to comply with any market-based compliance mechanism established by the State Air Resources Board.

(l) The department may adopt guidelines to implement this division. The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to any regulation or guidelines adopted by the department pursuant to this division.

SEC. 9. Section 18 of Chapter 61 of the Statutes of 2022 is amended to read:

SEC. 18. (a) The sum of two hundred million dollars (\$200,000,000) is hereby appropriated from the General Fund to the State Energy Resources Conservation and Development Commission for the 2021–22 fiscal year. These funds shall be used for a program to provide incentives for demand side grid support and associated mitigation costs.

(b) With funds specified in subdivision (a) and any additional funding appropriated by the Legislature for demand side grid support and associated mitigation costs, the State Energy Resources Conservation and Development Commission may do any of the following:

(1) Adopt regulations, guidelines, or other standards for the program at a State Energy Resources Conservation and Development Commission business meeting. The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to regulations, guidelines, or other standards for the program adopted at the State Energy Resources Conservation and Development Commission business meeting.

(2) Use any type of third-party block grant or contract with incentive program implementers for purposes of implementing the program.

(3) Advance up to 25 percent of the awarded funds at a time to parties that are eligible for funding for purposes of the program.

(c) Contracts, grants, or loans entered into with these funds shall not require the review, consent, or approval of the Department of General Services or any other state department or agency and do not need to comply with requirements under the State Contracting Manual, the Public Contract Code, or the contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code.

(d) Funds specified in subdivision (a) shall be available for encumbrance or expenditure by the State Energy Resources Conservation and Development Commission until June 30, 2026, and shall be available for liquidation until June 30, 2030.

SEC. 10. (a) The sum of one hundred thirty-two million one hundred seventy-five thousand dollars (\$132,175,000) is hereby appropriated from the Air Pollution Control Fund to the State Air Resources Board for the 2025–26 fiscal year, when funds are available from the Hino Consent Decree entered by the court on May 9, 2025, to be administered through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. Eligibility for these incentive funds shall be administered in a manner that enhances market development of medium- and heavy-duty vehicles and benefits disadvantaged communities and small businesses. These incentive funds shall be available for encumbrance or expenditure until June 30, 2027, and shall be available for liquidation until June 30, 2029.

(b) No more than 5 percent of the appropriated funds shall be used to cover the State Air Resources Board's administrative costs and shall be available for encumbrance or expenditure until June 30, 2029.

SEC. 11. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.