SENATE RULES COMMITTEE SB 951
Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 951
Author: Reyes (D), et al.
Amended: 8/21/26
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 3-1, 4/8/26
AYES: Smallwood-Cuevas, Cortese, Durazo
NOES: Strickland
NO VOTE RECORDED: Laird

SENATE PRIV., DIGITAL TECH. & CONS. PROT. COMMITTEE: 7-2, 4/20/26
AYES: Cabaldon, Gonzalez, McNerney, Padilla, Reyes, Umberg, Wiener
NOES: Jones, Seyarto

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SENATE FLOOR: 28-9, 5/20/26
AYES: Allen, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NOES: Alvarado-Gil, Choi, Dahle, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Becker, Grove, Hurtado

ASSEMBLY FLOOR: Passed, 8/31/26

SUBJECT: Employment: technological displacement: notice

SOURCE: California Federation of Labor Unions

DIGEST: This bill 1) amends the California Workers Adjustment and Retraining Act (Cal/WARN) to require employers to provide written notice with specified information to employees and certain government entities, as specified, if the mass layoff, relocation, or termination is caused in whole or in substantial part by an artificial intelligence (AI) system or other automated technology replacing or automating employment positions; 2) requires the Employment Development Department (EDD) to publish a summary of notices received, as specified; and 3) requires EDD to submit to the Legislature a report on artificial intelligence's effects on business hiring practices, including its impact on industries and occupations as the state and regional level, as specified.

Assembly Amendments recast the technological displacement notice requirements of this bill, as it passed to the Assembly, into the Cal/WARN provisions of existing law to address potential redundancy and confusion; struck the provisions requiring employers to provide a hiring disruption notice to EDD; removed provisions that would have entitled certain employees affected by a technological displacement with a right of first bid on other positions with the employer; clarified that the notices must be provided when there are displacements or cessations "caused in whole or in substantial part" by AI or automation; struck the enforcement provisions, that included specified penalties and civil actions, to instead apply the existing enforcement provisions under Cal/WARN; and made other technical and clarifying amendments.

ANALYSIS:

Existing federal law:

1) Establishes the federal Worker Adjustment and Retraining Notification (WARN) Act prohibiting an employer with 100 or more full-time employees, as specified, 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:

   a) 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) 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 United States Code (U.S.C.) §§2101)

2) 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:

3) 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 (EDD), 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)

4) 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.)

5) 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)

6) 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)

7) 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)

8) 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)

9) 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)

10) 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 (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) 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) Adds the existing definition for "artificial intelligence" or "AI" to the Cal/WARN provisions.

2) Specifies that employers required to give notice of a mass layoff, relocation, or termination caused in whole or in substantial part by an AI system or other automated technology replacing or automating employment positions, shall additionally include in the Cal/WARN notice all of the following:

   a) The number, classification or occupation, and work location of layoffs that are substantially due to the replacement or automation by AI or other automated technology.

   b) The job functions performed by those replaced workers that will be automated by AI or other automated technology.

   c) The specific category or type of AI system or other automating technology that substantially resulted in technological displacement.

   d) Requires the notice to include the statement "This notice is for a technology displacement" at the top of the notice.

3) Requires EDD, as part of its regular data reporting of the Cal-WARN Act, to publish a summary of the AI-related notices received on its internet website and post a quarterly statewide summary of technology displacements reported.

4) Requires EDD, on or before January 1, 2028, to create a report on AI's effects on business hiring practices, including its impact on industries and occupations at the state and regional level. This report shall be submitted to the Legislature and shall include *one or more* of the following:

   a) Recommendations regarding a public notice requirement for employers or businesses engaged in technological cessation in hiring, including, but not limited to the following:

      i) Timing of when such a notice must be provided.

      ii) The role of the EDD to compile, make public, or otherwise analyze these notices.

      iii) Details to be included in the notice, such as data on the number of workers or contractors, or the types of occupations, potentially affected by a technological cessation in hiring.

      iv) Considerations on how best to ensure accurate information on emerging hiring trends through a notice requirement.

   b) A summary of the trends in hiring demand across industries or occupations, based on their level of exposure to AI.

   c) A summary of how businesses use AI and its effects on hiring practices, including technological cessation in hiring.

   d) A summary of existing research regarding the effects of AI on businesses' hiring needs and practices.

5) Repeals the provisions regarding the EDD report on AI's effects on business hiring practices on January 1, 2029.

Background

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]

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.

Need for this bill? According to the author: "Artificial intelligence is transforming our economy at an unprecedented pace…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."

[NOTE: Please see the Senate Labor, Public Employment and Retirement Committee analysis on this bill for more background information and information on prior and related legislation.]

---

[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

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee:

1) Costs of an unknown, but likely significant amount, in excess of $150,000, across state entities as employers to provide the technological cessation notice when applicable (General Fund (GF) or special fund). The magnitude of costs depends on the scope of work of the entity and the prevalence and use of AI systems in the workplace. For example, the California Community Colleges anticipates minor ongoing costs to the Chancellor's Office and districts to provide the notice if and when there is a technological cessation in hiring. However, the University of California (UC) anticipates significant new administrative and compliance costs of a difficult-to-estimate amount to establish systemwide review and tracking infrastructure to evaluate AI-related workforce actions and provide the notice under applicable circumstances. The UC also notes costs related to legal review and training, as well as substantial indirect costs from delays or constraints in technology adoption and increased labor-relations activity.

   Similarly, likely significant costs to local government employers, which the state would not need to reimburse because this bill's new requirements for local agencies equally apply to the private sector.

2) Costs of approximately $10,000 one-time and $100,000 ongoing to EDD to establish procedures to receive the additional Cal/WARN notice and technological cessation notice, post summaries of the technological cessation notice online, and submit quarterly reports to the Legislature (GF).

3) Costs of approximately $1.5 million in the first year and $1.4 million annually thereafter to the Division of Labor Standards Enforcement (DLSE, also known as the LC), with greater workload attributed to enforcing the technological cessation notice requirement than the additional Cal/WARN notice requirement. DLSE anticipates needing to contract with AI experts to perform what would likely be lengthy investigations to determine whether an employer executed a technological cessation in hiring without filing a notice.

4) Ongoing cost pressures of an unknown amount to the courts in additional workload by creating the additional Cal/WARN notice requirement, as existing law allows an employee or employee representative to bring a civil action to establish liability for backpay and benefits against an employer that does not provide proper Cal/WARN notice to a covered establishment's employees 60

days before the order takes effect (GF or Trial Court Trust Fund (TCTF)). It is unclear how many civil actions may be filed statewide and how much court time may be needed to resolve each case, but 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 staff and the TCTF may create a demand for increased court funding from the GF. The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately $117.3 million in fiscal year 2025-26.

SUPPORT: (Verified 8/26/26)

California Federation of Labor Unions (Source)
Alameda Labor Council
American Federation of Musicians, Local 7
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 Nurses Association
California Rural Legal Assistance Foundation
California School Employees Association
California State Legislative Board of the SMART - Transportation Division
California Teachers Association
Center on Policy Initiatives
Central Coast Labor Council
Communications Workers of America, District 9
County Employees Management Association
Electronic Frontier Foundation
Fresno-Madera-Tulare-Kings Central Labor Council
Inland Empire Labor Council
Kapor Center Advocacy
North Bay Labor Council
North Valley Labor Council
Orange County Labor Federation
San Mateo County Central Labor Council
Service Employees International Union, California State Council
State Building and Construction Trades Council of California
TechEquity Action
What We Will

OPPOSITION: (Verified 8/26/26)

Acclamation Insurance Management Services
Allied Managed Care
Associated General Contractors - California
Associated General Contractors - San Diego
Association of California Community College Administrators
Calforests
California Apartment Association
California Association of School Business Officials
California Bankers Association
California Chamber of Commerce
California Distributors Association
California Employment Law Council
California Farm Bureau
California Food Producers
California Fuels and Convenience Alliance
California Grocers Association
California Hospital Association
California Landscape Contractors Association
California League of Food Producers
California Manufacturers and Technology Association
California Restaurant Association
California Retailers Association
California's Credit Unions
Chamber of Progress
Civil Justice Association of California
County of Ventura
Flasher Barricade Association
Los Angeles Area Chamber of Commerce
Nevada County Board of Supervisors
Official Police Garages of Los Angeles
Orange County Business Council
SHRM California
Silicon Valley Leadership Group
Small School Districts Association
Southwest California Legislative Council
TechNet
Tri-County Chamber Alliance
Valley Industry and Commerce Association
Western Growers Association

ARGUMENTS IN SUPPORT: The sponsors of the measure, the California Federation of Labor Unions, write: "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.
SB 951 provides policy makers and the public with data on AI-related job loss."

ARGUMENTS IN OPPOSITION: A coalition of employer organizations, including the California Chamber of Commerce, are opposed arguing, among other things, "while we appreciate amendments the author has taken to more closely align with California's current WARN Act (Cal-WARN), the bill's core structural problems remain unresolved…Further, data suggests that expanding statutory triggers tied to workforce changes can significantly increase litigation exposure under other laws. According to a recent study, *The Impact of PAGA on Business Viability and Employment Security-Comparing the Relationship Between PAGA Settlements and WARN Notice Issuance,* California businesses paid approximately $823,710,861 in settlements in FY 2022–2023 in matters where WARN notices and PAGA claims overlapped. The study identified a strong correlation between WARN related workforce actions and representative litigation exposure. By layering new notice requirements and liability standards on top of existing WARN obligations, SB 951 is likely to substantially increase settlement pressure and litigation costs for employers, including small businesses, that lack the resources to absorb prolonged legal disputes."

Prepared by: Alma Perez-Schwab / L., P.E. & R. / (916) 651-1556
8/31/26 12:26:56

****** END ******