Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 887 (Padilla) – As Amended June 29, 2026

Policy Committee:	Natural Resources	Vote:	10 - 3
	Utilities and Energy		14 - 1

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill prohibits the application of a categorical exemption under the California Environmental Quality Act (CEQA) to the development and operation of a data center and establishes criteria by which a data center project may qualify for CEQA streamlining as an "environmental leadership development project" (ELDP).

More specifically, this bill, among other things:

1) Defines "data center" for purposes of CEQA and excludes from this definition a publicly funded research facility, a public safety facility, a national security facility, a publicly owned facility, and other utility facilities, as specified.

2) Provides, notwithstanding any other law, that CEQA applies to the issuance of entitlements related to the development and operation of a data center.

3) Prohibits a categorical exemption under CEQA for a project proposed to be carried out or approved by a public agency in furtherance of the development and operation of a data center.

4) Provides that a data center project is an ELDP if it is certified by the lead agency to meet numerous specified conditions related to clean energy, energy storage, water efficiency, community benefits, labor standards, and ensuring that the project's electrical infrastructure and interconnection costs are borne by the project applicant rather than other ratepayers.

5) Requires the California Energy Commission (CEC), for a data center project certified as an ELDP by the Governor, to develop uniform statewide standards for the aforementioned conditions, require regular compliance reporting by the data center operator, and initiate enforcement proceedings in the event of noncompliance with those standards, as appropriate, that may result in the imposition of administrative civil penalties.

6) Provides that a geothermal powerplant is an ELDP if it is certified by the lead agency to meet the criteria for an eligible renewable energy resource, as specified, and if it meets specified labor standards.

FISCAL EFFECT:

1) CEC estimates ongoing annual costs of approximately $1.8 million for eight positions to develop the required statewide standards, develop reporting requirements for ongoing

compliance, and conduct enforcement and seek administrative civil penalties. CEC notes there is no fund source identified in the bill, and that the Energy Resource Program Account – the primary account supporting CEC's operations – faces an ongoing structural deficit and, therefore, may not be able to support implementation of this bill.

2) The Governor's Office of Land Use and Climate Innovation (LCI) – which provides technical assistance related to CEQA to state and local government agencies and develops technical advisories on selected CEQA topics – estimates General Fund costs of about $513,000 annually for two years for two limited-term air pollution specialists to facilitate the inclusion of data centers into the ELDP judicial streamlining program, which would include developing guidelines and processes, processing applications, conducting public engagement and informational sessions, developing communications materials, and providing technical assistance.

3) By establishing criteria by which a data center project may qualify for CEQA streamlining as an ELDP, this bill creates potential cost pressures (Trial Court Trust Fund, General Fund) of an unknown amount to the courts to process and hear CEQA challenges to eligible data center ELDPs on an expedited timeline. Expedited cases generally create costs and staffing pressures on the courts, as each review typically requires a judicial officer, research attorneys, a dedicated courtroom, and staff. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately $1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately $117.3 million in 2025-26.

   Under the existing ELDP CEQA judicial streamlining program, project applicants typically pay specific court costs and fees to cover the expedited review process. For example, for a clean renewable energy project that generates electricity exclusively through wind or solar, an applicant pays $180,000 and $215,000 for trial court and court of appeal costs, respectively. It is not clear to the committee if eligible data center project applicants will be subject to a similar filing fee to ensure the courts have the resources needed to timely adjudicate complicated CEQA cases.

   As discussed in the Assembly Utilities and Energy Committee's analysis of this bill, geothermal powerplants are already eligible for expedited judicial and administrative review under CEQA under previously passed measures. Therefore, the committee assumes the provision in the bill providing that a geothermal powerplant is an ELDP if it meets certain conditions duplicates existing law and likely does not create new cost pressures for the courts.

4) CPUC anticipates any costs would be minor and absorbable.

COMMENTS:

1) **Purpose.** According to the author:

> Data centers are being built at breakneck speed without adequate guardrails, creating air quality, water supply, and energy supply

challenges for local communities across the country. Imperial county, which has one of the highest unemployment rates in the state, is currently evaluating multiple proposed hyperscale projects that could transform the region. This could bring substantial economic development to the region, but if done incorrectly, could have disastrous impacts on public health and energy costs. This measure incentivizes good neighbor data center development for projects that support California's grid and the communities in which they are built.

2) **Background.** ***Data Centers.*** Data centers house the equipment used to process, store, and transmit digital information. Data centers, which have experienced explosive growth in recent years primarily in response to the artificial intelligence boom, oftentimes have significant implications for the environment as they may consume huge amounts of energy and water.

   ELDP. CEQA generally requires state and local government agencies to identify and disclose the potential environmental impacts of proposed projects, consider alternatives and feasible mitigation measures, and, where feasible, reduce or avoid significant environmental impacts. Current law authorizes the Governor to certify certain qualifying projects that meet stringent labor and environmental standards and other statutory requirements as ELDPs – making CEQA litigation challenging those projects eligible for expedited judicial review in both trial and appellate courts. This bill makes data centers ineligible for a categorical exemption under CEQA but establishes criteria by which a data center may qualify for CEQA streamlining as an ELDP.

   In June, Imperial County imposed a 45-day moratorium on new data centers following public backlash and litigation over a proposed $10 billion, 950,000-square-foot facility that would become the state's largest data center. The City of Imperial, writing in support of this bill, argues that "by affirming that data centers are subject to CEQA review yet offering an expedited pathway for projects that meet higher environmental performance standards, the bill encourages responsible development without sacrificing public health or environmental protections."

   Among others in opposition, Bay Area Council (BAC) argues this bill "may lead to restricted access or curtailment protocols specifically targeting data centers, which would undermine the operational stability necessary for California's tech ecosystem." Mandating full CEQA review for data centers that might otherwise receive ministerial treatment, BAC argues, will "extend project timelines and increase uncertainty in the permitting process. Longer review cycles in a context where efficient deployment of critical digital infrastructure is tied to broader economic outcomes creates additional obstacles to building in California."

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