

Senate Bill No. 840

CHAPTER 121

An act to amend Section 39719 of, and to add Sections 38562.3, 39712.5, and 39719.4 to, the Health and Safety Code, relating to greenhouse gases, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 19, 2025. Filed with
Secretary of State September 19, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 840, Limón. Greenhouse gases: Greenhouse Gas Reduction Fund: studies.

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt regulations for greenhouse gas emissions limits and emissions reduction measures to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit, as defined. The act authorizes the state board to revise regulations or adopt additional regulations to further the act. The act authorizes that state board to include in those regulations the use of a market-based compliance mechanism to comply with those regulations. Existing law requires the state board, in regulations implementing the market-based compliance mechanism to, among other things, establish limits on the use of offset credits as a means for a covered entity to meet its compliance obligations. Existing law requires moneys 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 and continuously appropriates a portion of the moneys in the fund for various purposes.

This bill would state the intent of the Legislature to direct specific percentages of the revenues deposited into the Greenhouse Gas Reduction Fund to individual funds dedicated to funding clean transportation, housing and community investment, clean air and water, wildfire prevention and resilience, agriculture, clean energy, and climate-focused innovation. The bill would make the continuous appropriations from the fund inoperative on July 1, 2026. The bill would, beginning with the 2026–27 fiscal year, allocate moneys in the fund in a specified priority and would continuously appropriate a certain amount of moneys in the fund for certain purposes.

This bill would require the state board, no later than December 31, 2026, to conduct a study and report to the Legislature evaluating and making recommendations on the use of offsets. The bill would require the state board, no later than January 1, 2029, to update all existing compliance offset protocols to reflect the best available science. The bill would require the

state board, no later than January 1, 2034, and every 5 years thereafter, to evaluate all compliance offset protocols and to consider whether updates are necessary to ensure the protocols reflect the best available science.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. (a) It is the intent of the Legislature to enact legislation in the 2025–2026 Regular Session establishing a unit within the Legislative Counsel Bureau to provide advice and investigation services to the Legislature related to matters within the jurisdiction of the Joint Legislative Committee on Climate Change Policies, and of other committees of the Legislature covering energy, environmental quality and safety, natural resources, and water.

(b) Moneys appropriated pursuant to paragraph (3) of subdivision (a) of Section 39719.4 of the Health and Safety Code shall not be expended until the roles and responsibilities of the unit are established in the legislation specified in subdivision (a).

SEC. 2. Section 38562.3 is added to the Health and Safety Code, to read:

38562.3. (a) (1) No later than December 31, 2026, the state board shall conduct a study and report to the Legislature, in accordance with Section 9795 of the Government Code, on all of the following related to offsets:

(A) Evaluation of the contribution of offset projects to progress toward California's climate goals.

(B) Evaluation of the potential for changes to the definition of "direct environmental benefits in the state" for purposes of subparagraph (E) of paragraph (2) of subdivision (c) of Section 38562.

(C) Recommendations on how instate offset projects could be more attractive for development.

(D) Recommendations for alternative valuation methodologies or criteria for instate offset projects, particularly projects that support the goals of Section 38561.5 of this code or subdivision (b) of Section 71450 of the Public Resources Code.

(2) Pursuant to Section 10231.5 of the Government Code, this subparagraph shall become inoperative on December 31, 2030.

(b) No later than January 1, 2029, the state board shall update all existing compliance offset protocols to ensure that the compliance offset protocols reflect the best available science, including, but not limited to, consideration of compliance offset protocols in other carbon markets, crediting mechanisms established under Article 6.4 of the Paris Agreement adopted by the United Nations Climate Change Conference (COP21) in Paris, France, on December 12, 2015, also known as the Paris Agreement Crediting Mechanism, academic research, and industry best practices, that prioritize offset quality.

(c) No later than January 1, 2034, and every five years thereafter, the state board shall evaluate all compliance offset protocols and consider whether updates are necessary to ensure that the compliance offset protocols reflect the best available science, including consideration of items specified in subdivision (b).

SEC. 3. Section 39712.5 is added to the Health and Safety Code, to read:

39712.5. It is the further intent of the Legislature to direct specific percentages of the revenues deposited into the fund to be distributed to individual funds dedicated to funding clean transportation, housing and community investment, clean air and water, wildfire prevention and resilience, agriculture, clean energy, and climate-focused innovation, with appropriations from each of those funds to be guided by fund-specific, multiyear spending plans.

SEC. 4. Section 39719 of the Health and Safety Code is amended to read:

39719. (a) The Legislature shall appropriate the annual proceeds of the fund for the purpose of reducing greenhouse gas emissions in this state in accordance with the requirements of Section 39712.

(b) To carry out a portion of the requirements of subdivision (a), the annual proceeds of the fund are continuously appropriated for the following:

(1) Beginning in the 2015–16 fiscal year, and notwithstanding Section 13340 of the Government Code, 35 percent of the annual proceeds of the fund are continuously appropriated, without regard to fiscal years, for transit, affordable housing, and sustainable communities programs as follows:

(A) Ten percent of the annual proceeds of the fund is hereby continuously appropriated to the Transportation Agency for the Transit and Intercity Rail Capital Program created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.

(B) Five percent of the annual proceeds of the fund is hereby continuously appropriated to the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Moneys shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(C) Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds of the fund shall be expended for affordable housing, consistent with the provisions of that program.

(2) Beginning in the 2015–16 fiscal year, notwithstanding Section 13340 of the Government Code, and subject to the requirements of Section 39719.3, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described

in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

- (A) Acquisition and construction costs of the project.
- (B) Environmental review and design costs of the project.
- (C) Other capital costs of the project.
- (D) Repayment of any loans made to the authority to fund the project.

(3) (A) Beginning in the 2020–21 fiscal year, and until June 30, 2030, 5 percent of the annual proceeds of the fund, up to the sum of one hundred thirty million dollars (\$130,000,000), is hereby annually transferred to the Safe and Affordable Drinking Water Fund established pursuant to Section 116766 for the purposes of Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104.

(B) Moneys transferred under this paragraph shall be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions in this state in accordance with the requirements of Section 39712 or to improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities, consistent with Division 25.5 (commencing with Section 38500). For purposes of the moneys transferred under this paragraph, a state agency may also comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities.

(4) Notwithstanding Section 13340 of the Government Code, for each fiscal year, beginning in the 2022–23 fiscal year through the 2028–29 fiscal year, the sum of two hundred million dollars (\$200,000,000) is hereby continuously appropriated, to the Department of Forestry and Fire Protection and allocated as follows:

(A) One hundred sixty-five million dollars (\$165,000,000) for healthy forest and fire prevention programs and projects that improve forest health and reduce emissions of greenhouse gases caused by uncontrolled wildfires.

(B) Thirty-five million dollars (\$35,000,000) for the completion of prescribed fire and other fuel reduction projects through proven forestry practices consistent with the recommendations of the California Forest Carbon Plan, including the operation of year-round prescribed fire crews and implementation of a research and monitoring program for climate adaptation.

(c) In determining the amount of the annual proceeds of the fund for purposes of the calculation in paragraphs (1) to (3), inclusive, of subdivision (b), the funds subject to Section 39719.1 and the sum set forth in paragraph (4) of subdivision (b) shall not be included.

(d) This section shall become inoperative on July 1, 2026.

SEC. 5. Section 39719.4 is added to the Health and Safety Code, to read: 39719.4. Beginning with the 2026–27 fiscal year, moneys in the funds shall be allocated in the following priority:

(a) (1) Amounts described in Sections 4210 to 4214, inclusive, of the Public Resources Code to replace the revenues generated by the State

Responsibility Area fire prevention fee authorized by Section 4212 of the Public Resources Code.

(2) Amounts appropriated by subparagraph (A) of paragraph (3) of subdivision (g) of Section 6377.1 of the Revenue and Taxation Code.

(3) The sum of three million dollars (\$3,000,000) for the establishment of the Legislative Counsel Climate Bureau.

(b) After the amounts specified in subdivision (a) are fully allocated, as determined by the Department of Finance, the remaining moneys in the fund shall be allocated as follows:

(1) Notwithstanding Section 13340 of the Government Code and subject to Section 39719.3, the sum of one billion dollars (\$1,000,000,000) is continuously appropriate without regard to fiscal year to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

- (A) Acquisition and construction costs of the project.
- (B) Environmental review and design costs of the project.
- (C) Other capital costs of the project.

(D) Repayment of any loans made to the authority to fund the project.

(2) (A) The sum of one billion dollars (\$1,000,000,000) is reserved for appropriation by the Legislature in the annual Budget Act or other statute.

(B) It is the intent of the Legislature that the amount reserved pursuant to subparagraph (A) is allocated in the following amounts for the 2026—27 fiscal year:

(i) The sum of one hundred twenty-five million dollars (\$125,000,000) for transit passes.

(ii) The sum of twenty-five million dollars (\$25,000,000) for seed funding for a University of California Climate Research Center.

(iii) The sum of fifteen million dollars (\$15,000,000) for rebuilding Topanga Park.

(iv) The sum of eighty-five million dollars (\$85,000,000) for an entity chosen by the Legislature to support climate-focused technological innovation, related research, and the deployment of climate solutions identified in the scoping plan prepared pursuant to Section 38561.

(c) (1) After the amounts specified in subdivisions (a) and (b) are fully allocated, as determined by the Department of Finance, the remaining moneys in the fund, notwithstanding Section 13340 of the Government Code, are continuously appropriated, without regard to fiscal year, as follows:

(A) The sum of eight hundred million dollars (\$800,000,000) to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds of the fund shall be expended for affordable housing, consistent with the provisions of that program.

(B) The sum of four hundred million dollars (\$400,000,000) to the Transportation Agency for the Transit and Intercity Rail Capital Program

created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.

(C) The sum of two hundred fifty million dollars (\$250,000,000) to the State Air Resources Board for community air protection programs and allocated for financial incentives to reduce mobile and stationary sources of criteria air pollutants or toxic air contaminants consistent with community emissions reduction programs developed pursuant to Section 44391.2 and for support for local air districts' implementation of Chapter 136 of the Statutes of 2017.

(D) The sum of two hundred million dollars (\$200,000,000) to the Transportation Agency for the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Moneys shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(E) The sum of two hundred million dollars (\$200,000,000) to the Department of Forestry and Fire Protection and allocated as follows:

(i) Eighty-two and one-half percent for healthy forest and fire prevention programs and projects that improve forest health and reduce emissions of greenhouse gases caused by uncontrolled wildfires.

(ii) Seventeen and one-half percent for the completion of prescribed fire and other fuel reduction projects through proven forestry practices consistent with the recommendations of the California Forest Carbon Plan, including the operation of year-round prescribed fire crews and implementation of a research and monitoring program for climate adaptation.

(F) The sum of one hundred thirty million dollars (\$130,000,000) is transferred to the Safe and Affordable Drinking Water Fund established pursuant to Section 116766 for the purposes of Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104.

(2) (A) Moneys appropriate pursuant to paragraph (1) shall be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions in this state in accordance with the requirements of Section 39712 or to improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities, consistent with Division 25.5 (commencing with Section 38500).

(B) For purposes of the moneys appropriated pursuant to paragraph (1), a state agency may comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities.

(3) If, for any fiscal year the Department of Finance determines that, after fully allocating the amounts pursuant to subdivisions (a) and (b), there are insufficient annual proceeds to fully provide for the appropriations specified in paragraph (1) in addition to any state operations costs appropriated in the annual Budget Act, the amounts specified in paragraph

(1) shall be proportionally reduced as determined by the Department of Finance.

(d) Any amounts in the fund not needed to fully fund the amounts pursuant to subdivisions (a), (b), and (c) in a fiscal year are available to be appropriated by the Legislature in the annual Budget Act or other statute.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

To address the existential threat of climate change to Californians, it is necessary for the bill to take effect immediately.