SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 947	**Hearing Date:**	April 8, 2026
Author:	McNerney		
Version:	March 26, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alma Perez		

SUBJECT: Employment: automated decision systems

KEY ISSUES

This bill 1) prohibits an employer from using an automated decision system (ADS) that does certain functions and limits the purposes and manner in which an ADS may be used to make disciplinary, termination, or deactivation decisions; 2) grants a worker access to their own data collected or used by an ADS, as specified; 3) requires an employer to provide a written ADS postuse notice, as specified; 4) includes worker anti-retaliation provisions for the exercise of these rights; 5) requires enforcement through the Labor Commissioner (LC) or authorized public prosecutor; and 6) prescribes penalties and remedies for violations, including civil actions.

ANALYSIS

Existing law:

1) Establishes the Department of Technology, within the Government Operations Agency, and tasks it with, among other things, advising the Governor on the strategic management and direction of the state's information technology resources. (Government Code §11545 et seq.)

2) Requires the Department of Technology to conduct, in coordination with other interagency bodies, as it deems appropriate, a comprehensive inventory of all high-risk automated decision systems (ADS) that have been proposed for use, development, or procurement by, or are being used, developed, or procured by, any state agency. As part of this review, requires the analysis to include descriptions of any alternatives to its use, the categories of data and personal information the ADS uses to make decisions, and measures that are in place to mitigate the risks of its use, including cybersecurity risk and the risk of inaccurate, unfairly discriminatory, or biased decisions of the ADS. (Government Code §11546.45.5)

3) Defines the following terms:

   a) "Artificial intelligence" means an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments.
   b) "Automated decision system" means a computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output, including a score, classification, or recommendation, that is used to assist or replace human discretionary decisionmaking and materially impacts natural persons. "Automated decision system" does not include a spam email filter, firewall,

antivirus software, identity and access management tools, calculator, database, dataset, or other compilation of data.
(Government Code §11546.45.5)

4) Establishes the California Consumer Privacy Act (CCPA), which grants consumers certain rights with regard to their personal information, including enhanced notice, access, and disclosure; the right to deletion; the right to restrict the sale of information; and protection from discrimination for exercising these rights. It places attendant obligations on businesses to respect those rights. (Civil Code §1798.100 et seq.)

5) Establishes the Consumer Privacy Rights Act (CPRA), which amends the CCPA and creates the California Privacy Protection Agency (PPA), which is charged with implementing these privacy laws, promulgating regulations, and carrying out enforcement actions. (Civil Code §1798.100 et seq.; Proposition 24 (2020))

6) Requires the Attorney General to adopt regulations governing, among other things, access and opt-out rights with respect to businesses' use of automated decisionmaking technology, including profiling and requiring businesses' response to access requests to include meaningful information about the logic involved in those decisionmaking processes, as well as a description of the likely outcome of the process with respect to the consumer. (Civil Code §1798.185)

7) Establishes the Department of Industrial Relations (DIR) in the Labor and Workforce Development Agency (LWDA), and vests it with various powers and duties to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. (Labor Code §50.5)

8) Establishes within the DIR, various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner (LC), and empowers the LC with ensuring a just day's pay in every workplace and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)

9) Requires employers to provide to each employee, upon hire, a written description of each quota to which the employee is subject, as specified, and prohibits an employer from requiring an employee to meet a quota that prevents compliance with meal or rest periods, use of bathroom facilities, including reasonable travel time to and from bathroom facilities, or occupational health and safety laws. Additionally, prohibits an employer from taking adverse employment actions against an employee for failure to meet a quota that does not allow a worker access to these rights. (Labor Code §2101)

This bill:

1) Defines, among others, the following terms:

   a) "Automated decision system" or "ADS" means any computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output, including a score, classification, or recommendation, that is used to assist or replace human discretionary decisionmaking and materially impacts natural

persons. An automated decision system does not include a spam email filter, firewall, antivirus software, identity and access management tools, calculator, database, dataset, or other compilation of data.

b) "ADS output" means any information, data, assumptions, predictions, scoring, recommendations, decisions, or conclusions generated by an ADS.

c) "Employer" means any person who directly or indirectly, or through an agent or any other person, employs or exercises control over the wages, benefits, other compensation, hours, working conditions, access to work or job opportunities, or other terms or conditions of employment, of any worker. *This shall include all branches of state government, including all cities, counties, charter counties, municipalities, charter municipalities, cities and counties, special districts, transit districts, the University of California upon agreement by the regents, the California State University, community college districts, school districts, or any other governmental entity.*
"Employer" includes a labor contractor of a person defined as an employer.

d) "Employment-related decision" means any decision by an employer that materially impacts a worker's wages, benefits, compensation, work hours, work schedule, performance evaluation, hiring, discipline, promotion, termination, job tasks, skill requirements, work responsibilities, assignment of work, access to work and training opportunities, productivity requirements, or workplace health and safety.

e) "Individualized" means specific to an individual or group, band, class, or tier of individuals with particular personal characteristics, behaviors, or biometrics.

f) "Predictive behavior analysis" means any system or toll that predicts, infers, or modifies a worker's behavior, beliefs, intentions, personality, emotional state, or other characteristic or behavior.

g) "Worker" means any natural person who is an employee of, or an independent contractor providing service to, or through, a business or a state or local governmental entity in any workplace.

h) "Worker data" means any information that identifies, relates to, or describes a worker, regardless of how the information is collected, inferred, or obtained.

ADS Prohibitions and Limitations on Use:

2) Prohibits an employer from using an ADS to do any of the following:
   a) Prevent compliance with or violate any federal, state, or local labor, occupational health and safety, employment, or civil rights laws or regulations.
   b) Infer a worker's protected status under Section 12940 of the Government Code.
   c) Conduct predictive behavior analysis on a worker.
   d) Identify, profile, predict, or take adverse action against a worker for exercising their legal rights, including, but not limited to, rights guaranteed by state and federal employment and labor law.
   e) Use or rely upon individualized worker data as inputs or outputs to inform compensation unless the employer can clearly demonstrate that any differences in compensation for substantially similar or comparable work assignments are based upon cost differentials in performing the task involved, or that the data was directly related to the tasks that the worker was hired to perform.

3) Prohibits an employer from relying *solely* on an ADS when making a disciplinary, termination, or deactivation decision.

4) If an employer uses an ADS output *to assist* in making a disciplinary, termination, or deactivation decision, requires the employer to direct a human reviewer to conduct an

independent investigation and compile corroborating or supporting information for the decision. Such supporting information may include, but is not limited to, the following:
a) Supervisory or managerial evaluations.
b) Personnel files.
c) Work product of workers.
d) Peer reviews.
e) Witness interviews, that may include relevant online customer reviews.

5) Prohibits an employer from using the ADS output to discipline, terminate, or deactivate a worker if the employer cannot corroborate the ADS output, or the human reviewer has concluded that the ADS output is inaccurate, incomplete, or misleading.

6) Prohibits an employer from using customer ratings as the only or primary input data used to assist the employer to make employment-related decisions.

7) Grants workers the right to request, and requires an employer to provide, a copy of the most recent 12 months of the worker's own data primarily used by an ADS to make a disciplinary, termination, or deactivation decision.
   a) A worker is limited to one request every 12 months for a copy of their own data primarily used by an ADS to make a disciplinary, termination, or deactivation decision.
   b) For purposes of safeguarding the privacy rights of consumers, workers, and individuals, requires the worker data to be provided in a manner that anonymizes the customer's, other worker's, or individual's personal information.

ADS Postuse Notice:

8) Requires an employer that uses an ADS to assist in making a disciplinary, termination, or deactivation decision to provide the affected worker with a written postuse notice at the time the employer informs the worker of the decision.
   a) Requires the notice to comply with all of the following:
      i. It shall be written in plain language as a separate, stand-alone communication.
      ii. It shall be in the language in which routine communications and other information are provided to workers.
      iii. It shall be provided via a simple and easy-to-use method, including an email, hyperlink, or other written format.

9) Requires the post-use notice to contain all of the following information:
   a) That the employer used an ADS to assist the employer in the disciplinary, termination, or deactivation decision with respect to the worker.
   b) That a human reviewer conducted an independent investigation and compiled evidence to corroborate the ADS output.
   c) Contact information for the human that the worker may contact for more information about the decision and the worker's right to access a copy of their own data and corroborating evidence that was used in the decision.
   d) That the employer is prohibited from retaliating against the worker for exercising their rights under this part.

10) Requires an employer, when responding to a data access request by a worker, to provide to the worker a written, plain language document using a simple and easy-to-use method that is accessible away from the workplace containing all of the following:
   a) The specific decision for which the employer used the ADS.

b) The specific worker input data that the ADS used, and the specific worker output produced by the ADS.
c) Any additional corroborating or supporting information used in addition to the ADS output in making the decision.
d) The name of the vendor or entity that created the ADS and the product name of the ADS.
e) A copy of any completed impact assessments regarding the ADS in question.

Enforcement Provisions:

11) Prohibits an employer from discharging, threatening to discharge, demoting, suspending, or in any manner discriminating or retaliating against any worker for using or attempting to use their rights under these provisions, filing a complaint with the Labor Commissioner, alleging a violation of this part, cooperating in an investigation or prosecution of an alleged violation, or any action taken by the worker to invoke or assist in any manner the enforcement of these provisions, or for exercising or attempting to exercise any right protected under these provisions.

12) Requires the Labor Commissioner to enforce these provisions, including by investigating an alleged violation, ordering appropriate temporary relief to mitigate a violation or maintaining the status quo pending the completion of a full investigation or hearing through the procedures set forth in existing law, as specified, including by issuing a citation against an employer who violates these provisions and filing a civil action.
    a) If a citation is issued, the procedures for issuing, contesting, and enforcing judgments for citations and civil penalties issued by the LC shall be the same as those set forth in existing law, as specified.

13) Authorizes any worker, or their exclusive representative, who has suffered a violation of these provisions to, alternatively to enforcement by the LC, bring a civil action in a court of competent jurisdiction for damages caused by that adverse action, including punitive damages.

14) Alternatively, to enforcement by the LC or a worker bringing a civil action, authorizes public prosecutors to enforce these provisions pursuant to existing Labor Code Chapter 8 (commencing with Section 180) of Division 1.

15) Specifies that in any action, the petitioner may seek appropriate temporary or preliminary injunctive relief, including punitive damages, and reasonable attorney's fees and costs as part of the costs of any such action for damages.

16) Subjects an employer who violates these provisions to a civil penalty of five hundred dollars ($500).

17) Specifies that it does not preempt any city, county, or city and county ordinance that provides equal or greater protection to workers who are covered by these provisions.

18) Provides that an employer who complies with the requirements related to notice in this bill is not required to comply with any substantially similar notice provisions related to ADS' used for employment-related decisions required under any other state law, except as specified.
    a) Notwithstanding the above, specifies that an employer that is a business subject to the CCPA is subject to any privacy-related automated decisionmaking technology regulation duly adopted by the California Privacy Protection Agency, as specified.

19) Exempts from it's provisions, parties covered by a valid collective bargaining agreement if the agreement explicitly waives these provisions in clear and unambiguous terms, expressly provides for the wages or earning, working conditions, and other terms and conditions of work, and provides protection from algorithmic management.

20) Provides that these provisions do not prohibit any employer from complying with regulatory or contractual requirements in the provision of products or services to the federal government.

21) Declares that its provisions are severable and if any provision or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

COMMENTS

1. Background:

Artificial Intelligence and Automated Decision Systems

With technological advancements happening faster than humans can react, we often miss opportunities to pause and evaluate its impact. Until recently, advancements in technology often automated physical tasks, such as those performed on factory floors or self-checkouts, but artificial intelligence (AI) functions more like human brainpower. AI can use algorithms to accomplish tasks faster and sometimes at a lower cost than human workers can. As this technology develops, so do fears of worker displacement in more areas and industries.

According to a recent CNBC article, "recent estimates from Goldman Sachs suggest that 6% to 7% of U.S. workers could lose their jobs because of AI adoption. The Stanford Digital Economy Lab, using ADP employment data, found that entry-level hiring in "AI exposed jobs" has dropped 13% since large language models started proliferating. The report said software development, customer service and clerical work are the types of jobs most vulnerable to AI today."[1]

Beyond replacing workers, AI-powered tools are being used to complement the duties of employees. In February of 2019, Data & Society, an independent non-profit research institute, published a study evaluating the impact of algorithmic management on the workforce. The study highlights several examples where algorithmic management is becoming more common. In the delivery industry, companies from UPS to Amazon to grocery chains are using automated systems to optimize delivery workers' daily routes. In other industries, trends show an increase in remote tracking and managing using AI software. In retail and service jobs, automated scheduling is replacing managers' discretion over employee schedules, while the work of evaluating employees is being transferred to consumer-sourced rating systems.[2]

---

[1] Samantha Subin, "*AI is already taking white-collar jobs. Economists warn there's 'much more in the tank,*'" October 23, 2025, CNBC. https://www.cnbc.com/2025/10/22/ai-taking-white-collar-jobs-economists-warn-much-more-in-the-tank.html

[2] Alexandra Mateescu, Aiha Nguyen, 2019. Data & Society. *"Explainer: Algorithmic Management in the Workplace*." https://datasociety.net/wp-content/uploads/2019/02/DS_Algorithmic_Management_Explainer.pdf

In these examples, the AI technology is at least complementing the tasks of workers. In other examples, as highlighted in a 2021 UC Berkeley study, the use of these AI-powered ADS tools should give us pause[3]:

- Hiring software by the company HireVue generates scores of job applicants based on their tone of voice and word choices captured during video interviews.
- Algorithms are being used to predict whether workers will quit, become pregnant, or try to organize a union, which influence employers' decisions about job assignment and promotion.
- Call center technologies are analyzing customer calls and nudging workers in real time to adjust their behavior, such as coaching them to express more empathy, pace the call more efficiently, or exude more confidence and professionalism.
- Grocery platforms like Instacart are monitoring workers and calculating metrics on their speed as they fill shopping lists.
- Robots, for example "smart cart" service robots in health care, are being used to transport materials (e.g., linens, meals, lab specimens) to other workers. Meanwhile, floor cleaning robots vacuum or scrub floors along a preset route programmed by workers, who also monitor and support their operation.
- In remote workers' homes, AI software is being used to track computer keystrokes.

Firing by Machine:

A 2018 BBC article describing the firing of an employee by machine, without human oversight, highlights precisely what this bill is attempting to address. Mr. Diallo was fired from his job, not by his manager but by a machine. What began with an entry pass failing to let him into his office, turned into a three-year contract being terminated, his access to every system used by the company locking him out, and finally being escorted out of the building[4].

There was nothing his manager could do, and it took the company three weeks to figure out why the system had fired Mr. Diallo. The firm was going through changes, both in computer systems it used and the people it employed, and his original manager had recently been laid off and had not renewed Mr. Diallo's contract with the new computer system which led to the automatic firing and actions that followed. Once the problem was identified and fixed, Mr. Diallo was allowed to go back to work, but he had missed three weeks' worth of pay and been escorted from the building "like a thief."[5] Mr. Diallo felt that his co-workers became distant with him, and he eventually moved on to another job.

Recent Efforts to Regulate AI and ADSs

The use of AI-powered tools like ADS raises several concerns and legal questions as to how workers are or aren't protected from the decisions made by an ADS. Over the last several years, the Legislature has considered a multitude of bills aimed at regulating AI and its use to ensure that the privacy rights of Californians continue to be protected. AB 2885 (Bauer-Kahan, Chapter 843, Statutes of 2024) was a crucial first step in regulating this technology. AB 2885 established key definitions, including a uniform definition for "artificial intelligence," "automated decision system," and "high-risk automated decision system."

---

[3] Annette Bernhardt, Lisa Kresge, Reem Suleiman, 2021. UC Berkeley Labor Center. *"Data and Algorithms at Work: The Case for Worker Technology Rights."* https://laborcenter.berkeley.edu/data-algorithms-at-work/

[4] Jane Wakefield, "*The man who was fired by machine"* (June 21, 2018) BBC, https://www.bbc.com/news/technology-44561838

[5] Ibid.

Other efforts attempted to regulate the industry by establishing requirements on the use of AI, although the focus was mostly on consumers and their technology rights, whether it be the data social media companies collect and sell or the manipulation of elections news via fake postings. In the area of private sector labor and employment specifically, 2025 was the year where we saw several proposals attempting to regulate how AI-powered tools are used.

SB 7 (McNerney, 2025) attempted to regulate the use of ADS' in the employment setting by, among other things, 1) requiring employers to provide a written notice (pre introduction and postuse) that an ADS is in use at the workplace to all workers and job applicants directly affected by the ADS; 2) prohibiting in some instances and in others limiting the use of an ADS, as specified; 3) providing worker anti-retaliation protections for exercising these rights; and 4) specifying enforcement mechanisms that included penalties and relief for violations. SB 7 was vetoed by Governor Newsom who stated, among other things:

> *"this measure proposes overly broad restrictions on how employers may use ADS tools. For example, prohibiting an employer from using customer ratings as the primary input data for an ADS takes away a potentially valuable tool for rewarding high-performing employees. To the extent that customer reviews are unfairly or inappropriately used to make decisions about a worker, legislation should address those specific scenarios rather than ban this practice altogether.*
>
> *Finally, I share the author's concern about situations where an employer uses an ADS to make disciplinary, termination, or deactivation decisions. Such situations are partially covered by forthcoming California Privacy Protection Agency regulations, which would allow employees and independent contractors to better understand how their personal data is used by automated decision technology. Before enacting new legislation in this space, we should assess the efficacy of these regulations to address these concerns."*

Several other bills attempted to regulate AI and ADS use last year, including AB 1018 (Bauer-Kahan, 2025, Pending on Senate Inactive File) which would, among other things, regulate the development and deployment of an ADS used to make consequential decisions, as defined. AB 1221 (Bryan, 2025, held in Assembly Appropriations Committee) attempted to regulate the use of workplace surveillance tools and an employer's use of worker data by, among other things, requiring an employer to provide workers with a written notice regarding the need for the surveillance tool. Finally, AB 1331 (Elhawary, 2025, Pending on Senate Inactive File) would limit the use of workplace surveillance tools, including by prohibiting an employer from monitoring or surveilling workers in private, off-duty areas, as specified.

This bill [SB 947 (McNerney)] is a re-introduction of SB 7 from last year, minus the pre-use notification requirements and requirements applicable to job applicants, focusing mainly on how the ADS is used to make disciplinary, termination, or deactivation decisions.

CCPA

Existing law establishes the California Consumer Privacy Act of 2018 (CCPA), giving consumers more control over the personal information that businesses collect about them. The CCPA regulations provide guidance on how to implement these rights. Proposition 24 of 2020 amended the CCPA and added additional privacy protections that included the right to correct inaccurate personal information that a business has and the right to limit the use of such information, including consumers' rights to opt-out. Updated regulations accounting for these changes were adopted on September 22, 2025. The CCPA was designed for the

protection of consumers and originally excluded workers, but as of January 1, 2023, that exemption has sunsetted and California workers, including independent contractors and job applicants, are now included in its protections.

As noted by the UC Berkeley Labor Center, "This is the first time that workers in the U.S. have basic rights around their workplace data. They will know when employers are surveilling them and for what purpose. They will be able to get access to their data and ask to correct or delete it. They will know if employers are profiling them or buying data about them, like social media activity. And they will be able to opt out of employers selling their data. These provisions are an important first step in making sure that workers have the tools necessary to advocate for their rights in the 21st century data-driven workplace"[6]

CCPA grants workers protections for exercising these rights. The California Privacy Protection Agency has enforcement powers and is able to investigate alleged violations and impose administrative fines. Additionally, the Attorney General can also enforce the CCPA.

2. Need for this bill?

According to the author, "Employers are increasingly using automated decision-making systems to surveil, manage, and replace workers in pursuit of maximizing productivity and reducing costs. While the passage of AB 701 (Chapter 197, Statutes of 2021) has prohibited employers from setting productivity demands at the expense of health and safety, "robo-bosses" continue to pose a threat to workers. Unregulated employer use of ADS leaves workers vulnerable to discrimination, lower pay, dangerous working conditions, and high risk of unjust termination.

SB 947 requires human oversight and independent verification for discipline, termination, or deactivation decisions. The bill provides notice and access to data to a worker when ADS has been used to support a discipline, termination, or deactivation decision. It also prohibits the use of ADS for predictive behavior analysis of workers."

3. Proponent Arguments:

According to the sponsors of the measure, the California Federation of Labor Unions:

"Employer use of ADS is increasingly used without oversight to make the decisions that impact workers' paychecks. A 2025 ResumeBuilder survey of employers found that 60% of managers use AI systems to make critical decisions about workers, including raises, terminations, and layoffs. Of those, 20% let AI make final decisions without any human input or oversight. Algorithmic management can inflict serious harm to workers. Endlessly increasing efficiency through eliminating routine tasks and increasing work speeds can lead to fatigue, burn-out, excessive injuries, and other harm, as seen in Amazon warehouses that relied on algorithms to implement speed quotas which forced workers to skip bathroom breaks and skirt safety measures.

[6] Kung Feng, "*Overview of New Rights for Workers under the California Consumer Privacy Act,"* December 6, 2023,UC Berkeley Labor Center. https://laborcenter.berkeley.edu/overview-of-new-rights-for-workers-under-the-california-consumer-privacy-act/

While the passage of AB 701 (Gonzalez, 2021) has prohibited employers from setting productivity demands at the expense of health and safety, "robot bosses" continue to pose a threat to workers. In the health care space, nurses who work through gig-nursing apps, such as ShiftKey, have had their wages and hours set by an algorithm. This algorithmic wage setting has led to disparate pay between equally qualified nurses without any justification or reasoning. Without a human manager or supervisor, nurses working through ShiftKey are left at the behest of a machine with few opportunities to appeal or even talk to an actual human regarding their pay rate.

Similarly, Amazon flex drivers – independent contractors who sign up for Amazon deliveries via an app – are also forced to deal with automated management. As drivers are forced to sign up for shifts through the "Flex app," they are left with little to no interaction with a human throughout the workday. The app constantly tracks their delivery times and docks workers for delays, even due to conditions outside of the workers' control such as a traffic jam or a locked gate. Late deliveries can lead to automated firing by the app's automated decision-making system and often leaves drivers with little to no recourse or opportunity to appeal their deactivations.

In addition to swiftly firing a worker, ADS can potentially discriminate based on the pre-set rules that are deemed proprietary to conduct predictive behavior analysis to prevent "undesirable worker outcomes." For example, Teramind offers employers with advisory service algorithms to detect potential employee fraud by analyzing information such as a worker's debt history or their spending habits in order to flag a worker as being susceptible to committing fraud and stealing from the company. Ultimately, unregulated employer use of ADS technology leaves workers vulnerable to discrimination, lower pay, dangerous working conditions, and high risk of unjust termination. The wellbeing of a human should not be at the behest of a machine.

To prevent algorithmic firings and discipline, SB 947 ensures human oversight of automated decision-making systems when making decisions that impact workers' working conditions and livelihoods. SB 947 allows employers to use ADS, but requires human oversight and independent corroboration of firing, disciplinary, and deactivation decisions. Additionally, SB 947 outright prohibits employers from using an ADS to make decisions on workers based on predictive analysis, thus protecting workers from being profiled and disciplined based on actions they have not committed. SB 947 will prevent the outsourcing of decisions that impact workers' lives to machines. It allows for the use of technology and tools to make workplaces more productive and efficient but ensures human oversight to prevent abuse and mistakes.

New technologies like artificial intelligence are powerful tools with the potential to either improve work for workers and employers or to exacerbate and increase existing exploitation and inequality. SB 947 ensures that technology remains a tool controlled by humans."

4. Opponent Arguments:

A coalition of employer associations, including the California Chamber of Commerce, are opposed arguing, among other things, that "the bill broadly targets businesses of all sizes, across every industry, and regulates even low-risk applications of ADS. Significantly, we are disappointed that the bill undoes many amendments taken in SB 7, its predecessor bill from 2025 that was vetoed, marking a step backwards in progress on this issue. SB 947 will drive

up costs for consumers and employers because it would impose significant compliance burdens and any misstep would lead to costly litigation for even the smallest of employers. While we appreciate concerns over employees being unfairly disciplined or terminated solely based on automated tools, SB 947 is not tailored to those scenarios and does not consider the benefits of ADS technology. Unfortunately, we believe SB 947 will have an undesired chilling effect on the technology and make it that much harder to develop the very tools that can help combat bias in decision making." Below is a summary of some of the coalition's main arguments in opposition:

- *SB 947 walks back amendments taken to SB 7 last year regarding the scope of the bill:* The bill provides that whenever ADS "assists" with a discipline, termination, or deactivation decision, the employer must conduct a full independent investigation. They argue that this is an unnecessary and burdensome requirement that does not align with the bill's stated goal of ensuring that a human is involved before an adverse decision is made. It applies equally whether ADS informs 1% or 99% of a decision, thus capturing lower-risk ADS as opposed to focusing on those tools that pose higher risks to employees' rights or interests. By contrast, SB 7 required the review of other evidence only where an ADS was "primarily relied on" in a decision.

- *Post-use notice requirements are overly broad and require disclosure of confidential information:* SB 947 takes a step backwards by requiring a post-use notice whenever an ADS "assists" with a disciplinary, termination, or deactivation decision, no matter how miniscule. They argue that such a volume of notices is unnecessarily burdensome. Further, the requirements set forth in the notice call for the employer to produce the corroborating evidence relied on for the decision. They argue that this requirement risks undermining the integrity of workplace investigations, which may involve confidential communications, communications with other workers, HR or legal counsel involvement, or sensitive personnel information. Compelling disclosure of this material could erode longstanding protections for privileged and confidential information and discourage thorough investigations.

- *SB 947's right to access raises concerns:* they argue that while providing a worker with an explanation for a decision is reasonable, SB 947 goes much further by requiring disclosure of raw "specific worker input data" and "specific worker output produced" by proprietary systems. They are concerned about the requirement to provide corroborating information used to make the decision arguing that it can compromise investigative integrity and risk disclosure of confidential or privileged materials. Additionally, SB 947 requires employers to provide the exact name of the ADS vendor and product and a copy of any completed impact assessments. They argue that it is unclear why a worker needs to know the precise model and developer, and requiring disclosure of impact assessments raises serious confidentiality concerns.

- *SB 947's ban on certain ADS uses will have unintended consequences:* SB 947 undoes an amendment made to SB 7 in the Assembly Appropriations Committee by reinstating a complete ban of the use of ADS to predict behaviors in Section 1522(a)(3). Their note that their concerns from last year remain the same, arguing that this would ban legitimate and beneficial uses of ADS. For example, financial institutions sometimes use ADS for predictive purposes for assessing risk of fraud or other unlawful activities. Those tools would also catch any improper conduct from employees. They also argue that the ban on

using customer ratings as the "primary" input data to make an employment decision does not always make sense. They argue that customer feedback can be an important indicator of performance, especially in roles where supervisors are not always present.

- *Independent contractors should not be included in the definition of "worker":* The bill's definition of "worker" includes independent contractors, which they argue should be removed from the bill. Contractors are often limited-term workers who are performing a specific job for a company. Their contract will dictate the terms of that job and any job-specific requirements. They argue that this trend of treating them the same as employees in every new bill is at odds with prior legislation and court decisions.

- *SB 947 creates a private right of action and increases litigation exposure:* They argue that any misstep in interpreting or implementing SB 947's broad requirements would subject a business of any size to a private right of action, including penalties. Additionally, they argue that SB 947 will significantly increase litigation exposure and civil penalty liability for businesses by expanding the circumstances under which employers may be subject to enforcement actions. They argue that given the already high cost of defending employment claims in California, this bill would divert resources away from business operations, employee wages, and job creation.

There is additional opposition from various local government and educational agencies, including the League of California Cities and the California State Association of Counties, who argue that they have not been provided with specific examples of their misuse of these technologies to merit their inclusion in this bill. Among other things, they write:

> "The initial and ongoing obligations required by this bill will burden local human resources and information technology departments, increasing costs and diverting them from their core responsibilities. Some small agencies and departments may struggle to comply with the bill's requirements. The bill requires the employer to provide, on request, a copy of the most recent 12 months of the worker's own data primarily used by an ADS to make a discipline, termination, or deactivation decision, once per year, together with detailed information and requirements to protect third parties. Complying with, and potentially analyzing, these voluminous data requests will divert public resources from core responsibilities.
>
> The bill's enforcement provisions, including a private right of action, expose local governments and schools to increased litigation risk and costs. For public employers with represented workforces, collective bargaining agreements already provide mechanisms for appealing personnel decisions. This bill's enforcement provisions overlay appeal rights for public employees that could create confusion, workload redundancy, and legal uncertainty. The bill also defines an "employer" subject to its provisions to also include all branches of state government (see Proposed Labor Code Section 1520(d)(1)). With the state and local agencies grappling with a substantial and growing decline in support from the federal government for a variety of programs and services, now is not the time for additional unfunded mandates, particularly without a clearly demonstrated need….
>
> Rather than resolving concerns, the bill's Collective Bargaining Agreement (CBA) exemption creates new problems by requiring that agreements waive the provisions of the bill and provide 'protections from algorithmic management' to qualify. As an example, in

health care settings, this could be misinterpreted to place essential systems and tools—needed for core operations—into collective bargaining negotiations, potentially making their use incompatible with their intended purpose and undermining public health care delivery. Further, either complying with the statutory requirements of this bill, or agreeing to a CBA that addresses the same issue in this bill, would effectively narrow or remove the issue from bargaining.

Put simply, for public employers, the burdens potentially imposed by this bill far exceed the benefits and purported need."

Finally, the bill has opposition from Uber and Lyft who argue, among other things, that SB 947's prohibitions would put riders and drivers at risk, weaken safety and fraud protections, create overlapping and potentially conflicting legal requirements, and undermine the historic progress made through the signing of AB 1340 (Wicks, 2025). They write:

"AB 1340, the Transportation Network Company (TNC) Drivers Labor Relations Act, establishes a legal framework for rideshare drivers to unionize as independent contractors and establishes a sectoral bargaining framework. This framework includes explicit requirements to negotiate how deactivations and appeals are handled. Those agreements are flexible, can be updated as technology evolves, and balance worker voice with operational realities. By its inclusion of independent contractors in the definition of "worker", SB 947 undermines that process with top-down rules, replacing negotiation with statutory mandates that not only duplicate but conflict with the objectives of AB1340."

"Proposition 22 – which was elected by a majority of voters – fully governs certain processes for app-based workers, including appeals procedures for deactivations, and guarantees their status as independent contractors. SB 947 conflicts with Prop 22 by mandating specific appeals process components and prohibiting network companies from setting other access conditions. As an example, our companies, for years, have used customer star ratings as a metric to uphold service and safety standards on our platforms. Under Prop 22, our companies have offered deactivation appeals and reviews processes, including options for a driver to improve their customer ratings. However, SB 947 facially bars primary reliance on customer ratings, even when those ratings are accompanied by reports of serious safety incidents."

"…after years of stakeholder engagement across worker advocates, industry, privacy experts, and others, the California Privacy Protection Agency recently adopted a comprehensive framework regulating automated decisionmaking for workers, amongst other significant decisionmaking activities. Paired with existing data access, correction and other rights under the CCPA, these regulations create some of the most stringent rules in the country for automated decisionmaking systems.

As Governor Newsom emphasized in his SB 7 veto letter about the CCPA's automated decisionmaking regulations, it is essential that such rules remain sufficiently tailored and avoid stifling innovation. SB 947 does the opposite. Rather than building on these regulations, SB 947 creates a separate and duplicative framework governing the same activities – imposing different, and at the same time conflicting, standards without providing meaningful new protections."

5. Staff Comments:

As noted above, AI is being used in new ways not previously contemplated in current law. The use of these tools is not fundamentally bad, as long as they are incorporated in ways that assist workers in accomplishing their tasks without sacrificing their job entirely, while ensuring worker safety, living wages, and protecting against discrimination and abuse.

This bill attempts to curve that use, and potential abuse, by imposing various requirements and prohibitions on employers' use of an ADS to make employment-related decisions. The efforts to regulate AI-powered tools like ADS in the employment setting began last year with SB 7 and some of the other bills highlighted above and below. This bill [SB 947] picks up where SB 7 left off, removing some big provisions in SB 7 regarding pre-use notifications and its applicability to job applicants and bringing back some previously removed elements.

As conversations on this bill continue, the author and sponsors may wish to consider the following:

- SB 7's veto message from Governor Newsom pointed out that ADS' used to make disciplinary, termination, or deactivation decisions may be partially covered by the recently adopted CCPA regulations, which would allow employees and independent contractors to better understand how their personal data is used by automated decision technology. The Governor stated that before enacting new legislation in this space, we should assess the efficacy of these regulations to address these concerns.

  Considering the regulations were just finalized in September of 2025, has there been identified gaps in the CCPA regulations that SB 947 is seeking to fill? Is there some overlap of regulations, direction, and requirements that need to be considered as SB 947 moves forward?

- The bill defines "worker" to mean any natural person who is an employee of, or an *independent contractor* providing service to, or through, a business or a state or local governmental entity in any workplace. Independent contractors are not employees protected by most provisions of the labor code but rather limited-term workers operating under a specific contract dictating the terms of that job. As noted by Uber and Lyft, AB 1340 (Wicks, Chapter 335, Statutes of 2025) grants transportation network company drivers the right to organize and prescribes specified mandatory subjects of bargaining, including earning, benefits, and other terms and conditions of work, including deactivations. This bill prescribes prohibitions and requirements with regards to ADS use for disciplinary, termination, or deactivation decisions.

  As the bill moves forward, the author may wish to consider if and how the requirements in SB 947 may conflict with those of AB 1340. Should the bill include provisions specific to deactivations and if so, how do they need to be crafted to coexist with the existing law requirements in AB 1340?

- Section 1522(a)(5) of the bill would prohibit the use of an ADS to "use or rely upon individualized worker data as inputs or outputs to inform compensation unless the employer can clearly demonstrate that any differences in compensation for substantially similar or comparable work assignments are based upon cost

differentials in performing the task involved, or that the data was directly related to the tasks that the worker was hired to perform."

Opponents argue that this provision is vague, unclear, and want to ensure that it does not inadvertently bar legitimate practices such as rewarding top performers based on productivity metrics.

According to the author, this provision of the bill is intended to 1) address regional wage differences due to municipal minimum wage requirements that may differ throughout the state; and 2) regulate the use of algorithmic wage setting often used by gig-based companies that deploy algorithms that are fed obscure data to determine wages for workers such as delivery drivers and even nurses. The author cites as an example, the gig app for nurses Shiftkey which "has been known to provide disparate wages to nurses signing up for available shifts based on individualized data fed to an algorithm. Rather than offering a standard wage or adjusting the wage due to a nurse's prior experience or education level, the Shiftkey platform is able analyze how often a user accepts their shift, how quickly they respond to an offer, and whether they have ignored previous shifts in the past to create and offer the lowest wage a user is likely to accept."

As the bill moves forward, the author may wish to consider whether this provision merits further clarification to ensure these examples are accounted for.

- Section 1526.1(e) specifies that an employer who violates this part shall be subject to a civil penalty of five hundred dollars ($500). *The author may wish to add "per violation" to clarify how this penalty is to be applied.*

6. Double Referral:

This bill has been double referred and if approved by this Committee today, will be sent to Senate Privacy, Digital Technologies, and Consumer Protection Committee for a hearing.

7. Prior/Related Legislation:

SB 951 (Reyes, 2026), among other things, establishes the California Worker Technological Displacement Act requiring an employer to provide at least a 90-day advanced written notice before any technological displacement. *SB 951 is pending before this Committee.*

SB 1248 (Cabaldon, 2026) imposes certain restrictions on the use of an ADS by a state agency to confer services including, among other things, the issuance of professional licenses and provision of public benefits. Among the restrictions, the bill prohibits the use of an output from the system as the sole basis for an adverse service determination and requires the state agency to verify the accuracy of the system's outputs and to promote nondiscrimination in its use, as specified. *SB 1248 is pending before the Senate Committee on Privacy, Digital Technologies, and Consumer Protection.*

AB 1883 (Bryan, 2026) regulates the use of workplace surveillance tools by, among other things, prohibiting their use if it incorporates facial, gait, or emotion recognition technology, except as specified. The bill would require the LC to enforce the bill's provisions, would

authorize an employee to bring a civil action for specified remedies for a violation, and would authorize a public prosecutor to enforce. *AB 1883 is pending before the Assembly Privacy and Consumer Protection Committee.*

AB 1898 (Schultz, 2026) requires an employer to provide a written notice to an employee that a workplace AI tool was used to assist the employer in making employment-related decisions or to surveil workers in the workplace. The bill requires employers to maintain an updated list of all workplace AI tools in use and their impact on jobs, as specified, and to provide the list to workers annually. The bill would provide for enforcement by the LC or a public prosecutor, and authorizes the filing of a civil action. *AB 1898 is pending before the Assembly Judiciary Committee.*

AB 1979 (Bonta, 2026), among other things, prohibits a health facility, clinic, physician's office, or a group practice from using or deploying a tool, system, or device that includes AI for any activity requiring the use of professional judgment by a licensed health care professional, as specified, and would prohibit such a tool to direct, guide, supervise, or instruct unlicensed personnel in performing any function that requires a professional license. *AB 1979 is pending before the Senate Health Committee.*

AB 2027 (Ward, 2026), among other things, prohibits an employer or vendor from using a worker data to train or deploy AI to, among other things, replicate, automate, or replace a worker's job. *AB 2027 is pending before the Assembly Labor and Employment Committee.*

AB 2148 (Muratsuchi, 2026), among other things, prohibits a certificated or classified employee of a local educational agency or an academic or classified employee of a segment of public postsecondary education from being dismissed, suspended, disciplined, reassigned, transferred, or otherwise retaliated against (A) for refusing to use, refusing to deploy, or refusing to direct students to, any form of educational technology, or (B) based on any information on that employee that is transmitted, acquired, collected, or produced via AI or ADS output. *AB 2148 is pending before the Assembly Committee on Education.*

SB 7 (McNerney, 2025), described above, would have established new rules for employers using an ADS to make employment-related decisions. *SB 7 was vetoed by the Governor.*

Several other bills in 2025 addressed related AI issues including: SB 238 (Smallwood-Cuevas), SB 503 (Weber Pierson), AB 1018 (Bauer-Kahan), AB 1221 (Bryan), AB 1331 (Elhawary)

AB 2885 (Bauer-Kahan, Chapter 843, Statutes of 2024) established a uniform definition for "artificial intelligence," "automated decision system," and "high-risk automated decision system" in California law.

AB 2930 (Bauer-Kahan, 2024) would have regulated the use of ADSs in order to prevent "algorithmic discrimination," including by requiring developers and deployers to perform impact assessments. Additionally, it would have granted the right of individuals to know when and how an ADS is used as well as the right to opt out of its use. *AB 2930 died on the Senate inactive file.*

SB 892 (Padilla, 2024) would have required the CA Department of Technology (CDT) to develop and adopt regulations to create an ADS procurement standard, and prohibited ADS

use by a state agency until such regulations were adopted, as specified. *SB 892 was vetoed by the Governor.*

Several other bills in 2024 addressed related AI issues including: SB 893 (Padilla), SB 896 (Dodd), SB 942 (Becker), SB 1047 (Wiener), and AB 2013 (Irwin).

SUPPORT

California Federation of Labor Unions – Sponsor
Alameda Labor Council
American Federation of State, County and Municipal Employees California
California Alliance for Retired Americans
California Employment Lawyers Association
California Faculty Association
California Federation of Teachers AFL-CIO
California Immigrant Policy Center
California Professional Firefighters
California School Employees Association
California State Legislative Board of the SMART Transportation Division (SMART-TD)
California Teachers Association
Central Coast Labor Council
Fresno-Madera-Tulare-Kings Central Labor Council, AFL-CIO
Electronic Frontier Foundation
Inland Empire Labor Council, AFL-CIO
North Bay Labor Council
North Valley Labor Federation
Oakland Privacy
Orange County Employees Association
Orange County Labor Federation, AFL-CIO
San Mateo County Central Labor Council
TechEquity Action
UAW Region 6

OPPOSITION

American Petroleum and Convenience Store Association
Associated Equipment Distributors
Association of California Healthcare Districts
Association of California School Administrators
California Apartment Association
California Association of School Business Officials
California Association of Winegrape Growers
California Chamber of Commerce
California Farm Bureau
California Grocers Association
California Landscape Contractors Association
California League of Food Producers
California Manufacturers & Technology Association

California Retailers Association
California Special Districts Association
California Staffing Professionals
California State Association of Counties
California Trucking Association
California's Credit Union
Chamber of Progress
Cinema Association of California
Civil Justice Association of California
Leading Age California
League of California Cities
Lyft, Inc.
National Association of Mutual Insurance Companies
Orange County Fire Authority
Personal Insurance Federation of California
Protect App-Based Drivers and Services Coalition
Rural County Representatives of California
Self Storage Association
SHRM California
TechNet
Uber Technologies, INC.
Urban Counties of California
Western Growers Association

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 951	**Hearing Date:**	April 8, 2026
Author:	Reyes		
Version:	March 26, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alma Perez		

SUBJECT: Employment: technological displacement: notice

KEY ISSUES

This bill establishes the California Worker Technological Displacement Act to 1) require employers to provide a 90-day advanced written notice before any technological displacement affecting a specified number of its workforce; 2) prohibit employers from discharging an affected worker during this 90-day period; 3) require an employer to provide a written technology hiring disruption notice to specified government entities when it executes a technological cessation in hiring due to the adoption of artificial intelligence (AI) or other automating technology; 4) require the Employment Development Department (EDD) to post the notices received online and compile a report, as specified; 5) grant specified workers affected by a technological displacement the right of first bid on other positions with the employer; and 6) prescribe penalties and specified remedies for violations, including the filing of a civil action.

ANALYSIS

Existing federal law:

1) Establishes the federal Worker Adjustment and Retraining Notification (WARN) Act prohibiting specified employers from ordering a plant closure or mass layoff until the end of a 60-day period after the employer serves written notice of such an order to the following:
   a) To each representative of the affected employees as of the time of the notice or, if there is no such representative at that time, to each affected employee; and
   b) To the State or entity designated by the State to carry out rapid response activities, as specified, and the chief elected official of the unit of local government within which such closing or layoff is to occur.
   (29 U.S.C. §§2101)

2) Applies the federal WARN notice requirements to employers with 100 or more full-time employees (not counting workers who have less than 6 months on the job and workers who work fewer than 20 hours per week) and is laying off at least 50 people at a single site of employment, or employs 100 or more workers who work at least a combined 4,000 hours per week, and is a private for-profit business, private non-profit organization, or quasi-public entity separately organized from regular government. (29 U.S.C. §§2101)

3) Makes an employer who violates the federal WARN provisions liable to each employee for an amount equal to back pay and benefits for the period of the violation, up to 60 days, but no more than half the number of days the employee was employed by the employer. (29 U.S.C. §§2104)

Existing state law:

1) Establishes the California Worker Adjustment and Retraining Act (Cal-WARN), which prohibits an employer with 75 or more full and part-time employees from ordering a mass layoff (of 50 or more employees within a 30-day period), relocation, or termination at a covered establishment, as defined, unless, 60 days before the order takes effect, the employer gives written notice to all of the following:
   a) The employees of the covered establishment affected by the order.
   b) The Employment Development Department, the local workforce investment board, and the chief elected official of each city and county government within which the termination, relocation, or mass layoff occurs.
   (Labor Code §1400-1413)

2) Defines, for purposes of the Cal-WARN Act, an "employer" as any person, association, organization, partnership, business trust, limited liability company, or corporation who directly or indirectly owns and operates a covered establishment. A parent corporation is an employer as to any covered establishment directly owned and operated by its corporate subsidiary. (Labor Code §1400.5)

3) Exempts, from the provisions of Cal-WARN, seasonal employees and employees that are laid off as a result of the completion of a project in specified industries, where the employers are subject to specified wage orders, and the employees were hired with the understanding that their employment was seasonal and temporary. (Labor Code §1400.5.)

4) Requires employers mandated to give notice of any mass layoff, relocation, or termination pursuant to Cal-WARN to include in its notice, the elements required by the federal WARN Act. (Labor Code §1401)

5) Makes an employer that fails to give the required Cal-WARN notice before ordering a mass layoff, relocation, or termination liable to each employee entitled to notice, for specified back pay and medical expenses incurred that would have been covered under an employee benefit plan, calculated for the period of the employer's violation, up to a maximum of 60 days, or half the number of days that the employee was employed by the employer, whichever period is shorter. (Labor Code §1402)

6) Subjects an employer who fails to give the required Cal-WARN notice to a civil penalty of not more than five hundred dollars ($500) for each day of the employer's violation. Exempts an employer from this civil penalty if the employer pays all applicable employees within three weeks from the date the employer ordered the mass layoff, relocation, or termination. (Labor Code §1403)

7) Permits a person, including a local government, or an employee representative, seeking to establish liability against an employer for violation of Cal-WARN to bring a civil action on behalf of the person other persons similarly situated, or both, in any court of competent jurisdiction. Additionally, permits a court to award reasonable attorney's fees as part of the costs to any plaintiff who prevails in a civil action. (Labor Code §1404)

8) Defines "artificial intelligence" (AI) to mean an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the

input it receives how to generate outputs that can influence physical or virtual environments. (Government Code §11546.45.5)

9) Establishes the Department of Industrial Relations (DIR) in the Labor and Workforce Development Agency (LWDA), and vests it with various powers and duties to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. (Labor Code §50.5)

10) Establishes within the DIR, various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner (LC), and empowers the LC with ensuring a just day's pay in every workplace and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)

11) Establishes the Employment Development Department (EDD) in the Labor and Workforce Development Agency (LWDA), and vests it with various duties and responsibilities including job creation activities, administration of the Unemployment, Disability, and Paid Family Leave programs, collection of payroll taxes, keeping track of employment records, managing federal job training programs, and collecting and sharing information about the job market. (Unemployment Insurance Code §301)

This bill:

1) Defines, among others, the following terms:

    a) "Employer" means any individual who, or entity that, directly or indirectly, or through an agent or any other person, employs or exercises control over the wages, benefits, other compensation, hours, working conditions, access to work or job opportunities, or other terms or conditions of employment, of any worker. An "employer" includes, but is not limited to, any of the following:
        i. The state, including its legislative, judicial, and executive branches.
        ii. Any city, county, or city and county, including any charter city, charter county, charter city and county, and other political subdivisions of the state.
        iii. Special districts, including, but not limited to, school districts.
        iv. Any authority, commission, board, agency, or instrumentality of any entity specified in paragraphs (1) to (3), inclusive.
        v. The University of California, the California State University, and community college districts.
    b) "Technological displacement" means the elimination of employment positions within any 12-month period, caused in whole or primarily by an AI system or other automated technology replacing or automating those employment positions.
    c) "Technological cessation in hiring" means the end of hiring permanently for an occupation or position that is directly and primarily due to the use of AI or other automation that displaces or replaces human workers. "Technological cessation in hiring" does not mean an overall reduction in employment positions.
    d) "Worker" means an individual employed or contracted by an employer for at least 6 months of the 12 months preceding the date on which notice is required under this article. "Worker" includes, but is not limited to, full-time and part-time workers and independent contractors, but does not include a seasonally employed individual who was hired with

the understanding that their employment is seasonal and temporary, a volunteer, or an intern.

Technological Displacement Notice:

2) Establishes the California Worker Technological Displacement Act requiring an employer to provide a 90-day advanced written notice before any technological displacement affecting 25 or more workers or 25 percent of the workforce, whichever is less. Requires the notice be provided to both of the following:
   a) The workers of the employer affected by the order.
   b) EDD, the local workforce investment board, and the city council members and county board of supervisors of each city and county in the state within which the technological displacement, reduction, or termination of contract occurs.

3) Requires the technological displacement notice to contain all of the following information:
   a) The name and address of the employment site and the name, email, and telephone number of a company official.
   b) A statement indicating whether the planned action is permanent or temporary.
   c) The expected date of the first separation and the schedule for subsequent separations.
   d) The number, classification, and work location of layoffs that are substantially due to the replacement or automation by AI.
   e) The job functions performed by those workers that will be automated by AI.
   f) The AI system or other automating technology that substantially resulted in technological displacement, including the entity or entities that developed, sold, or leased the product.
   g) The justification for, and purpose of, the use of the AI tool.
   h) If retraining is available to current workers to transition from eliminated occupations to new ones at the company.

4) Prohibits an employer with 100 workers or more from discharging a worker affected by a technological displacement or termination of contract during the 90-day period from when the notice is provided to the worker.

5) For employers with more than 100 workers, entitles each worker affected by a technological displacement to the right of first bid on other positions with the employer.

Technology Hiring Disruption Notice:

6) Requires an employer to provide a written technology hiring disruption notice when it executes a technological cessation in hiring directly and primarily due to the adoption of AI or other automating technology to EDD, the local workforce investment board, and the chief elected official of each city and county within which the AI hiring disruption occurs.

7) Requires the technology hiring disruption notice to include all of the following information:
   a) The name and address of the employment site and the name, email, and telephone number of a company official.
   b) A statement indicating whether the planned action is permanent or temporary.
   c) The number of positions that were occupied at any point during the prior quarter for which the employer has decided not to fill because of a technological cessation in hiring.
   d) The occupational classification and work location of positions that will no longer be filled by humans due to the replacement or automation by AI.
   e) The job functions performed in these positions.
   f) The AI system or other automating technology that resulted in the cessation of hiring.

g) The justification for and purpose of the use of the AI tool.
h) A statement if the cessation resulted in hiring or creation of other employment positions in the company and the number and occupation of those positions.

8) Authorizes an employer required to provide a notice pursuant to Cal-WARN, to include the requirements from this bill in one document to all workers, regardless of the type of layoff.

Public Posting and Reporting:

9) Requires EDD to post notices received, pursuant the above described provisions, on their internet website and compile a quarterly summary using those notices to present a statewide summary of worker displacement due to AI and automation.

10) Requires the quarterly summary report to include a link to a public database of individual notices received from employers.

11) Requires EDD to submit the report to the labor and budget committees of the Assembly and Senate, as specified.

Liability and Enforcement:

12) Makes an employer that fails to give notice before ordering a technological displacement liable to each worker entitled to notice who lost their employment. The employer shall be liable for all of the following for each worker:
    a) Back pay at the average regular rate of compensation received by the worker during the last three years of their employment, or the worker's final rate of compensation, whichever is higher.
    b) The value of the cost of any benefits to which the worker would have been entitled had their employment not been lost, including the cost of any medical expenses incurred by the worker that would have been covered under a worker benefit plan.

13) Provides that liability under these provisions shall be calculated for the entire period of the employer's violation up to a maximum of 60 days, or one-half the number of days that the worker was employed by the employer, whichever period is shorter.

14) Authorizes the amount of an employer's liability to be reduced by all of the following:
    a) Any wages paid by the employer to the worker during the period of the employer's violation, as specified.
    b) Any voluntary and unconditional payments made by the employer to the worker that were not required to satisfy any legal obligation.
    c) Any payments by the employer to a third party or trustee, such as premiums for health benefits or payments to a defined contribution pension plan, on behalf of and attributable to the worker for the period of the violation.

15) Subjects an employer that fails to provide the required technological displacement notice to a civil penalty of not more than five hundred dollars ($500) for each day of the violation. However, the civil penalty shall not apply if the employer pays to all applicable workers the amounts for which the employer is liable, as specified under (12) above, within three weeks from the date the employer orders the technological displacement or termination of contract.

16) Authorizes any person, including any third or uninterested parties, to report to the LC that an employer has failed to comply with the requirements of this bill and requires any such person

to provide documentation to substantiate their allegations, including, but not limited to, public statements by employer officials, United States Securities and Exchange Commission filings, and shareholder reports, before the LC considers the report.

17) Authorizes a person, including a local government or a worker representative, seeking to establish liability against an employer to bring a civil action on behalf of the person, other persons similarly situated, or both, in any court of competent jurisdiction.

18) Authorizes the court to 1) award reasonable attorney's fees and costs to any plaintiff who prevails in a civil action brought under these provisions and 2) if the court determined an employer conducted a reasonable investigation in good faith and had reasonable grounds to believe that its conduct was not a violation of these provisions, then the court may reduce the amount of any penalty imposed against the employer.

19) Grants the LC, in addition to all other powers granted by law, the authority to examine the books and records of an employer.

20) Authorizes the LC to investigate and enforce these provisions through the procedures set forth in existing law, including the procedures for issuing, contesting, and enforcing judgments for citations and civil penalties issued by the commissioner.

21) Establishes the Technological Displacement Act Fund within the State Treasury and requires all civil penalties recovered by the LC to be deposited in the fund and be available to the LC, upon appropriation by the Legislature, for purposes of enforcing these provisions.

22) Includes a severability clause specifying that if any provision or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

COMMENTS

1. Background:

Artificial Intelligence and Automated Decision Systems (ADS)

With technological advancements happening faster than humans can react, we often miss opportunities to pause and evaluate its impact. Until recently, advancements in technology often automated physical tasks, such as those performed on factory floors or self-checkouts, but AI functions more like human brainpower. AI can use algorithms to accomplish tasks faster and sometimes at a lower cost than human workers can. As this technology develops, so do fears of worker displacement in more areas and industries.

According to a recent CNBC article, "recent estimates from Goldman Sachs suggest that 6% to 7% of U.S. workers could lose their jobs because of AI adoption. The Stanford Digital Economy Lab, using ADP employment data, found that entry-level hiring in "AI exposed jobs" has dropped 13% since large language models started proliferating. The report said

software development, customer service and clerical work are the types of jobs most vulnerable to AI today."[1]

In February of 2019, Data & Society, an independent non-profit research institute, published a study evaluating the impact of algorithmic management on the workforce. The study highlights several examples where algorithmic management is becoming more common. In the delivery industry, companies from UPS to Amazon to grocery chains are using automated systems to optimize delivery workers' daily routes. In other industries, trends show an increase in remote tracking and managing using AI software. In retail and service jobs, automated scheduling is replacing managers' discretion over employee schedules, while the work of evaluating employees is being transferred to consumer-sourced rating systems.[2]

In these examples, the AI technology is at least complementing the tasks of workers. In other examples, as highlighted in a 2021 UC Berkeley study, the use of these AI-powered tools should give us pause[3]:

- Hiring software by the company HireVue generates scores of job applicants based on their tone of voice and word choices captured during video interviews.
- Algorithms are being used to predict whether workers will quit, become pregnant, or try to organize a union, which influence employers' decisions about job assignment and promotion.
- Call center technologies are analyzing customer calls and nudging workers in real time to adjust their behavior, such as coaching them to express more empathy, pace the call more efficiently, or exude more confidence and professionalism.
- Grocery platforms like Instacart are monitoring workers and calculating metrics on their speed as they fill shopping lists.
- Robots, for example "smart cart" service robots in health care, are being used to transport materials (e.g., linens, meals, lab specimens) to other workers. Meanwhile, floor cleaning robots vacuum or scrub floors along a preset route programmed by workers, who also monitor and support their operation.
- In remote workers' homes, AI software is being used to track computer keystrokes.

Recent Efforts to Regulate AI and ADSs

Over the last several years, the Legislature has considered a multitude of bills aimed at regulating AI and its use to ensure that the privacy rights of Californians continue to be protected. AB 2885 (Bauer-Kahan, Chapter 843, Statutes of 2024) was a crucial first step in regulating this technology. AB 2885 established key definitions, including a uniform definition for "artificial intelligence," "automated decision system," and "high-risk automated decision system."

Other efforts attempted to regulate the industry by establishing requirements on the use of AI, although the focus was mostly on consumers and their technology rights, whether it be the data social media companies collect and sell or the manipulation of elections news via

---

[1] Samantha Subin, "*AI is already taking white-collar jobs. Economists warn there's 'much more in the tank,*'" October 23, 2025, CNBC. https://www.cnbc.com/2025/10/22/ai-taking-white-collar-jobs-economists-warn-much-more-in-the-tank.html

[2] Alexandra Mateescu, Aiha Nguyen, 2019. Data & Society. *"Explainer: Algorithmic Management in the Workplace*." https://datasociety.net/wp-content/uploads/2019/02/DS_Algorithmic_Management_Explainer.pdf

[3] Annette Bernhardt, Lisa Kresge, Reem Suleiman, 2021. UC Berkeley Labor Center. *"Data and Algorithms at Work: The Case for Worker Technology Rights."* https://laborcenter.berkeley.edu/data-algorithms-at-work/

fake postings. In the area of private sector labor and employment specifically, 2025 was the year where we saw several proposals attempting to regulate how AI-powered tools are used.

SB 7 (McNerney, 2025) attempted to regulate the use of ADS' in the employment setting by, among other things, 1) requiring employers to provide a written notice that an ADS is in use at the workplace to all workers directly affected by the ADS; 2) prohibiting in some instances and in others limiting the use of an ADS, as specified; 3) providing worker anti-retaliation protections for exercising these rights; and 4) specifying enforcement mechanisms that included penalties and relief for violations. SB 7 was vetoed by Governor Newsom.

Several other bills attempted to regulate AI and ADS use last year, including AB 1018 (Bauer-Kahan, 2025, Pending on Senate Inactive File) which would, among other things, regulate the development and deployment of an ADS used to make consequential decisions, as defined. AB 1221 (Bryan, 2025, held in Assembly Appropriations Committee) attempted to regulate the use of workplace surveillance tools and an employer's use of worker data by, among other things, requiring an employer to provide workers with a written notice regarding the need for the surveillance tool. Finally, AB 1331 (Elhawary, 2025, Pending on Senate Inactive File) would limit the use of workplace surveillance tools, including by prohibiting an employer from monitoring or surveilling workers in private, off-duty areas, as specified.

Federal WARN and Cal-WARN Notification Requirements

The federal WARN Act requires employers to provide written notice 60 days prior to a plant closing or mass layoff to employees, or their representative, the State dislocated worker unit (EDD, Workforce Services Division in California), and the chief elected official of local government within which such closing or layoff occurs. The federal WARN Act applies to *employers with 100 or more full-time employees*. Notices are required as follows:

- Plant closings involving 50 or more employees during a 30-day period.
- Layoffs within a 30-day period involving 50 to 499 full-time employees constituting at least 33% of the full-time workforce at a single site of employment.
- Layoffs of 500 or more are covered regardless of percentage of workforce. (29 USC, et seq., 2101 and 20 CFR 639.3)

Similarly, Cal-WARN requires employers to give a 60-day notice to the affected employees and both state and local representatives before a mass layoff, relocation, or termination. The Cal-WARN provisions apply to *employers of 75 or more full-time and part-time employees*. Notices are required as follows:

- For a plant closure affecting any amount of employees.
- Layoff of 50 or more employees within a 30-day period regardless of % of workforce.
- Relocation of at least 100 miles affecting any amount of employees.
- Relocation of a call center to a foreign country regardless of the percentage of workforce affected. [California Labor Code Section 1400.5 (d)-(f) and 1409 (b)]

Advance notification before a termination or layoff provides employees with necessary time to transition and adjust to the potential loss of employment, time to seek alternative employment and, if necessary, time to obtain skills training or retraining to successfully compete in the job market. Given the unprecedented way in which AI is transforming our economy, providing workers with advance notification before an AI displacement could grant workers this much needed time to adjust and transition to another job. *This bill seeks to*

provide that extra time by requiring 90-day advance notification before any technological displacement can be implemented.

2. Need for this bill?

According to the author:

"Artificial intelligence is transforming our economy at an unprecedented pace. Unlike past technological advances, AI has the ability to automate entire occupations almost overnight, leaving workers vulnerable to sudden economic disruption. Employers are already citing AI as a reason for layoffs and hiring freezes, yet policymakers lack reliable data to understand the full impact. Without this information, government is forced to respond only after workers have already lost their livelihoods.

This bill requires employers to provide written notice to workers and the California Department of Employment Development (EDD) before conducting mass layoffs driven by the development of AI. It builds on the existing California Worker Adjustment and Retraining Notification (WARN) Act by adding notification of layoffs caused by technology. It also provides the state with data on the impact of artificial intelligence on layoffs, reductions in hiring caused, or other technological disruptions to help prevent economic dislocation and harm to workers and communities."

3. Proponent Arguments:

The sponsors of the measure, the California Federation of Labor Unions, write:

"According to the Challenger Jobs Report that tracks workforce trends, 2023 was the first year that companies cited artificial intelligence as a reason for layoffs. Since then, AI was cited as the cause of close to 72,000 job cuts, with 55,000 AI-related layoffs in 2025 alone. Amazon, Dow Chemical, Accenture, Dell, Intel, Microsoft, TCS, UPS, and Citigroup all announced tens of thousands of AI-related job cuts in 2025. Salesforce laid off 4,000 customer support staff and froze hiring lawyers or software engineers, stating that AI now does up to 50% of the work of the company. In February 2026, CEO Jack Dorsey of Block and Square payments announced that he was laying off 4,000 workers, about 40% of the entire workforce, stating explicitly that the company would use AI to automate work.

Generative AI developers OpenAI and Anthropic have also released data on the far reach of their products. Anthropic analyzed the use of their AI tool, Claude, showing that 43% of usage was to automate tasks. OpenAI's report attempts to evaluate the impact of AI tools on 44 occupations in the top nine sectors contributing to U.S. Gross Domestic Product (GDP). The jobs range from lawyers and accountants to sales reps, nurses, social workers, and clerks. Their conclusion was that AI frontier models could complete many tasks of those 44 occupations 100 times faster and cheaper than humans."

Furthermore, they argue that, "What makes AI different than other technologies or economic fluctuations is the scope, scale, and velocity at which it is sweeping the economy. Instead of automated assembly lines limited to factories, employers are using AI tools to automate tasks across broad swaths of the workforce in many industries all at once. Agentic AI has the ability to ostensibly plan, reason, and execute complex, multi-step tasks with minimal human intervention, poised to eliminate many human positions. Even if the abilities of AI tools are

overstated or exaggerated, employers are adopting the technology anyway. When AI cannot do the work, the remaining workers must work harder and longer, intensifying the jobs that are left.

Policy makers cannot ignore the blaring alarm bells warning of massive economic upheaval and worker suffering. AI poses an existential threat to human workers, government revenue, and society. The first step to tackling the growing threat is to collect and use reliable, local data to inform policy responses and to support workers who are the canaries in the coal mine of AI. This bill is a small, but crucial first step to that process."

In conclusion, they argue that SB 951 provides policy makers and the public with data on AI-related job loss. Given the broad impacts on AI on certain occupations, they argue that the advance notice gives workers and their communities time to prepare for a potentially extended unemployment and to retrain and reskill for new jobs.

4. Opponent Arguments:

A coalition of employer organizations, including the California Chamber of Commerce, are opposed to the measure arguing that "California's economic growth depends on responsible adoption of new technologies that improve productivity and create new job opportunities. Policies that discourage modernization risk undermining job creation and limit economic opportunities for California workers." Below is a summary of some of the coalition's main arguments:

- *SB 951's overbroad scope regulates routine technology adoption rather than the mass layoffs that WARN notices are intended to cover*: they argue that the bill applies even to temporary workers like contractors, who may be hired for limited durations of time and are quite different from full-time employees. They argue that the bill appears to apply even if positions are eliminated but the worker is transferred into a new position, meaning the requirements are triggered even if there are zero layoffs. Employers regularly adopt tools such as payroll automation, workflow platforms, and data analytics systems that assist employees in performing their duties more effectively or change the nature of an employee's position.

- *SB 951's mandatory disclosure of proprietary technology information creates competitive harm:* the bill's requirement to disclose detailed information regarding the technology used in routine workforce decisions would compel disclosure of confidential proprietary business information that may include trade secrets, vendor relationships, internal operational strategies, or product development roadmaps. They argue that public disclosure of this information would create a substantial risk that competitors may gain insight into business strategy or technological capabilities, information that is unrelated to actual job loss.

- *SB 951 creates a blanket prohibition on terminations within a 90-day period, even where misconduct has occurred:* The bill provides that an employer with 100 or more workers cannot discharge a worker affected who receives a notice for 90 days. They argue that this prohibition fails to account for scenarios where an employer needs to terminate a worker for reasons other than the impending displacement and should account for that.

- *SB 951's "right to bid" is vague and can cause issues across the workforce:* they argue that this requirement conflicts with the structure and purpose of Cal-WARN by transforming it into a retention and rehiring mandate. Coupled with the prohibition on discharge, they argue that these provisions limit employers' ability to manage workforce performance or hire individuals with the specialized skills required when implementing new technologies. They also note that compliance problems may arise when requiring employers to simultaneously comply with overlapping but inconsistent requirements governing timing, employee eligibility, and job placement obligations. The result, they argue, is increased litigation risk, operational inefficiencies, and delayed adoption of productivity-enhancing technology.

- *SB 951's requirements should be more aligned with Cal-WARN:* To ease the administrative burden of creating a brand new WARN statute and with the understanding that some actions may trigger notice requirements under both Cal-WARN and this new bill, they argue that there should be more alignment between the two statutes. For example, SB 951 should require 60-day notice like Cal-WARN; it should have the same employee threshold (75 or more employees); the content of the notice should be more closely aligned; and it should apply to employees only, not independent contractors.

- *SB 951 creates significant litigation exposure and civil penalties and increases the cost of doing business*: they argue that because the bill relies on vague causation standards, employers will face increased litigation risk and may be required to defend routine operational decisions regarding productivity tools, software implementation, or restructuring. Even worse, they argue that the bill would allow "*third or uninterested parties*" to file claims against the employer with the Labor Commissioner. Any speculative media article about a specific company's use of technology will spur claims or threats of claims by non-employees. They cite a recent study, *The Impact of PAGA on Business Viability and Employment Security-Comparing the Relationship Between PAGA Settlements and WARN Notice Issuance*, which found that California businesses, including small businesses, paid approximately $823,710,861 in settlements in FY 2022–2023 in matters where WARN notices and PAGA claims overlapped.

There is additional opposition from local educational and local government agencies, including the California State Association of Counties and the Association of California School Administrators, who argue that the bill conflicts with well-established layoff notice and rehire statutory requirements in the education sector, as well as technology bargaining between other local government employers and employees. They request that the bill be amended to exempt local educational agency (LEA) employers and local government employers from the bill's requirements. Below is a summary of their opposition:

- Because independent contractors are included in the definition of "worker," cities, counties, school districts and special districts would have to provide employees of a private company backpay and other benefits if proper notice is not given.

- SB 951 creates processes that are likely better suited for private labor practices and does not fit schools serving TK- 12 grade levels or local government employers.

First, for school employers, SB 951 would create a bifurcated system of layoff notice procedures outside the well-established March 15 layoff notice process that applies to both certificated and classified positions.

- Further, the rehire procedures in SB 951 could bump other school employees from their return-to-work rehiring rights in existing collectively bargained agreements (CBA) and existing Education Code statutes. Currently, LEAs have rehire policies that provide 39 months of return rights to the same classification, without losing seniority, for individuals who have been laid off (due to budget constraints or reduced levels in service needs) or have exhausted their medical leave. This practice includes job notifications for positions they are qualified for, and opportunities are offered based on seniority. Seniority is also used to determine job offers when there is more than one qualified candidate. Job notifications are provided to individuals on the rehire list based on the format determined by a CBA.

- For public employers with represented workforces, the use of technology tools is often bargained between employees and public employers based on local conditions, security needs, and the concerns of the public workforce. State law already prohibits local public employers from using workplace technology tools to deter or discourage union membership and because of this, they have concerns regarding the likelihood of overlapping or conflicting requirements introduced by this bill that will create uncertainty and liability for local agencies.

5. Staff Comments:

As noted above, AI is being used in new ways not previously contemplated in current law. Advance notification before a termination or layoff has proved effective in providing employees with time to transition and adjust. This bill seeks to provide that time by requiring advanced notification before an AI displacement and provides critical protections during this transition. Below are a couple of thoughts and questions for consideration on the proposal.

- As noted above, the Cal-WARN and federal WARN Act provisions include the same 60-day notification period but apply to employers of different sizes. Cal-WARN applying its provisions to employers of 75 or more full-time and part-time employees, while the federal WARN applies to employers with 100 or more full-time employees. This bill proposes a 90-day notification period and applies its provisions to employers of any size, except for the right of first bid and prohibition on discharge provisions which apply to employers of 100 or more workers.

  Since AI tools are being developed for all aspects of work and could be utilized by employers of all sizes, it makes sense to apply these requirements to all employers. However, considering the challenges faced by smaller employers and their limited HR capabilities, and consistent with the Cal-WARN and federal WARN applying to larger employers, should the bill have an employer size threshold for its provisions and what size should that be?

- Section 1414.2 (e) of the bill prohibits an employer with more than 100 workers from discharging a worker affected by a technological displacement during the 90-day period from when the notice is provided to the worker. *Should this prohibition apply*

only to large employers? The author has indicated that the intent is to apply this prohibition to employers of all sizes and remove the 100 workers reference.

As noted by the opposition, this provision of the bill fails to account for scenarios where an employer needs to terminate a worker for reasons other than the impending displacement, such as when a worker violates a company policy or engages in misconduct. *Should the bill include provisions accounting for firing with cause during this 90-day window?*

Finally, there are some errors in the bill that, should the bill move forward, should be corrected. Below is a summary of those needed corrections:

- Recent amendments removed previous application of the bill's provisions to a "terminations of contract." The amendments missed a couple sections where the "termination of contract" provisions remain. *The author may wish to remove this term from the following sections of the bill: 1414.2 (b)(2), 1414.2 (e), 1414.6 (d).*

- Section 1414.3 (c) of the bill, prescribing what the hiring disruption notice must include, under (8) and (9) requires "A statement if the cessation resulted in hiring or creation of other employment position in the company and the number and occupation of those positions." (8) and (9) are the same statement. *The author may wish to remove (9).*

- Due to the recent amendments, it appears that some cross references are no longer aligned. Section 1414.6 (d) currently references liability pursuant to 1414.4, but that section no longer specifies liability provisions. *The author may wish to correct the cross references in this section.*

6. Double Referral:

This bill has been double referred and if approved by this Committee today, will be sent to Senate Privacy, Digital Technologies, and Consumer Protection Committee for a hearing.

7. Prior/Related Legislation:

SB 947 (McNerney, 2026), among other things, 1) prohibits an employer from using an ADS that does certain functions and would limit the purposes and manner in which an ADS may be used to make disciplinary, termination, or deactivation decisions; 2) requires an employer to provide a written postuse notice when an employer has used an ADS, as specified; 3) includes worker anti-retaliation provisions for exercising these rights; and 4) specifies enforcement provisions including specified penalties and relief for violations. *SB 947 is pending before this Committee.*

SB 1248 (Cabaldon, 2026) would impose certain restrictions on the use of an ADS by a state agency to confer services, defined as, among other things, the issuance of professional licenses and provision of public benefits. Among the restrictions, the bill would include a prohibition on using an output from the system as the sole basis for an adverse service determination. The bill would require the state agency to verify the accuracy of the system's

outputs and to promote nondiscrimination in its use, as specified. *SB 1248 is pending before the Senate Committee on Privacy, Digital Technologies, and Consumer Protection.*

AB 1883 (Bryan, 2026) would regulate the use of workplace surveillance tools and an employer's use of worker data. The bill would require the LC to enforce the bill's provisions, would authorize an employee to bring a civil action for specified remedies for a violation, and would authorize a public prosecutor to also enforce. *AB 1883 is pending before the Assembly Privacy and Consumer Protection Committee.*

AB 1898 (Schultz, 2026) would require an employer to provide a written notice to an employee that a workplace AI tool, as defined, was used to assist the employer in making employment-related decisions or to surveil workers in the workplace. The bill would require an employer to maintain an updated list of all workplace AI tools currently in use and their impact on jobs, as specified, and to provide the list to workers annually. The bill would provide for enforcement by the LC or a public prosecutor, and alternatively would authorize any worker who has suffered damages, or their exclusive representative, to file a civil action for damages caused by the adverse action. The bill would establish remedies and penalties for violations. *AB 1898 is pending before the Assembly Judiciary Committee.*

AB 1979 (Bonta, 2026) would, among other things, prohibit a health facility, clinic, physician's office, or a group practice from using or deploying a tool, system, or device that includes AI for any activity requiring the use of professional judgment by a licensed health care professional, as specified, and would prohibit the use of AI to direct, guide, supervise, or instruct unlicensed personnel in performing any function that requires a professional license. *AB 1979 is pending before the Senate Health Committee.*

AB 2027 (Ward, 2026) would, among other things, prohibit an employer or vendor from using a worker data to train or deploy AI to, among other things, replicate, automate, or replace a worker's job, and to prohibit an employer or vendor from deploying AI trained with worker data to replicate, automate, or replace a worker's job. *AB 2027 is pending before the Assembly Labor and Employment Committee.*

AB 2148 (Muratsuchi, 2026) would, among other things, prohibit a certificated or classified employee of a local educational agency or an academic or classified employee of a segment of public postsecondary education from being dismissed, suspended, disciplined, reassigned, transferred, or otherwise retaliated against (A) for refusing to use, refusing to deploy, or refusing to direct students to, any form of educational technology, or (B) based on any information on that employee that is transmitted, acquired, collected, or produced via AI or ADS output. *AB 2148 is pending before the Assembly Committee on Education.*

SB 617 (Arreguin, Chapter 229, Statutes of 2025) expanded the information employers are required to include in a Cal-WARN notice and requires employers that choose to coordinate services through a local workforce development board or another entity to do so within 30 days of the notice.

Several other bills in 2025 addressed related AI issues including: AB 1018 (Bauer-Kahan), AB 1221 (Bryan), AB 1331 (Elhawary), SB 7 (McNerney), SB 238 (Smallwood-Cuevas), SB 503 (Weber Pierson),

Several other bills in 2024 addressed related AI issues including: SB 892 (Padilla), SB 893 (Padilla), SB 896 (Dodd), SB 942 (Becker), SB 1047 (Wiener), AB 2013 (Irwin), and AB 2930 (Bauer-Kahan).

AB 1356 (Haney, 2023) would have, among other things, made changes to the Cal-WARN Act provisions to increase the notice requirement from 60 to 90 days prior to a mass layoff and revised the definition of "covered establishment." *AB 1356 was vetoed by the Governor.*

SUPPORT

California Federation of Labor Unions – Sponsor
Alameda Labor Council
American Federation of State, County and Municipal Employees, California
California Alliance for Retired Americans
California Employment Lawyers Association
California Faculty Association
California Federation of Teachers
California School Employees Association
California State Legislative Board of the SMART - Transportation Division
Central Coast Labor Council
Electronic Frontier Foundation
Fresno-Madera-Tulare-Kings Central Labor Council
Inland Empire Labor Council
North Bay Labor Council
North Valley Labor Federation
Orange County Labor Federation
San Mateo County Central Labor Council
Service Employees International Union, California State Council
TechEquity Action

OPPOSITION

Acclamation Insurance Management Services
Allied Managed Care
Associated General Contractors - California
Associated General Contractors – San Diego
Association of California School Administrators
California Apartment Association
California Bankers Association
California Chamber of Commerce
California Employment Law Council
California Farm Bureau
California Fuels and Convenience Alliance
California Grocers Association
California Landscape Contractors Association
California League of Food Producers
California Manufacturers and Technology Association
California Retailers Association

California Special Districts Association
California State Association of Counties
California's Credit Unions
Civil Justice Association of California
Flasher Barricade Association
Los Angeles Area Chamber of Commerce
Official Police Garages of Los Angeles
Rural County Representatives of California
SHRM California
Small School Districts Association
TechNet
Urban Counties of California
Western Growers

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 1032	**Hearing Date:**	April 8, 2026
Author:	Reyes		
Version:	April 6, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Jazmin Marroquin		

SUBJECT: Staffing agencies: registration

KEY ISSUE

This bill (1) requires a staffing agency to register with the Labor Commissioner before conducting any business in this state and annually thereafter, as specified, (2) prohibits the Labor Commissioner from permitting any staffing agency to register or to renew a registration, until specified conditions are satisfied, including submitting a written application certified under penalty of perjury, paying annual registration fees, obtaining a surety bond, and submitting proof of workers' compensation insurance, (3) requires the Labor Commissioner to deny, suspend, or revoke a registration under specified conditions, (4) requires the Labor Commissioner to post a list of registered staffing agencies online, (5) prohibits a business from using the services of a staffing agency without verifying registration, and (6) authorizes a registered staffing agency to bring an action against an unregistered staffing agency or business, as specified.

ANALYSIS

Existing law:

1) Establishes, within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner and empowers the Labor Commissioner with ensuring a just day's pay in every workplace and promoting economic justice through robust enforcement of labor laws. (Labor Code §79-107)

2) Provides that no employer may conduct any janitorial business without valid registration and requires all employers to be registered with the Labor Commissioner, submit a written application, pay an annual registration fee, and establishes when the Labor Commissioner should not register or renew the registration of an employer, as specified. (Labor Code §§1420-1434)

3) Requires the Labor Commissioner to issue a license to any person acting as a farm labor contractor, as specified, and establishes civil penalties for any person who violates these provisions. Prohibits the Labor Commissioner from issuing a license to a person to act as a farm labor contractor, or renewing that license, until specified conditions are met, including a written application, a surety bond, and a license fee, as specified. (Labor Code §§1682-1699)

4) Requires a talent agency, as specified, to obtain a license from the Labor Commissioner, and requires a written application, an annual license fee, a surety bond, and establishes when the Labor Commissioner may revoke or suspend a license, as specified. (Labor Code §§1700-1700.54)

5) Prohibits a person from representing or providing specified services to any artist who is a minor, under 18 years of age, without first submitting an application to the Labor Commissioner for a Child Performer Services Permit, as specified, including a filing fee, in an amount sufficient to reimburse the Labor Commissioner for the costs of the permit program. (Labor Code §§1706-1706.5)

6) Requires car wash employers to annually register with the Labor Commissioner, as specified. Prohibits the Labor Commissioner from approving the registration of any employer until specified conditions have been met, including a written application, a registration fee and annual fee, as specified, surety bond, and establishes when the Labor Commissioner may not register or renew the registration of an employer. (Labor Code §§2054-2065)

7) Prohibits the Labor Commissioner from permitting any every person engaged in the business of garment manufacturing to register, or renew registration, unless specified conditions have been met, including a written application, registration and renewal fee, and surety bond, as specified. (Labor Code §§2675-2684)

8) Requires, on and after July 1, 2016, a person acting as a foreign labor contractor to register with the Labor Commissioner, as specified. Prohibits the Labor Commissioner from registering a person to act as a foreign labor contractor, or renewing a registration, until specified conditions are met, including a written application, a surety bond, and a registration fee, as specified. (Business and Professions Code §§9998 - 9998.12)

9) Requires the Director of DIR to issue and serve on an employer that has failed to provide workers' compensation, as specified, a stop order prohibiting the use of employee labor by that employer until that employer is complying with the workers' compensation requirements. Any employee so affected by a work stoppage must be be paid by the employer for such time lost, not exceeding 10 days, pending compliance by the employer. An employer may protest the stop order by making and filing with the director a written request for a hearing, as specified. (Labor Code §3710.1).

This bill:

1) Requires a staffing agency to register with the Labor Commissioner before conducting any business in this state and annually thereafter.

2) Prohibits the Labor Commissioner from permitting any staffing agency to register or to renew a registration, until all the following conditions are satisfied:
   a) The staffing agency has submitted an application to the commissioner for registration or renewal of a registration that contains all of the following:
      i) The names and addresses of all persons, except bona fide employees on stated salaries, financially interested, either as partners, associates, or profit sharers, in the staffing agency together with the amount of their respective interests.
      ii) Any open litigation, liens, fines, or taxes past due and disclosure of any current or past violations of this code.
      iii) The financial status of the staffing agency.
      iv) The business affiliations of the staffing agency.
         (1) The staffing agency owner must sign the application and certify, under penalty of perjury, that the information they have provided on the application and in any

supplementary documents or information submitted by the agency in support of the application is true and correct.

b) The Labor Commissioner, after review of the application, is satisfied as to the character, competency, and responsibility of the staffing agency.
c) The staffing agency has paid an initial or renewal registration fee to the Labor Commissioner in an amount determined by the Labor Commissioner sufficient to defray the costs of administering these requirements.
d) The staffing agency has provided the Labor Commissioner proof that a current workers' compensation insurance policy is in effect for the employees of the staffing agency and names as a certificate holder the DLSE.
e) The staffing agency has provided the Labor Commissioner a surety bond payable to the State of California in an amount determined by the Labor Commissioner.

3) Requires the Labor Commissioner, if at any time they find that a staffing agency does not have a current workers' compensation insurance policy in effect for the employees of the staffing agency to:
   a) After a hearing, deny, suspend, or revoke registration, as specified.
   b) Notify the Director of DIR. The Director must issue and serve on the staffing agency a stop order, as specified.

4) Requires the Labor Commissioner to, on the DIR website, post a list of registered staffing agencies that includes both of the following for each registered staffing agency:
   a) The name, address, registration number, and effective dates of registration.
   b) The carrier for the current workers' compensation insurance policy that is in effect for the staffing agency's employees.

5) Prohibits a business from using the services of a staffing agency without verifying that the staffing agency is registered, as specified.

6) Authorizes, in addition to other remedies permitted by law, a registered staffing agency to bring an action in superior court against an *unregistered staffing agency* or a *business* that uses the services of a staffing agency without verifying that the staffing agency is registered.

7) Authorizes a staffing agency to seek injunctive relief, as specified, without demonstrating actual harm.

8) Authorizes the court to enter an order enjoining the defendant from doing either of the following:
   a) Engaging in any business as a staffing agency without a registration, as specified.
   b) Using the services of a staffing agency without verifying that the staffing agency is registered.

9) Provides that a registered staffing agency that prevails in an action brought, as specified, is entitled to both of the following:
   a) Either of the following damages, at the election of the prevailing registered staffing agency:
      i) Actual damages caused by the unregistered staffing agency or a business that used the services of a staffing agency without verifying that the staffing agency is registered.
      ii) Statutory damages not to exceed seventy-five thousand dollars ($75,000).
   b) Reasonable attorney's fees and costs.

10) Requires the Labor Commissioner to promulgate all regulations and rules necessary to carry out the provisions specified.

11) Defines the following terms:
    a) "Commissioner" means the Labor Commissioner.
    b) "Director" means Director of Industrial Relations.

COMMENTS

1. Background:

Staffing Agencies

According to the American Staffing Association, the national trade association representing the temporary and contract staffing industry, "[s]taffing agencies recruit, screen, and hire millions of employees each year and assign them to clients on an as-needed basis. Nationwide, staffing agencies employ more than two million workers each week and about 11 million annually, including nearly two million workers in California with an annual payroll of over $50 billion, thus contributing significantly to the state's economic vitality and growth. Most work for staffing agencies for short periods with an average tenure of about 10 weeks.

Staffing agencies play a vital role in the California economy by providing employment flexibility for workers and just-in-time labor for businesses. Agencies provide jobs, training, work flexibility, and a bridge to permanent employment for people just starting out, changing jobs, or out of work. Agency employees work in virtually every job category including industrial labor, clerical and administrative, health care, engineering, and information technology."

Additionally, staffing agencies employ the employees they assign to their clients, so they are responsible for pay wages, withholding and remitting employment taxes (including Social Security and unemployment), providing workers' compensation insurance, and providing a variety of employee benefits.[1] As employers, staffing agencies are responsible for compliance with all applicable labor, employment, and employee benefit laws, including worker health and safety laws.

Registration with the Labor Commissioner's Office

In California, employers in certain industries such as janitorial services, farm labor contractors, foreign labor contractors, talent agencies, car wash, and garment manufacturing, must obtain a license from or register with the Labor Commissioner's Office. Each industry has specified requirements, including a written application, registration or license fees, surety bonds, and proof of workers' compensation insurance. Some industries also are required to post a list of registered or licensed employers on the DIR website, and some industries establish when the Labor Commissioner may revoke or suspend a registration or license.

[1] https://americanstaffing.net/staffing-industry/what-staffing-firms-do/

This bill, SB 1032, aims to create a similar regulatory framework and require staffing agencies to register with the Labor Commissioner, under specified conditions described below.

Written application
Each industry has different requirements, including a written application – with information about the business entity, names, and addresses of officers, those with financial interest, among other things – in a form prescribed by the Labor Commissioner and sworn to by the person submitting the application. This bill, SB 1032, requires a staffing agency to submit an application to the Labor Commissioner that contains the following: 1) names and address of all persons financially interested, either as partners, associates, or profit sharers, in the staffing agency long with the amount of their respective interests; 2) any open litigation, liens, fines, or taxes past due and disclosure of any current or past violations of this code; 3) the financial status of the staffing agency; and 4) the business affiliations of the staffing agency. This bill also requires the staffing agency owner to sign the application and certify, under penalty of perjury, that the information they have provided on the application and in any supplementary documents or information submitted by the staffing agency in support of the application is true and correct. *As the bill moves forward, the author may wish to consider amending the requirements to submit a written application to be consistent with the other registration requirements and require the application to be in a form prescribed by the Labor Commissioner.*

Registration fees
Registrants and licensees must also pay an initial registration or license fee, annual renewal fees, and obtain surety bonds, but these vary depending on the industry. For instance, janitorial services registrants must pay an initial application fee of $500 and an annual fee of $500, while farm labor contractors must pay an initial and annual license fee of $600. Talent agency registrants must pay a $25 filing fee and an annual license fee of $225. Other industries' registration or license fees are determined by the Labor Commissioner and are typically set in an amount they determine enough to support the costs of administering the program, although some of those fees, such as with the garment manufacturing registrants, are not to be less than or cannot exceed a specific determined amount. This bill, SB 1032, requires a staffing agency to pay an initial or renewal registration fee to the Labor Commissioner in amount determined by the Labor Commissioner that is enough to defray the costs of administering this program.

Surety bonds
In addition, the surety bond amount for farm labor contractors varies from $25,000 - $75,000, depending on the size of the person's annual payroll for all their employees, and for foreign labor contractors the surety bond amount varies from $50,000 - $150,000, depending on the size of the person's annual gross receipts from operations. Car wash registrants must obtain a surety bond of at least $150,000 and talent agencies must obtain a surety bond of $50,000. For garment manufacturing registrants, if a person has been cited and penalized within the prior three years for violating provisions of the registration requirements, then they must obtain a surety bond that the Labor Commissioner determines, not to exceed $5,000. This bill requires the staffing agency to provide the Labor Commissioner with a surety bond in an amount they determine.

Workers' compensation proof
Registrants and licensees in the janitorial services, car wash, and garment manufacturing also must secure a workers' compensation policy for their employees. This bill, SB 1032, requires a staffing agency to provide the Labor Commissioner with proof that a current workers' compensation insurance policy is in effect for their employees.

Revocation of registration/licenses
The Labor Commissioner may also revoke a license or registration for garment manufacturing employers, talent agencies, farm labor contractors, and janitorial services employers under specified conditions, including if they are not in compliance with all the registration requirements. This bill would require the Labor Commissioner to, after a hearing, deny, suspend, or revoke the registration of a staffing agency that does not have a current *workers' compensation policy*. *As the bill moves forward, the author may wish to consider aligning the conditions when the Labor Commissioner may deny, suspend, or revoke a registration to be consistent with the other registration requirements.*

Public posting of registrants and licensees
The Labor Commissioner must also post and maintain a public list of registered property service employers, registered car washing and polishing businesses, and registered foreign labor contractors on the DIR website, including the name, address, registration number, and effective dates of the registration. This bill, SB 1032, would require the Labor Commissioner to also post a list of registered staffing agencies that includes the name, address, registration number, and effective dates of registration *and* the carrier for the current workers' compensation insurance policy for their employees.

2. Need for this bill?

According to the author, "The temporary staffing industry plays a crucial role in California's labor market and economy by providing workforce flexibility to businesses and employment opportunities for millions of workers. California's staffing agencies employ over 2 million workers with payroll estimated to be $41.4 billion annually, making it the top state for staffing revenue in the United States. This is due in part to California having the highest number of temporary workers in the country.

However, many of these staffing agencies are preying on the most vulnerable workers in the state with widespread wage theft, non-compliance with labor laws, payroll and tax fraud, and a significant lack of workers' compensation insurance coverage which all have now created an urgent crisis within the industry. California has a strong history of regulating industries that impact public welfare, yet there are no licensing or oversight requirements for staffing agencies. This regulatory gap has led to rampant abuse and fraudulent schemes that steal from workers, create massive multiple billion dollars of lost tax revenues to the state while putting state agencies like the DIR and [Workers' Compensation Appeals Board (WCAB)] in jeopardy and expose law abiding businesses to unfair competition. This proposal seeks to ensure accountability, protect workers, drive tax revenue and safeguard the integrity of California's labor market."

3. Committee Comments:

As mentioned, this bill would require staffing agencies to register with the Labor Commissioner, similarly to other industries that currently must register or obtain a license.

However, this bill does not define what constitutes a staffing agency. *As the bill moves forward, the author may wish to consider defining a staffing agency.* The author has indicated they are working on a definition with stakeholders.

This bill also prohibits a business from using the services of a staffing agency without verifying that the staffing agency is registered. However, it is unclear how a business could prove that they verified whether or not the staffing agency is registered. The business could also verify but still use the services of the staffing agency that is not registered. *As the bill moves forward, the author may wish to consider making it clear that the intent is to prohibit a business from using the services of a staffing agency that is not registered, or without a registration.*

SB 1032 authorizes a registered staffing agency to bring an action in superior court against an unregistered staffing agency or a business that uses the services of a staffing agency without verifying that the staffing agency is registered. It also authorizes a registered staffing agency to seek injunctive relief without demonstrating actual harm and provides that a registered staffing agency that prevails in an action brought in superior court is entitled to damages, as specified, and reasonable attorney's dees and costs. The Senate Judiciary Committee has primary jurisdiction over these provisions in this bill.

4. Double Referral:

This bill has been double referred and if approved by this Committee, will be sent to Senate Judiciary Committee for a hearing.

5. Proponent Arguments:

According to the sponsors of the bill, the United Food & Commercial Workers Union (UFCW) Western States Council:

"Farm labor contractors, janitorial services and talent agencies are already subject to specific licensing or registration requirements in California. However, California lacks a dedicated regulatory framework for temporary staffing agencies, allowing gaps in oversight that can put workers, honest businesses, and taxpayers at risk.

The SAFE Act's provisions for mandatory registration, verified workers' compensation coverage, and a public registry of compliant agencies would provide much needed transparency and accountability, while ensuring that staffing agencies comply with the law before harm can occur.

The lack of oversight in the temporary staffing industry has led to some bad actors taking advantage of a system that allows them to misclassify workers and harm them. SB 1032 is practical, common-sense legislation that benefits workers who are just trying to get a job to feed their families, responsible businesses, and taxpayers alike."

6. Opponent Arguments:

According to the American Staffing Association, opponents of this bill:

"The current proposal, however, would barely touch the broad range of workers' compensation abuses by the bad actors. Instead of imposing an additional, duplicative, regulatory framework, the Departments of Industrial Relations and Insurance should be given the resources needed to identify and prosecute the full scope of problematic activities through increased enforcement of existing laws. Simple registration will not achieve that goal. History shows that responsible law-abiding agencies, which comprise the great majority of the industry, will register while a minority will not, either through ignorance or willful non-compliance.

SB 1032 could have some salutary effect provided the criteria for satisfying any registration requirement are focused on the core issue of workers' compensation coverage and do not impose needless administrative burdens on staffing agencies and the Labor Department. In its current form, the proposed bill would impose multiple extraneous obligations that are tangential to the bill's core purpose, which would seriously undermine any beneficial impact."

In addition, the California Staffing Professionals, opponents of the bill state:

"Unfortunately, neither requirement in SB 1032 will address the underlying issue of workers compensation fraud and abuse. We fear that creating a separate staffing-agency registration structure adds an administrative burden for compliant firms while doing little to stop bad actors who are already operating outside the law. In addition, the bill is focused on providing proof of workers' compensation coverage but does not go far enough to ensure that the coverage is the correct insurance for the work being performed. As the representative of the industry that this bill seeks to regulate, we would recommend that policy improve compliance with existing law and address all the abuses that are being committed by bad actors without adding unnecessary burdens on ethical staffing professionals."

7. Prior Legislation:

AB 1978 (Gonzalez, Chapter 373, Statutes of 2016) created a registration process for janitorial employers and required sexual harassment and violence prevention training for janitorial workers.

SB 477 (Steinberg, Chapter 711, Statutes of 2014) established a registration and oversight process for foreign labor contractors with the Labor Commissioner.

AB 1675 (Bonilla, Chapter 857, Statutes of 2012) established civil penalties for farm labor contractors who are found to have violated license requirements.

AB 1660 (Campos, Chapter 634, Statutes of 2012) required people representing artists who are minors, under 18 years of age, to obtain a Child Performer Services Permit from DIR.

SB 184 (Murray, Chapter 46, Statutes of 2005) increased from $10,000 to $50,000 the amount of the surety bond required of talent agencies before a license may be issued or renewed.

AB 1688 (Goldberg, Chapter 825, Statutes of 2003), among other things, required employers of car washers to register with the Labor Commissioner and pay a specified registration fee.

AB 633 (Steinberg, Chapter 554, Statutes of 1999) made changes to the garment manufacturing laws and amends the manufacturer registration and wage collection process.

SUPPORT

UFCW - Western States Council (Sponsor)
Arena Staffing
Partners Personnel
Partnership Organization for Workplace Ethics and Reform (P.O.W.E.R.)

OPPOSITION

American Staffing Association
Atr International
Bolt Staffing
California Chamber of Commerce
California Staffing Professionals (CSP)
Employers Depot
Icr Staffing
People Connection
Psinapse Techology
Quest-staffing
Royal Staffing
STAR Staffing
Talent Group LLC

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 978	**Hearing Date:**	April 8, 2026
Author:	Pérez		
Version:	March 23, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Emma Bruce		

SUBJECT: Data centers: labor: electricity rates

KEY ISSUE

This bill directs the California Public Utilities Commission to establish a special rate structure for data centers taking transmission level electrical service with an estimated peak demand of at least 75 megawatts, as specified. This bill also requires a contractor who enters a contract to perform work on a data center facility to abide by specified public works requirements and use a skilled and trained workforce.

ANALYSIS

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations and gas corporations. (California Constitution, Article XII)

2) Authorizes the CPUC to set rates for public utilities and specifies that every cost charged by utilities to customers must be just and reasonable. (Public Utilities Code §451)

3) Defines an electrical corporation as every corporation or person owning, controlling, operating, or managing any electric plant for compensation within this state, except where electricity is generated on or distributed by the producer through private property solely for its own use or the use of its tenants and not for sale or transmission to others. (Public Utilities Code §218)

4) Establishes within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement under the direction of the Labor Commissioner (LC) and empowers the LC to ensure a just day's pay in every workplace and to promote justice through robust enforcement of labor laws. (Labor Code §79-107)

5) Defines "public works" as, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds, except work done directly by a public utility company pursuant to order of the CPUC or other public authority. (Labor Code §1720(a))

6) Requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on a "public works" project costing over $1,000 dollars and imposes misdemeanor penalties for violation of this requirement. (Labor Code §1771)

7) Requires an awarding body to provide notice to DIR of any public works contract subject to public works law, within 30 days of the award, but in no event later than the first day in which a contractor has workers employed upon the public work. (Labor Code §1773.3(a))

8) Provides that an awarding body that fails to provide the notice required in 7) or that enters into a contract with or permits an unregistered contractor or subcontractor to engage in the performance of any public work shall, in addition to any other sanction or penalty authorized by law, be subject to a civil penalty of 100 for each day in violation of either requirement, not to exceed an aggregate penalty of 10,000 for each project. (Labor Code §1773.3(c))

9) Requires each contractor and subcontractor to keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the contractor or subcontractor in connection with the public work. (Labor Code §1776 (a))

10) Requires the payroll records in 9) to be certified and made available for inspection to all of the following:
    a) An employee's certified payroll record must be made available for inspection or furnished to the employee or the employee's authorized representative, upon request.
    b) All CPRs must be made available for inspection or furnished upon request to a representative of the body awarding the contract and the LC.
    c) All CPRs must be made available upon request by the public for inspection or for copies thereof.

    (Labor Code §1776(b))

11) Requires the LC to, with reasonable promptness, issue a civil wage and penalty assessment to the contractor or subcontractor, or both, if the LC or their designee determines after an investigation that there has been a violation of public works law. (Labor Code §1741(a))

12) Authorizes a joint labor-management committee (JLMC) to bring an action in any court of competent jurisdiction against an employer that fails to pay the prevailing wage to its employees or that fails to provide certified payroll records, as specified. (Labor Code §1771.2)

13) Defines a "skilled and trained" workforce (STW) as a workforce that meets both of the following conditions:
    a) All the workers performing work in an apprenticeable occupation in the building and construction trades are either skilled journeypersons or apprentices registered in an apprenticeship program approved by the Division of Apprenticeship Standards (DAS).
    b) At least 60% of the skilled journeypersons employed to perform work on the contract or project by every contractor and each of its subcontractors at every tier are graduates of an apprenticeship program for the applicable occupation, as specified.

    (Public Contract Code §2601)

14) Authorizes a public entity to require a bidder, contractor, or other entity to use a STW to complete a contract or project regardless of whether the public entity is required to do so by statute or regulation. Specific requirements apply when a public entity is required by statute or regulation to obtain an enforceable commitment that a bidder, contractor, or other entity will use a STW. (Public Contract Code §2600)

15) Requires a public entity, when the use of a STW to complete a contract or project is required, to include in all bid documents and construction contracts a notice that the project is subject to the STW requirement. (Public Contract Code §2600(c))

This bill:

1) Directs the CPUC to establish a special rate structure for data centers taking transmission level electrical service with an estimated peak demand of at least 75 megawatts.

2) Specifies that the special rate structure must do all of the following:

   a) Protect other customers of an electrical corporation and prohibit cost shifts to those other customers.
   b) Require the data center pay for the electrical corporation's upfront costs for transmission or distribution infrastructure upgrades necessary to provide electrical service to the large-scale energy user. Electrical corporations shall not recover costs associated with these expenses from other utility customers.
   c) Enable a data center's rate structure to prefund a 15-year contract through the electrical corporation for the installation of new, incremental, zero-carbon energy resources to function as dispatchable reliability assets within the utility service territory.
   d) Ensure that charges generally included in the generation component of a customer bill can be assessed separately from charges generally included in the transmission and distribution component of a customer's bill.

3) Provides that an electrical corporation tariff established pursuant to these provisions shall only apply to those facilities for which a new transmission interconnection agreement is established after the adoption of the rate structure established pursuant to these provisions or on a later date specified by the CPUC.

4) Provides that construction of a data center subject to the special rate structure constitutes a public works project for purposes of establishing wages for workers engaged in the execution of the work (Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code).

5) Requires a contractor who enters into a contract to perform work on a facility to do all of the following:

   a) The contractor shall pay each construction worker employed in the execution of the work, at minimum, the general prevailing rate of per diem wages, except that an apprentice registered in a program approved by the Chief of the Division of Apprenticeship Standards shall be paid, at minimum, the applicable apprentice prevailing rate.
   b) The contractor shall maintain and verify payroll records and make those records available for inspection and copying, as specified. The contractor shall not be required to provide copies of certified payroll records to any entity other than the CPUC and DIR.
   c) The contractor shall biannually, on July 1 and December 31 of each year, submit to the CPUC digital copies of its certified payroll records, as specified. Requires the CPUC to retain these records as public records for five years.

6) Provides that the prevailing wage requirement, specified in 5), may be enforced through the following mechanisms:

   a) Within 18 months after completing the facility, by the LC through the issuance of a civil wage and penalty assessment, as specified.
   b) By an underpaid construction worker or apprentice through an administrative complaint or civil action.
   c) By a JLMC through a civil action.

7) Provides that if a willful violation of the prevailing wage requirement has been enforced against a contractor for the construction of a facility, as specified, that facility shall remain eligible to receive service pursuant to the rate structure established in 1) if restitution has been made to the affected workers and all associated penalties and fines have been paid.

8) Specifies that these provisions do not apply to the construction of a facility that is already a public work, as defined in Section 1720 of the Labor Code, and that is subject to Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code.

9) Provides that the entity that engaged the contractor to perform work on a facility is not an awarding body, as specified. Public works projects not codified in these provisions do not apply to the entity. This section does not affect the entity's liability for nonpayment of wages or materials under Section 3 of Article XIV of the California Constitution.

10) Provides that the contractor who enters into a contract with the entity described in 9) is the awarding body only for the limited purposes of Section 1773.3 of the Labor Code. Section 1773.3 of the Labor Code requires awarding bodies to notify DIR of any public works contract and prohibits the use of unregistered contractors or subcontractors, as specified.

11) Requires all contracts for the construction of a facility to require every contractor and subcontractor at every tier to use a STW. STW has the same meaning as set forth in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code.

12) Directs the CPUC to require each large electrical corporation to include the prevailing wage, recordkeeping, and STW requirements in each interconnection agreement with a large-scale energy user.

13) Expands items that must be included in CPUC-led joint agency reporting requirements regarding renewable and zero-carbon procurement goals to include an evaluation of large-scale energy user impacts on the state's renewable and zero-carbon energy procurement goals.

14) Defines "data center" as a facility that primarily contains electronic equipment used to process, store, and transmit digital information, that may be a free-standing structure or a facility within a larger structure, and that uses environmental control equipment to maintain the proper conditions for the operation of electronic equipment. Data center does not include any publicly funded research facility, public safety facility, national security facility, publicly owned facility, and other utility facility, including, but not limited to, an asset of a facilities-based telecommunications provider.

15) Defines "facility" as physical property, a plant, a building, a structure, a source, or stationary equipment, located on one or more contiguous or adjacent properties in actual physical contact or separated solely by a public roadway or public right-of-way and under common ownership or common control. Facility does not include a facility that introduces a new load as a result of switching from fossil fuels to renewable fuels or transportation electrification activities.

COMMENTS

1. Background:

This analysis is limited to the bill's prevailing wage and STW provisions. Please see the Senate Energy, Utilities and Communications Committee's analysis for background on the CPUC and data centers.

Public Works Requirements
All contractors working on "public works" projects are required to abide by a set of laws that ensure the responsible use of public funds. Among other requirements, this means registering the project with DIR, paying prevailing wages, and maintaining accurate payroll records. SB 978 would apply specified public works requirements to the construction of data centers subject to the special rate structure developed by the CPUC. Below is a brief overview of the public works requirements relevant to this bill.

Awarding bodies are required to notify DIR of public works contracts and to ensure all contractors utilized on the project are registered. Awarding bodies use the PWC-100 form on DIR's website to fulfill this notification requirement. The form contains the name and registration number issued by DIR of the contractor and any subcontractor listed on the successful bid, the bid and contract award dates, the contract amount, the estimated start and completion dates, and the jobsite location. This bill would specify that the entity that engaged the contractor to perform work on a data center *is not an awarding body*, thus relieving them of the administrative responsibilities associated with public works projects. Instead, the contractor who performs work on the data center would be required to act as the awarding body for limited purposes, including registering the project with DIR.

Contractors would be required to pay each construction worker employed to work on the data center, at minimum, the general prevailing rate of per diem wages. The prevailing wage rate is the basic hourly rate paid on public works projects to a majority of workers engaged in a particular craft, classification or type of work within the locality and in the nearest labor market area. The Director of DIR issues wage determinations semiannually, on February 22 and August 22. In determining the rates, the Director ascertains and considers the applicable wage rates established by collective bargaining agreements and the rates that may have been predetermined for federal public works. Under this bill, prevailing wage violations would be enforced by the LC, an underpaid construction worker, or a JLMC, as specified.

Contractors performing work on a data center would also be required to maintain accurate payroll records and submit certified copies of those records biannually to the CPUC and DIR. Records must contain the name, address, social security number, work classification, straight time, and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the contractor or subcontractor in connection with the work. Certified payroll records are an essential tool for

combatting wage theft. Unlike on public works projects, which require certified payroll records to be made available to the public, as specified, this bill would only require copies of certified payroll records to be provided to the CPUC and DIR.

What is a Skilled and Trained Workforce (STW)?
In addition to complying with specified public works requirements, contractors would be required to use a STW for the construction of a data center facility. Rather than referencing Public Contract Code Section 2601, which contains the definition of a STW, SB 978 references the entire Public Contract Code Chapter that contains all STW requirements. Below is a brief over of STW requirements.

A "skilled and trained" workforce is one in which all workers performing work in an apprenticeable occupation in the building and construction trades are either skilled journeypersons[1] or apprentices registered in a DAS-approved apprenticeship program. Additionally, at least 60% of the skilled journeypersons employed to perform work on the contract or project are graduates of either an in-state, DAS-approved apprenticeship program or an out-of-state, federally-approved apprenticeship program. Individuals who qualify as skilled journeypersons based on their on-the-job experience do not count towards the 60% minimum graduation requirement. STW requirements ensure high-quality construction projects and invest in the State's apprenticeship programs by increasing demand for graduates.

A public entity can be required, by statute or regulation, to obtain an enforceable commitment that a bidder, contractor, or other entity will use a STW to complete a contract or project. Even in the absence of a statute or regulation, a public entity can mandate the use of a STW. When a STW is required, the public entity shall include a notice in all bid documents and construction contracts. However, the failure of a public entity to provide a notice does not excuse a bidder, contractor, or other entity from the obligation to use a STW if such a requirement is imposed by a statute or regulation.

When a contractor is required to use a STW, they commit to doing so in an enforceable agreement with the public entity or awarding body. As part of this agreement, a contractor submits monthly reports to the public entity that demonstrate their compliance and their subcontractors' compliance at every tier. Reports include the full name of each worker and the name, location, and graduation date of their completed apprenticeship program.
If a contractor fails to provide a monthly report or provides an incomplete one, the public entity will withhold payments until compliance is achieved and notify the LC for issuance of a civil penalty. For the public entity to resume payments, a contractor must submit a substantial compliance plan.

2. Comments:

Over the past five years data center construction has surged across the country. In 2026 alone, the top A.I. companies forecast spending $710 billion on data centers.[2] For these

[1] A "skilled journeyperson" means a worker who either 1) graduated from an in-state apprenticeship program approved by DAS or an out-of-state apprenticeship program, approved by the federal Secretary of Labor or 2) has at least as many hours of on-the-job experience as would be required to graduate from the applicable DAS-approved apprenticeship program.
[2] DePillis, Lydia. "Local Opposition Is Slowing A.I. Data Centers. Wall Street Has Noticed." *New York Times*. March 26, 2026.

companies, procuring huge amounts of computing power as quickly as possible is essential to building A.I. models faster than their competition. Building data centers, however, is not without controversy. Fierce resistance from local communities delayed or cancelled $98 billion worth of projects in the second half of 2025.[3] Concerns over data centers' economic, environmental, and health impacts have driven this resistance. Specifically, consumers worry that the costs of the increased electricity demand and infrastructure upgrades will be passed down to them. In California, residents of Monterey Park and Imperial Valley organized to protest the construction of local data centers.[4] Although community concerns complicate the process, construction is still proceeding at a rapid pace. Purchases of the equipment that goes into data centers have not slowed down.[5]

Notwithstanding their controversies, data centers are undeniably a boon to electrical workers. The International Brotherhood of Electrical Workers (IBEW) estimates between 45% and 70% of the entire budget for data center construction goes to the electrical subcontractor.[6] In Northern Virgina, which has the largest data center market in the county, IBEW members do close to 97% of the work.[7] The Sacramento-Sierra's Building and Construction Trades Council, on behalf of 19 trade unions, recently signed a project labor agreement for a new data center in the Sacramento region.[8] Union jobs provide high wages and good benefits that reverberate through communities, so resistance to data center construction can have serious economic consequences.[9]

Prevailing wage and STW requirements typically apply to publicly funded projects, not privately funded ones. Recently, the Legislature has extended these requirements to certain privately funded projects to prevent worker exploitation and promote the creation of a skilled workforce. SB 978 seeks to address ratepayer concerns about utility costs by requiring the CPUC to establish a special rate structure for data centers, as specified, while requiring specified public works requirements and a STW for data center construction.

3. Double Referral:

The Senate Rules Committee referred this bill to the Senate Energy, Utilities and Communications Committee, where it passed on a 12-4 vote, and the Senate Labor, Public Employment and Retirement Committee.

---

[3] Christoper, Nilesh. "'You're a liar.' Why the world's biggest building boom has run into a wall in California." LA Times. April 2, 2026.
[4] Ibid.
[5] DePillis, Lydia. "Local Opposition Is Slowing A.I. Data Centers. Wall Street Has Noticed." *New York Times*. March 26, 2026.
[6] IBEW. "The DATA CENTER Surge: A New Generation of IBEW Jobs" May 1, 2025.
[7] Ibid.
[8] Williams, Sheri, "Building Trades Sign PLA for New Data Center." *Sacramento Valley Union Bulletin Board.* January 19, 2026.
[9] Economic Policy Institute. "New report details the benefits of unions to workers, communities, and democracy." EPI. August 20, 2025.

4. Need for this bill?

According to the author:

"Data centers have been a growing topic of concern across the state as many new projects are popping up. Among concerns stemming from data centers are their threat to rate payer affordability. Typically hyper-scale data centers need transmission infrastructure built for their significant energy consumption itself. It is currently not clear in statute that these transmission construction costs or a data centers' large energy use would be paid for by the data center operator itself, thus posing the threat that these costs shift to ratepayers. SB 978 will address those concerns by providing clarity towards that problem of impact to rate payers.

In addition to rate payer affordability, [SB 978] also seeks to ensure that data centers are well constructed, with the inclusion in state statue of requirements that the affiliated workforce be hired with strong labor standards and protections…Data centers are complex and large facilities that require trained and specialized skilled labor to be built and operated in as safe a manner as they can be.

Currently there isn't anything in statute that requires data centers to be built by a skilled and trained workforce with prevailing wage. Moreover, once a data center is built, they do not have the need to employ many workers for the day-to-day operations. With this acknowledgement of the lean workforce for day-to-day operations of a data center it is important to capitalize on them employing a California workforce for the construction of a project…"

5. Proponent Arguments:

The Teamsters support the measure, arguing:

"SB 978 instructs the Californian Public Utility Commission to create a special rate structure for large scale energy users such that the cost of service is not placed upon the general ratepayer. It also establishes clear labor standards and enforcement of those standards for the construction of these large-scale energy user facilities…

We believe that large corporate energy users should pay their fair share and that any work done in California should be good jobs with prevailing wage, skilled and trained workforce, and good enforcement mechanisms for labor violations. SB 978 protects workers and their rights in the workplace, affordable utility rates for ratepayers, and the utilities from rising operation costs from large-scale customers."

The Climate Center also supports the measure, arguing:

"California already hosts roughly one-third of U.S. data centers. The California Energy Commission (CEC) also estimates that data center demand on the electrical grid will grow by 3.3 gigawatts by 2035. These are enormous energy needs, and we must ensure Californians are protected from potential cost shifts while safeguarding the state's climate goals…

SB 978 strikes the right balance between protection, regulation, and fair operating practices. It ensures that data centers pay their fair share, requires backup diesel generators to meet

clean-energy standards, directs the CEC to assess how data centers affect the state's ability to meet its climate goals, and mandates the use of union labor for all data centers built in California."

6. Opponent Arguments:

The Association of General Contractors opposes the measure, arguing:

"[SB 978] would impose unprecedented labor mandates on privately financed data center construction as a condition of receiving a utility rate structure. While the intent to protect ratepayers is understandable, the bill takes the extraordinary step of declaring these privately financed projects to be "public works" solely because they meet a certain megawatt threshold and opt into a utility rate structure.

Under long-standing California law, a project qualifies as public works only when it is publicly funded, publicly procured, or publicly subsidized. SB 978 sidesteps these criteria entirely. Instead, it creates a statutory fiction by designating private data-center construction as public works even though no public funds are used, and no public contract exists. This represents a significant and unprecedented expansion of public-works authority into the private sector.

By artificially reclassifying private construction as public works, SB 978 mandates prevailing wage, certified payroll, Department of Industrial Relations enforcement, and skilled-and-trained workforce requirements on projects that have historically been governed by private contracting practices. This will narrow the pool of eligible contractors, exclude many small and mid-sized firms, and undermine open and competitive bidding…

The bill further requires developers to bear the full upfront cost of transmission and distribution upgrades, compounding the financial burden created by the public-works designation. The combination of higher capital costs and public-works mandates will make California a less competitive location for data-center investment, reducing opportunities for the state's diverse construction workforce."

7. Prior Legislation:

SB 886 (Padilla, 2026) requires the CPUC to establish an electrical corporation tariff that addresses costs associated with transmission, distribution, and generation services for new large electrical customers that interconnect at the transmission level and have peak electricity demands of at least 75 MW. The bill would also specify components that must be included in the tariff, and it would encourage local POUs to adopt similar tariffs. *SB 886 is currently pending in the Senate Appropriations Committee.*

SB 887 (Padilla, 2026) would establish certain permitting permissions for data centers that meet specified criteria. These criteria include provisions similar to the requirements for the tariff specified in SB 886 (Padilla, 2026). *SB 887 is currently pending in the Senate Energy, Utilities, and Communications Committee*.

SB 1168 (McNerney, 2026) would establish a tax on data centers' energy consumption over a specified threshold. *SB 1168 is currently pending in the Senate Energy, Utilities and Communications Committee*.

SB 1185 (Cortese, 2026) would require an owner, operator, or developer of a facility that will be used for the research, development, or production of pharmaceutical products to, when contracting for the performance of initial and subsequent construction, alteration, demolition, installation, repair, or maintenance work on the facility, require that its contractors and any subcontractors use a STW to perform all onsite work within an apprenticeable occupation in the building and construction trades. *SB 1185 is pending in the Senate Labor, Public Employment and Retirement Committee*.

AB 1104 (Pellerin, Chapter 632, Statutes of 2025) among other things, clarified that for the construction of a renewable electrical generation facility and associated battery storage, the contractor who enters into a contract with the entity, *not the entity itself*, is the awarding body only for limited purposes and specified which public works requirements apply to such construction projects.

SB 1298 (Cortese, 2024) would have authorized the California Energy Commission, until January 1, 2030, to exempt from its certification a thermal powerplant with a generating capacity of up to 150 megawatts, if specified requirements are met, including that the power plant is used solely as a backup generation facility for a data center and that a STW is used to perform all construction work on the facility, as specified. *SB 1298 was held in Assembly Rules Committee.*

AB 2143 (Carrillo, Chapter 744, Statutes of 2022) extended public works requirements to the construction of any renewable electrical generation facility and any associated battery storage after December 31, 2023.

SUPPORT

Asian Americans and Pacific Islanders for Civic Empowerment
City of Monterey Park
Climate Action California
Climate Center
Natural Resources Defense Council
Teamsters California
USGBC California

OPPOSITION

Associated General Contractors
Bay Area Council
Building Owners and Managers Association of California
CalAsian Chamber of Commerce
California African American Chamber of Commerce
California Business Properties Association
California Chamber of Commerce
California Hispanic Chamber of Commerce
California Large Energy Consumers Association
Data Center Coalition
Enchanted Rock, LLC
NAIOP California
Pacific Gas and Electric Company

San Diego Gas and Electric Company
Silicon Valley Leadership Group
Southern California Gas Company
TechCA
Technet
Western States Petroleum Association

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 1046	**Hearing Date:**	April 8, 2026
Author:	Blakespear		
Version:	March 17, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Emma Bruce		

SUBJECT: Occupational safety: transboundary pollution

KEY ISSUE

This bill requires the Division of Occupational Safety and Health (Cal/OSHA), on or before January 1, 2030, to propose to the Occupational Safety and Health Standards Board (Standards Board) a standard that protects the health and safety of employees who risk high or prolonged exposure to transboundary pollution in outdoor occupational environments, as specified.

ANALYSIS

Existing law:

1) Requires, under the California Occupational Safety and Health Act, an employer to:
   a. Furnish employment and a place of employment that is safe and healthful.
   b. Furnish and use safety devices and safeguards, as well as adopt and use practices, means, methods, operations, and processes that are reasonably adequate to render employment and the place of employment safe and healthful.
   c. Do everything reasonably necessary to protect the life, safety, and health of employees. (Labor Code §6300 et seq.)

2) Establishes the Division of Occupational Safety and Health (Cal/OSHA) within the Department of Industrial Relations (DIR) to, among other things, propose, administer, and enforce occupational safety and health standards. (Labor Code §6300 et seq.)

3) Establishes the Occupational Safety and Health Standards Board (Standards Board), within DIR, to promote, adopt, and maintain reasonable and enforceable standards that will ensure a safe and healthful workplace for workers. (Labor Code §140-147.6)

4) Requires Cal/OSHA to enforce all occupational safety and health standards adopted by the Standards Board, as specified. (Labor Code §142 and §144.5)

5) Stipulates that in promulgating standards dealing with toxic materials or harmful physical agents, the Standards Board shall adopt standards to prevent employees from suffering adverse health effects even if these employees have regular exposure to a regulated hazard (Labor Code §144.6).

6) Prohibits an employee from being laid off or discharged for refusing to perform work in violation of prescribed safety standards, where the violation would create a real and apparent hazard to the employee or his or her fellow employees. Any employee who is laid off or

discharged in violation of this right shall have a right of action for lost wages for the time the employee is without work as a result of the layoff or discharge. (Labor Code §6311)

This bill:

1) Requires Cal/OSHA, on or before January 1, 2030, to propose to the Standards Board for its review and adoption a standard that protects the health and safety of employees who risk high or prolonged exposure to transboundary pollution in outdoor occupational environments.

2) Provides that the standard shall apply to lifeguards, park rangers, and other employees that Cal/OSHA determines are at high risk.

3) Requires the standard to include all of the following:

    a) Personal protective equipment, which may include, but not be limited to, respiratory protection and protective attire.
    b) Medical surveillance, which may include, but not be limited to, medical examination rights, medical procedures, and reporting requirements.
    c) Hazard communication, which may include, but not be limited to, notice of anticipated wet weather or other high-exposure events and any available data on pollution exposure conditions.
    d) Reporting and recordkeeping practices. In developing these practices, the Standards Board shall consider, at minimum, both of the following:
        i. Incident or exposure report forms for use by employees.
        ii. Maintaining data on exposure threshold exceedances, health-related symptoms developed following job duties, sick leave related to exposure incidents, and weather events exacerbating transboundary pollution.
    e) Training for employees and supervisors that includes, but is not limited to, all of the following:
        i. Information on the regional environmental conditions.
        ii. Potential health effects of exposure to transboundary pollution, including related symptoms.
        iii. Use of personal protective equipment.
        iv. Reporting practices.

4) Provides that in addition to the standards described in 3), the Standards Board may consider any other standard for adoption that will provide protection or safeguards for employees exposed to transboundary pollution in an outdoor working environment.

5) Requires the Standards Board to consider identifying an exposure threshold for hydrogen sulfide at which acute or chronic health effects occur to reference in the standards and may consider exposure thresholds for other relevant pollutants.

6) Authorizes the Standards Board to develop the standards described in 3) and 4) in consultation with lifeguards, park rangers, trade and labor unions, cities, counties, private and public sector employers, air districts, local environmental and public health agencies, universities and academic institutions, the Department of Parks and Recreation, the State Air Resources Board, the State Water Resources Control Board, regional water quality control boards, and the Office of Environmental Health Hazard Assessment.

7) Authorizes the Standards Board to adopt emergency regulations to implement these provisions, as specified.

8) Defines "lifeguard" as a person actively employed as a lifeguard by a city, county, city and county, district, or other public or municipal corporation or political subdivision, or a person actively employed as a state lifeguard by the Department of Parks and Recreation.

9) Defines "park ranger" as a person that enforces park rules and regulations and is actively employed as a park ranger by a city, county, city and county, district, or other public or municipal corporation or political subdivision, or is actively employed as a state park ranger by the Department of Parks and Recreation.

10) Defines "transboundary pollution" as environmental pollutants or toxins contaminating state water or air that originate from Baja California and threaten the health and safety of the public or environment.

11) Makes various findings and declarations related to the Tijuana River Valley and transboundary pollution.

COMMENTS

1. Background:

Occupational Safety and Health Standards Board (Standards Board)
The Standards Board, within Cal/OSHA, is the only agency in the state authorized to adopt, amend, or repeal occupational safety and health standards or orders. Its mission is to promote, adopt, and maintain reasonable and enforceable standards that ensure a safe and healthful workplace. The Standards Board consists of seven members appointed by the Governor. Two members are selected from labor, two members from management, one member from occupational safety, one member from occupational health, and one member from the general public. Among other responsibilities, the Standards Board 1) adopts and maintains standards; 2) considers petitions for new or revised standards proposed by any interested person; and 3) grants permanent variances from standards. To carry out its duties, the Standards Board holds monthly meetings throughout California.

The Standards Board must adopt standards at least as effective as federal ones for all health and safety issues that have federal standards promulgated under the Occupational Safety and health Act of 1970. Additionally, the Standards Board maintains standards unique to the state, like those for amusement rides, aerial passenger tramways, and heat illness. Depending on its scope and application, standards can apply to state and local government and private sector workplace operations.

The Administrative Procedure Act governs the public hearing and adoption process. After a rulemaking action is deemed necessary, proposed standard changes are developed by either the Standard Board's staff or Cal/OSHA's staff, generally with the assistance and recommendations of an advisory committee. Advisory committees consist of representatives from industry, labor, the public, and other interested groups. If the changes are related to federal standards, the proposal is reviewed by Federal OSHA staff. The proposal is then scheduled for hearing at one of the Board's monthly meetings, so that written and oral

testimony can be solicited. Following the public hearing, all testimony is returned to the originating staff (either the Standards Board staff or Cal/OSHA) for review. When all comments and testimony have been addressed by either modifying the proposal or providing a satisfactory explanation for rejection of suggested changes, the Standards Board's staff schedules the proposed standard for consideration and adoption at its next meeting. Following adoption, a copy of the rulemaking file is sent to the Office of Administrative Law. After approval, the standards are published in Title 8 of the California Code of Regulations.

The Tijuana River Valley and Transboundary Pollution

Every day the Tijuana River carries millions of gallons of untreated sewage, industrial waste, and contaminated runoff across the U.S.-Mexico border. The river flows through Tijuana, Mexico and into the United States via the Tijuana River Valley in southern San Diego County, before emptying into the Pacific Ocean.[1] Factories and shantytowns in Tijuana that aren't connected to the city's sewage system are primarily responsible for the pollution.[2] Although this binational problem dates back decades, explosive population growth in Tijuana, aging wastewater treatment plants in both the U.S. and Mexico, and climate change have exacerbated pollution.[3]

Communities near the river suffer adverse health and economic impacts. Scientists have detected high levels of hydrogen sulfide in the air, which can cause headaches, fatigue, skin infections, anxiety, and respiratory and gastrointestinal problems. All of which residents near the river have complained of for years. According to the U.S. Centers for Disease Control and Prevention, nearly half of the 40,900 households in the southern San Diego County region have experienced health problems most likely attributable to the pollution.[4] The Office of the Naval Inspector General found that in 2025, more than 1,100 Navy recruits contracted gastrointestinal illnesses after training in southern San Diego waters.[5] On top of the health issues, the contaminated ocean water and hydrogen sulfide also destabilize local economies that rely on tourism. Imperial Beach has been closed for over 1,300 consecutive days and Coronado Beach closes intermittently due to contamination.[6]

There are no overnight solutions that will alleviate health issues and reopen beaches. Instead, officials from the U.S. and Mexico will need to work together to expand sewage treatment plants, test water quality, and survey impacted residents to understand health issues. Despite the Trump Administration's cuts to other federal programs, money has continued to flow for Tijuana River cleanup.[7] In July of 2025, the U.S. and Mexico signed a memorandum of understanding aimed at ending the flow of raw sewage into the Tijuana River. Under the deal, Mexico agreed to complete an allocation of $93 million toward sanitation infrastructure and complete all projects by December 31, 2027, and the U.S. agreed to release funds for

---

[1] Rico, B., et. al. Heavily polluted Tijuana River drives regional air quality crisis. *Science*. 2025
[2] Karlamangla, Soumya. "In California, There's One Import No One Wants." *New York Times.* May 26, 2025.
[3] Ibid.
[4] Ibid.
[5] Friedman, Lisa. "U.S. and Mexico Sign Deal to Stop Sewage Release into Tijuana River" *New York Times*. July 25, 2025.
[6] San Diego CoastKeeper. Current Advisories and Closures. March 30, 2025.
[7] Brennan, Deborah. "EPA Touts Bipartisan Effort to Clean Up Tijuana River." *CalMatters*. February 9, 2026.

water infrastructure improvements on the border.[8] A subsequent agreement, known as Minute 333, was signed in December of 2025.[9]

This bill

The *Prior and Related Legislation* section details the Legislature's long history of directing Cal/OSHA to develop and propose to the Standards Board various health and safety standards. SB 1046 would continue this practice by requiring Cal/OSHA, on or before January 1, 2030, to propose to the Standards Board a standard that protects the health and safety of employees who risk high or prolonged exposure to transboundary pollution in outdoor occupational environments, as specified. The measure would also authorize the Standards Board to consider identifying an exposure threshold for hydrogen sulfide at which acute or chronic health effects occur to reference in the adopted standard and to consider exposure thresholds for other relevant pollutants.

2. Committee Amendments:

Committee amendments 1) clarify that the Standards Board should adopt one standard on transboundary pollution, rather than multiple; and 2) give Cal/OSHA and the Standards Board discretion to develop and adopt a standard that is broader in scope or broader in application than what is required by SB 1046.

LAB 6726 ~~(d) In addition to the standards described in subdivision (c), the standards board may consider any other standard for adoption that will provide protection or safeguards for employees exposed to transboundary pollution in an outdoor working environment.~~

(d) Subdivision (c) does not limit the authority of the division to develop a standard, or the authority of the standards board to adopt a standard, that is broader in scope or broader in application than required by this section.

LAB 6726 (f) The standards board may develop the ~~standards~~ ***standard*** described in ~~subdivisions (c) and (d)~~ ***subdivision (b)*** in consultation with lifeguards, park rangers, trade and labor unions, cities, counties, private and public sector employers, air districts, local environmental and public health agencies, universities and academic institutions, the Department of Parks and Recreation, the State Air Resources Board, the State Water Resources Control Board, regional water quality control boards, and the Office of Environmental Health Hazard Assessment.

3. Need for this bill?

According to the author:

"Millions of gallons of sewage are transported each year into California from the Tijuana River. This transboundary pollution, consisting of toxic chemicals, fecal matter bacteria, hydrogen sulfide, and pathogens, presents a hazard to the workers that are regularly exposed to the coastal waters of the Tijuana River Valley and San Diego region. Even without direct

[8] Friedman, Lisa. "U.S. and Mexico Sign Deal to Stop Sewage Release into Tijuana River" *New York Times*. July 25, 2025.
[9] City News Service. "Trump administration signs updated agreement with Mexico over Tijuana sewage." KPBS. December 15, 2025.

contact with contaminated waters, an outdoor working environment close to these waters increases exposure to the air that has collected pollutants through aerosolization. Lifeguards and park rangers employed by the city, county, and state have faced relatively higher risks of illness, especially when it rains or floods. Prolonged exposure can result in gastrointestinal illness, skin infections, and respiratory and neurological disorders. Workers have experienced headaches, fatigue, nausea, and bloody noses following exposure to contaminated air and water. Employers currently lack the guidance and tools to ensure protection or safety for workers at risk. Mechanisms (e.g., incident reports) specific to these conditions do not currently exist and would be useful in tracking the impact of the pollution on workers.

This bill requires the Division of Occupational Safety and Health Standards (CalOSHA) and the Occupational Safety and Health Standards Board (OSHSB) to develop standards to protect lifeguards, park rangers, and other occupations determined to be at risk by CalOSHA from transboundary pollution."

4. Proponent Arguments:

The sponsor of the measure, SEIU California, states:

"Water samples from the Tijuana River have revealed a dangerous cocktail of industrial chemicals, pesticides, pharmaceuticals, and fecal bacteria. Even without direct contact with the water, pollutants aerosolize, causing significant health impacts in nearby communities. These aerosolized toxins can lead to high levels of hydrogen sulfide, a dangerous, odor-causing gas, and the risks are intensified by increasingly common extreme weather events, such as heavy rain and flooding.

SEIU members working near the California–Mexico border are at a heightened risk of occupational exposure to transboundary pollution. Currently, they risk illness with little to no protection or accommodations. Unlike other workplace hazards, there is currently no guidance on reporting illnesses, tracking incidents, or providing protective communication. Lifeguards and park rangers frequently experience headaches, fatigue, nausea, abdominal pain, and even bloody noses. After performing water rescues, lifeguards often require several days to recover from symptoms before they can return to work.

SB 1046 would direct the Division of Occupational Safety and Health (Cal/OSHA) to propose a standard for review and adoption by the Occupational Safety and Health Standards Board to protect the health and safety of employees exposed to transboundary pollution. By providing employers with essential tools, such as hazard communication and respiratory protection, SB 1046 would reduce illnesses among SEIU members who work to keep our outdoor spaces safe."

5. Opponent Arguments:

None received.

6. Prior and Related Legislation:

SB 10 (Padilla, 2025) would authorize the San Diego Association of Governments to utilize toll revenues from the State Route 11/Otay Mesa Port of Entry to assist in the maintenance of the South Bay International Boundary and Water Commission sewage treatment facility and

other infrastructure projects related to the Tijuana River. *SB 10 is pending hearing in the Assembly Transportation Committee.*

AB 1181 (Haney, Chapter 392, Statutes of 2025) required the Standards Board to consider modifying its existing safety order, by January 1, 2028, in a manner that addresses National Fire Protection Association performance standards for PPE that result in the use of perfluoroalkyl and polyfluoroalkyl substances and other hazardous substances in firefighting personal protective garments and auxiliary firefighting PPE.

SB 20 (Menjivar, Chapter 734, Statutes of 2025) addressed worker safety in the artificial stone fabrication industry, by among other things, 1) codifying engineering controls and work practices developed and adopted by the Standards Board in the Labor Code; 2) requiring an owner or operator of a fabrication shop to ensure that any employee who performs high-exposure trigger tasks receives training and to provide to Cal/OSHA a written attestation of that training, as specified; and 3) requiring the State Department of Public Health to conduct outreach.

AB 2975 (Gipson, Chapter 749, Statutes of 2024) required the Standards Board, by March 1, 2027, to amend the existing workplace violence prevention in health care standard to require licensed hospitals to implement a weapons detection screening policy that includes the use of weapons detection devices that automatically screen a person's body at specified entrances.

AB 3258 (Bryan, Chapter 978, Statutes of 2024) expanded the scope of the California Refinery and Chemical Plant Worker Safety Act of 1990 by revising the definition of "refinery" and directed the Standards Board to consider for adoption, regulations that implement process safety management standards for the revised definition of refinery, as specified.

AB 1007 (Ortega, Chapter 352, Statutes of 2023) required Cal/OSHA, by December 1, 2026, to submit to the Standards Board a proposed regulation requiring a health facility to evacuate or remove plume using plume scavenging systems in all settings that employ techniques that involve the creation of plume. This bill also required the Standards Board to consider the proposed regulation for adoption by June 1, 2027.

AB 2243 (Garcia, Chapter 778, Statutes of 2022) required Cal/OSHA, before December 1, 2025, to submit to the Standards Board a proposal to consider revising the heat illness standard, as specified, and the wildfire smoke standard for farm workers to increase the protection of workers exposed to heat and smoke in outdoor settings, as specified.

SB 1167 (Mendoza, Chapter 839, Statutes of 2016) required Cal/OSHA to propose to the Standards Board for review and adoption, a standard that minimizes heat-related illness and injury among workers working in indoor places of employment by January 1, 2019.

SB 1299 (Padilla, Chapter 842, Statutes of 2014) required the Standards Board, no later than July 1, 2016, to adopt standards that require specified hospitals to adopt a workplace violence prevention plan as part of their injury and illness prevention plan to protect health care workers and other facility personnel from aggressive and violent behavior.

SUPPORT

SEIU California (Sponsor)
Sierra Club
Teamsters California

OPPOSITION

None received

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	SB 939	**Hearing Date:**	April 8, 2026
Author:	Laird		
Version:	March 16, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Glenn Miles		

SUBJECT: Public employees' retirement: service credit: payments

KEY ISSUE

This bill would repeal a payment option for a member of the California Public Employees' Retirement System (CalPERS) to finance the balance due on a purchase of additional service credit through a permanent actuarial equivalent reduction (AER) to their pension allowance effective January 1, 2028. Thereafter, any outstanding balance on the service credit purchase must be paid in full at the time of retirement (or death of the member). Otherwise, CalPERS must reduce the service credit in proportion to the outstanding balance.

ANALYSIS

Existing law:

1) Provides a CalPERS member a defined benefit retirement allowance upon the member's retirement (or a lifetime allowance to the member's survivor upon the member's death) based upon the following factors: age, final compensation, and *years of service (i.e., service credit).* (Government Code § 21350 et seq.)

2) Provides a member with the option to purchase or convert additional service credit under specified provisions in order to increase the member's pension allowance upon retirement. (Government Code § 20890 et seq.)

3) Requires that the member pay for the service credit purchase in one of three ways: a lump sum payment, installment payments prior to retirement, or at retirement *through a lifetime reduction to their pension benefit that is the actuarial equivalent of the outstanding balance of the service credit purchase* (AER). (Government Code § 20776 and § 21050 et seq.)

4) Permits a member who elects to receive credit for service, but who retires for disability reasons, including a safety member who retires for industrial disability, to elect to prospectively cancel installments, as specified. (Government Code § 21037 et seq)

5) Authorizes a member who pays for credit for service in after-tax installments to suspend these payments for up to 12 months, with the payments automatically resuming at the end of that period, or earlier, at the request of the member. (Government Code § 21050)

6) Specifies that a member who retires during the period of payment suspension may, prior to retirement, either make a lump-sum payment for the recalculated balance due or cancel the installment payments, as specified. (Government Code § 21050)

This bill:

1) Provides that all contributions or service credit adjustments required by law or agreement with an effective date on or after January 1, 2028, shall become due and payable at the time of retirement or preretirement death. The member, survivor, or beneficiary shall have their allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member, as specified.

2) Requires that all elections with an effective date on or after January 1, 2028, including elections for normal contributions, arrears contributions, absences, or public service, shall become due and payable at the time of retirement or preretirement death.

3) Requires the member's payment to be received by CalPERS no later than 90 days after the member's retirement effective date.

4) Requires the survivor or beneficiary's payment to be received by CalPERS no later than 90 days after CalPERS mails the date the notification of balance due.

5) Requires, if the member or survivor does not pay the balance as specified, that CalPERS reduce the member's service credit election in proportion to the outstanding balance and, for purposes of computing the allowance, eliminate any service credit dependent on completion of payments.

6) Provides that this bill's requirements, as specified, do not apply to optional purchases related to retired members of the armed forces and the merchant marine, in conformance with federal law.

7) Applies the bill's requirements to member elections of specified installment payments for elections effective January 1, 2028.

COMMENTS

1. Need for this bill?

According to the author:

"In 2020, the state added Actuarial Equivalent Reduction (AER) as a service credit payment option. Now, if a member retires with an unpaid balance on their purchase of additional service credit, they must pay off the balance in full or elect an AER, which permanently reduces their monthly retirement allowance to cover the remaining balance and allows them to receive a benefit that includes all the newly purchased service credit.

However, this change in law has introduced undue cost pressures and uncertainties to CalPERS' system and retirees. If a member elected in AER outlives their assumed life expectancy, they will be overpaying for their service credit because AER is a permanent reduction. On the other hand, if the member passes away before their assumed life expectancy, the value of their increased benefit will remain unpaid, and the AER will then be passed onto the beneficiary. Administratively, complexities arise in the transfer of the AER

to a beneficiary, particularly if there are multiple. Additionally, AER allows members to receive benefits for contributions that they have not yet paid into the system, which is contrary to the goal to fully fund benefits at retirement."

2. Proponent Arguments

According to CalPERS,

"This change aligns CalPERS service credit purchase payment options with all other public retirement systems and strengthens our financial policies by:

• Encouraging members to purchase service credit as early as possible to pay the lowest possible cost.

• Ensuring service credit is paid in full and pre-funded at the time of retirement, reducing cost pressures on the system.

• Reducing system complexity and cost."

3. Opponent Arguments:

None received.

4. Prior Legislation:

AB 2196 (Cooper, Chapter 168, Statutes of 2018) required that any remaining balance due for a CalPERS optional service credit purchase be paid at the member's retirement date or pre-retirement death, or the member must elect an actuarial equivalent reduction (AER) to their retirement allowance.

SUPPORT

California Public Employees' Retirement System

OPPOSITION

None received

-- END --