American Coatings ASSOCIATION

September 11, 2025

California Air Resources Board (CARB) Staff
CARB
1001 I St
Sacramento, CA 95814

RE: Comments in Response to CARB's August 21, 2025, Climate Disclosure Workshop

Dear CARB Staff:

The American Coatings Association (ACA) submits the following comments to CARB regarding its August 21, 2025 Climate Disclosure Workshop (Workshop) on the regulation development and implementation of the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261). ACA is a voluntary, nonprofit trade association working to advance the needs of the paint and coatings industry and the professionals who work in it. The organization represents paint and coatings manufacturers, raw materials suppliers, distributors, and technical professionals. ACA serves as an advocate and ally for members on legislative, regulatory, and judicial issues, and provides forums for the advancement and promotion of the industry and coatings science. ACA appreciates the opportunity to comment and looks forward to working with CARB throughout the regulation development process.

ACA provides the following recommendations to alleviate any undue burden imposed on the paint and coatings industry.

1. **Revise CARB's proposed definition for the term, 'total annual revenue.'**

Under SB 253, a company doing business in California with over $1 billion in total annual revenue is required to report its Scope 1 and Scope 2 greenhouse gas (GHG) emissions beginning in 2026 and its Scope 3 GHG emissions beginning in 2027. Under SB 261, a company doing business in California with over $500 million in total annual revenue is required to publish a biennial report disclosing its climate-related financial risks by January 1, 2026.

CARB proposed defining the term, 'total annual revenue,' as "the total global amount of money or sales a company receives from its business activities, such as selling products or providing services." Although CARB noted this definition's consistency with metrics that are used by other data tracking and reporting systems, this definition does not take into account the actual amount of revenue generated by a company from business activities conducted within the state of California. CARB's proposed definition for the term, 'total annual revenue,' will unfairly burden members of the paint and coatings industry by requiring companies with over $1 billion or $500 million in total annual revenue, no matter the actual size of the entity's business activities in California, to comply with SB 253's and SB 261's fast approaching reporting requirements. Accordingly, ACA urges CARB revise its proposed definition for the term, 'total annual revenue,' to the following: "the total global amount of money or sales a company receives from its business activities, such as selling products or providing services, *in California*."

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2. **Revise CARB's proposed list of entities that are exempt from the reporting requirements of SB 253 and SB 261.**

As described above, CARB's ultimate definitions for certain terms (e.g., 'total annual revenue,' 'doing business in California,' etc.) will be used to determine whether a company is subject to either SB 253's or SB 261's reporting requirements and fee assessments. Currently, CARB estimates that 2,596 companies will be subject to the reporting requirements of SB 253 while 4,160 companies will be subject to the reporting requirements of SB 261. Notably, some companies may be deemed exempt from the two laws' reporting requirements.[1]

The impact of these additional fees on paint and coatings companies doing business in California will be great. Many members of the paint and coatings industry are already subject to other CARB reporting requirements and/or fee assessments. For instance, CARB imposes fees on certain architectural coatings manufacturers and consumer product manufacturers for volatile organic compound (VOC) emissions in the state of California. Similar fees are assessed in the South Coast Air Quality Management District as well. Accordingly, ACA urges CARB to review these fees as well as any other fee requirements and make adjustments to the fee calculation for companies already paying to support these regulatory systems.

3. **Revise CARB's proposed fee assessment.**

Under SB 253 and SB 261, CARB is authorized to assess an annual fee to reporting entities for the implementation and administration of the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act. CARB has proposed issuing a flat fee per entity, which means that an entity's annual fees under SB 253 and SB 261 will be calculated by dividing the annual program cost by the total number of reporting entities. Currently, CARB estimates that the annual costs of implementing SB 253 and SB 261 will be $13,900,000 (not including a loan repayment of $20,700,000). Consequently, the estimated 2,596 companies subject to the reporting requirements of SB 253 will be issued an annual fee of $3,106 while the estimated 4,160 companies subject to the reporting requirements of SB 261 will be issued an annual fee of $1,403. Moreover, fees are required to be annually adjusted for inflation and will likely increase.

CARB highlighted the agency's experience with assessing an annual fee for the implementation and administration of a new reporting program. Specifically, CARB cited to its AB 32 Cost of Implementation (COI) Fee Regulation, which calculates an entity's COI fees by multiplying the entity's total emissions by the Common Carbon Cost (CCC). The CCC is calculated similar to CARB's proposed flat fee assessment.[2] ACA is concerned that CARB's proposed fee assessment will require members of the paint and coatings industry to pay an annual fee that is disproportionate to the company's actual performance in the state of California (e.g., based off the company's GHG emissions, etc.). CARB is well versed in data collection as evidenced by the many

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[1] At the Workshop, CARB proposed that the following companies/entities be exempt from SB 253's and SB 261's reporting requirements: (1) non-profits; (2) companies whose sole business activity in the state derives from the presence of teleworkers; (3) government entities; and (4) the California Independent System Operator or entities whose sole business activity in the state derives from wholesale electricity transactions that occur in interstate commerce.

[2] *See* Cal. Air Res. Bd., *COI Fee Calculation*, CAL. AIR RES. BD., https://ww2.arb.ca.gov/our-work/programs/ab-32-coi-fee-regulation/coi-fee-calculation (last visited Sept. 9, 2025) ("The CCC represents the statewide cost of implementing AB 32 programs per metric ton of carbon dioxide equivalent ($MTCO_2e$) emitted. It is calculated as the total required revenue (i.e., implementation expenses and adjustments budgeted for the current fiscal year, plus any shortfall or minus any surplus in actual revenue collected during the previous fiscal year) divided by the total statewide emissions subject to the COI Fee Regulation in the most recent data year for which verification has been completed.").

surveys developed and analyzed to support their air quality regulations. In addition, in the course of working through these surveys and the rulemakings for the VOC emissions fee regulation, CARB is able to develop data which indicates the impact of each companies' business activities in the state. ACA is concerned that this process is not being implemented within the agency's rulemaking for SB 253 and SB 261. Accordingly, ACA recommends that CARB take the necessary steps to conduct an evaluation and/or survey of reporting entities' GHG emissions prior to assessing any annual fee requirements.

4. Revise CARB's proposed reporting deadline under SB 253.

As described above, under SB 253, companies are required to disclose their Scope 1 and Scope 2 GHG emissions beginning sometime in 2026. CARB proposed a June 30, 2026 reporting deadline. In addition to the reporting deadline, CARB provided Workshop attendees with the agency's draft timeline for the regulation development of SB 253 and SB 261.

Although regulations for SB 253 were required to be promulgated by July 1, 2025, according to CARB's draft timeline, the agency expects to issue a Notice of Proposed Rulemaking (NPRM) by October 14, 2025. A subsequent public Board hearing will take place in mid-December 2025, followed by the Office of Administrative Law's review. Because the agency has one year from the NPRM to finalize the regulations, the final regulations for SB 253 could come as late as October 2026. CARB's proposed timeline for promulgation of the rule will not likely be completed until after the deadline for companies to report. Consequently, members of the paint and coatings industry will be trying to develop their Scope 1 and Scope 2 GHG emissions report as well as paying an annual fee without any relevant guidance and/or final regulations in place. ACA urges CARB to re-evaluate this timeline and ensure that ACA's members will have final regulations in place at least one year following the date that final regulations for SB 253 are promulgated.

Thank you for your consideration of ACA's comments. Please do not hesitate to contact me should you have any questions and/or require further clarification.

Sincerely,

Annebelle Klein
Environmental Policy Counsel, Government Affairs