

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT
Liz Ortega, Chair
SB 954 (Blakespear) – As Amended May 14, 2026

SENATE VOTE: 23-9

This analysis only addresses the labor provisions in the bill.

SUBJECT: California Environmental Quality Act: advanced manufacturing facilities: exemption

SUMMARY: Requires an applicant seeking a California Environmental Quality Act (CEQA) exemption for an advanced manufacturing facility project, as specified, to demonstrate high road employment standards, utilize a skilled and trained workforce, as specified, pay prevailing wages, and enter into a community benefits agreement for community improvements and amenities. Specifically, **this bill:**

- 1) Exempts from CEQA an advanced manufacturing facility project that is certified by the Governor, as specified, and meets all of the following criteria:
 - a) The project is located on a site zoned exclusively for heavy industrial uses as of January 1, 2026.
 - b) The project is not located within 1,600 feet of a sensitive receptor.
 - c) The project is not located within 1,000 feet of a disadvantaged community.
 - d) The project does not exceed any of the following operational or construction emissions limits:
 - i) Fifty-four pounds per day or 10 tons per year of reactive organic gases, whichever is lower.
 - ii) Fifty-four pounds per day or 10 tons per year of oxides of nitrogen, whichever is lower.
 - iii) Eighty pounds per day or 14.6 tons per year, whichever is lower, of particulate matter less than 10 microns in diameter.
 - iv) Fifty-four pounds per day or 10 tons per year, whichever is lower, of particulate matter less than 2.5 microns in diameter.
 - v) Ten pounds per day or less of methane.
 - vi) One hundred thirty-seven pounds per day or 25 tons per year, whichever is lower, of oxides of sulfur.

- vii) Five hundred forty-eight pounds per day or 100 tons per year, whichever is lower, of carbon monoxide.
 - e) The project is compliant with a quality community risk reduction plan or demonstrates an increased cancer risk of no more than 10 in one million and an increase in noncancer risk of less than 1.0 on the hazard index for both chronic and acute exposure for receptors within 1,000 feet radius of the fence of the advanced manufacturing facility.
 - f) The project does not cause significant adverse impacts to tribal cultural resources unless there is a documented enforceable agreement, as defined.
 - g) The project is not located on natural and protected lands.
 - h) The project uses zero-emission backup generation.
- 2) Requires an applicant of a project as described in 1) above to meet both of the following requirements:
- a) The applicant shall demonstrate high road employment standards and shall certify to the lead agency that it will maintain those standards in the operation of the facility.
 - b) The applicant shall enter into a bona fide community benefits agreement that includes enforceable commitments to provide local environmental mitigation, high road employment standards, and job access within the community in which the project is located.
 - i) The community benefits agreement shall include funding for, or direct implementation of, specific community improvements or amenities that may include, but are not limited to, park and playground equipment, urban greening, enhanced safety crossings, paving roads and bicycle paths, reductions in or credits for residential utility bills, and annual contributions to a nonprofit or community-based organization that awards grants to organizations delivering community-based services and amenities.
- 3) Defines “community benefits agreement” to mean a private agreement between the applicant and independent stakeholders from the surrounding communities, and that is informed by meaningful engagement and outreach to residents of the surrounding communities. Stakeholders that receive financial remuneration from a project applicant shall not be considered independent.
- 4) Defines “enforceable commitments” to mean specific mechanisms, such as binding arbitration, built into agreements that ensure that the parties have remedies to resolve disputes.
- 5) Defines “high road employment standards” to mean employment practices and standards that include, but are not limited to, all of the following:
- a) Provision of comparatively good wages and benefits, relative to the industry, occupation, and labor market in which participating workers are employed.

- b) Payment of workers at or above local or regional living wage standards as well as payment at or above regional prevailing wage standards where those standards exist for the occupations in question.
 - c) Commitment to investing in employee training, growth, and development, including through comprehensive workforce training programs or apprenticeship programs.
 - d) Adoption of mechanisms to include worker voice and agency in the workplace.
 - e) Safe and healthy working conditions.
 - f) Consistent compliance with workplace laws and regulations, including proactive efforts to remedy past problems.
- 6) Requires an applicant for a project described in 1) above to comply with either of the following requirements with respect to the initial construction of the facility and subsequent maintenance that is contracted out to a contractor in the construction industry:
- a) For a project undertaken by a public agency, the project must comply with the following:
 - i) The project is a public work for which prevailing wages shall be paid.
 - ii) An entity shall not be prequalified or shortlisted or awarded a contract by the public agency to perform any portion of the project unless the entity provides an enforceable commitment to the public agency that the entity and its contractors and subcontractors at every tier will use a skilled and trained workforce to perform all work on the project or contract that falls within an apprenticeable occupation in the building and construction trades. This requirement does not apply if the project will be covered by a project labor agreement (PLA), with specified provisions.
 - b) For a project undertaken by a private entity, the applicant shall do all of the following:
 - i) Certify to the lead agency that either of the following is true:
 - (1) The entirety of the project is a public work.
 - (2) If the project is not in its entirety a public work, the following apply:
 - (a) All construction workers employed on the project will be paid at least the general prevailing rate of per diem wages for the type of work and geographic area, as specified, except that apprentices registered in programs approved by the Chief of the Division of Apprenticeship Standards (DAS) may be paid at least the applicable apprentice prevailing rate.
 - (b) For those portions of the project that are not a public work, all of the following shall apply:

- (i) The project applicant shall ensure that the prevailing wage requirement is included in all contracts for the performance of all construction and maintenance work.
 - (ii) All contractors and subcontractors shall pay to all construction workers employed in the execution of the work on the project or contract at least the general prevailing rate of per diem wages, except as specified.
 - (iii) All contractors and subcontractors, unless covered in (v) below, shall maintain and verify payroll records, as specified, and make those records available for inspection and copying as provided therein.
 - (iv) Unless covered in (v) below, the obligation of the contractors and subcontractors at every tier to pay prevailing wages may be enforced by the Labor Commissioner (LC) through the issuance of a civil wage and penalty assessment, as specified, which may be reviewed, as specified, or by an underpaid worker through an administrative complaint or civil action, or by a joint labor-management committee through a civil action, as specified. If a civil wage and penalty assessment is issued, the contractor, subcontractor, and surety on a bond or bonds issued to secure the payment of wages covered by the assessment shall be liable for liquidated damages.
 - (v) Subsections (iii) and (iv) above do not apply if all contractors and subcontractors at every tier performing work on the project are subject to a PLA that requires the payment of prevailing wages to all construction workers employed in the execution of the project or contract and provides for enforcement of that obligation through an arbitration procedure.
- ii) Certify to the lead agency that a skilled and trained workforce will be used to perform all construction work on the project. All of the following requirements shall apply to the project:
- (1) The project applicant shall require in all contracts for the performance of work that every contractor and subcontractor at every tier will individually use a skilled and trained workforce to construct and maintain the project.
 - (2) Every contractor and subcontractor at every tier shall use a skilled and trained workforce to construct and maintain the project.
 - (3) The project applicant shall provide to the lead agency, on a monthly basis while the project or contract is being performed, a report demonstrating compliance with the skilled and trained requirements of the Public Contract Code. A project applicant that fails to provide a monthly report demonstrating such compliance shall be subject to a civil penalty of ten thousand dollars (\$10,000) per month for each month for which the report has not been provided. Any contractor or subcontractor that fails to use a skilled and trained workforce shall be subject to a civil penalty of two hundred dollars (\$200) per day for each worker employed in contravention of the skilled and trained workforce requirement. Penalties may be assessed by the LC within 18 months of completion of the project, as specified,

and reviewed, as specified. Penalties shall be paid to the State Public Works Enforcement Fund.

(a) If all contractors and subcontractors at every tier performing work on the project are subject to a PLA with specified skilled and trained obligations, (3) above does not apply.

iii) Certify to the lead agency that it has entered into a labor peace agreement. This paragraph applies only if the state has a proprietary interest in the project or the state is providing direct financial assistance to the project, tax credits, or tax preferences in excess of two million five hundred thousand dollars (\$2,500,000).

7) Defines “labor peace agreement” to mean an agreement between the applicant and any bona fide labor organization that, at a minimum, prohibits labor organizations and members from engaging in picketing, work stoppages, boycotts, and any other economic interference with the project applicant’s business. The agreement shall provide, among other things, that the applicant agrees not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the applicant’s employees.

EXISTING LAW:

- 1) Requires the body awarding any contract for public work, or otherwise undertaking any public work, to obtain the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in the locality in which the public work is to be performed for each craft, classification, or type of worker needed to execute the contract from the Director of Industrial Relations (director). Labor Code § 1773.
- 2) Requires the director, in determining the rates, to ascertain and consider the applicable wage rates established by collective bargaining agreements and the rates that may have been predetermined for federal public works, within the locality and in the nearest labor market area. Where the rates do not constitute the rates actually prevailing in the locality, the director shall obtain and consider further data from the labor organizations and employers or employer associations concerned, including the recognized collective bargaining representatives for the particular craft, classification, or type of work involved. Labor Code § 1773.
- 3) Authorizes, if the director determines that the rate of prevailing wage for any craft, classification, or type of worker is the rate established by a collective bargaining agreement, the director to adopt that rate by reference as provided for in the collective bargaining agreement and that determination shall be effective for the life of the agreement or until the director determines that another rate should be adopted. Labor Code § 1773.
- 4) Authorizes a public entity to require a bidder, contractor, or other entity to use a skilled and trained workforce to complete a contract or project regardless of whether the public entity is required to do so by a statute or regulation. Public Contract Code § 2600(b).
- 5) Requires, when the use of a skilled and trained workforce to complete a contract or project is required, the public entity to include in all bid documents and construction contracts a notice

that the project is subject to the skilled and trained workforce requirement. Public Contract Code § 2600(c).

- 6) Defines a “skilled and trained workforce” to mean a workforce that meets certain conditions, including specified apprenticeship graduation requirements. Public Contract Code § 2601.
- 7) Requires a contractor, bidder, or other entity to provide to the public entity or other awarding body, on a monthly basis while the project or contract is being performed, a report demonstrating compliance with skilled and trained workforce requirements. Public Contract Code § 2602.
- 8) Requires a contractor or subcontractor to pay a civil penalty to the state of not more than \$5,000 per month of work performed in violation of the skilled and trained workforce requirements if the LC or their designee determines that the contractor or subcontractor failed to use a skilled and trained workforce. A contractor or subcontractor that commits a second or subsequent violation within a three-year period shall forfeit as a civil penalty to the state the sum of not more than \$10,000 per month of work performed in violation. Public Contract Code § 2603.
- 9) Provides that the ratio of work performed by apprentices to journeymen employed in a particular craft or trade on the public work may be no higher than the ratio stipulated in the apprenticeship standards under which the apprenticeship program operates if the contractor agrees to be bound by those standards, but provides that, unless otherwise specified, in no case shall the ratio be less than one hour of apprentice work for every five hours of journeyman work. Labor Code § 1777.5(g).
- 10) Defines “PLA” to mean a prehire collective bargaining agreement that establishes terms and conditions of employment for a specific construction project or projects, and authorizes a public entity to use, enter into, or require contractors to enter into a PLA for a construction project if specified conditions are met. Public Contract Code § 2500(b)(1).

FISCAL EFFECT: According to the Senate Appropriations Committee,

- Unknown but likely significant one-time costs, likely in the hundreds of thousands of dollars (General Fund) for the Governor’s Office of Land Use and Climate Innovation (LCI) to establish draft guidelines, develop internal processes and procedures, begin accepting applications, and provide technical assistance and engagement regarding the addition of an advanced manufacturing category to judicial streamlining certification.
- Unknown but potentially significant one-time costs (Energy Resources Program Account [ERPA] or General Fund) for the California Energy Commission (CEC) to develop and make available to lead agencies guidelines for evaluating whether a project applicant demonstrates high road employment standards.
- To the extent that projects qualify for judicial streamlining certification that otherwise would not have qualified absent this bill, it would result in potential cost pressure of an unknown amount (General Fund) to the state-funded court system to process and hear challenges to a project's environmental review within the required timeframes.
- Unknown costs (various funds) for other state entities and lead agencies to implement the provisions of this bill.

COMMENTS: This bill incorporates a number of labor standards as requirements for an applicant to obtain a CEQ exemption for an advanced manufacturing facility project. A project applicant must demonstrate high road employment standards and enter into a community benefits agreement. Furthermore, the construction and subsequent maintenance of the facility must be performed by a skilled and trained workforce and workers must receive the prevailing wage, as specified. Finally, if the state has a proprietary or financial interest in the project, the applicant must enter into a labor peace agreement. This means the applicant agrees not disrupt efforts by a labor organization to organize the workers on the project in exchange for the labor organization agreeing not to strike, engage in a work stoppage, or a boycott.

High Road Employment Standards Are Becoming the Standard

There is growing interest and momentum in California to ensure that workforce standards are attached to new jobs. In 2019, Governor Newsom established the Future of Work Commission, comprised of 21 prominent leaders from various sectors. The Commission's charge was to "study, understand, analyze, and make recommendations regarding the kinds of jobs Californians could have in the decades to come; the impact of technology on work, workers, employers, jobs, and societies; methods of promoting better job quality, wages, and working conditions through technology; modernizing worker safety net protections; and the best way to preserve good jobs, ready the workforce for the jobs of the future throughout lifelong learning, and ensure shared prosperity for all." A central recommendation of the Commission's final report, released in March of 2021, is to support efforts that promote job quality. Citing a 2019 Gallup Poll, the report offers a sobering statistic that fewer than half of California workers consider themselves in a "good job." In addition to raising the living wage, the report suggests taking measures "to uplift and promote 'high-road' employers, which are employers who raise their wages far above the minimum wage and provide other benefits, thus incentivizing other employers to move toward becoming 'high-road.' A state-wide program could recognize and incentivize employers offering 'high-road' jobs, including formal recognition to encourage consumer support, tax incentives, streamlined permitting or licensing, and priority for procurement decisions."

This legislature has considered bills to require high road employment standards as a condition of a business contracting with the state. For example, SB 822 (Durazo) of 2023, although vetoed by the Governor, would have required state agencies to incorporate high road employment requirements in their procurement processes, contracts and incentive programs. State agencies were tasked with evaluating a contractor's employee wages, benefits, working conditions, and compliance with labor laws.

Furthermore, the federal government, prior to the current Administration, has promoted and attached the goals of quality job creation and inclusivity to procurement. According to the Aspen Institute, "Placing requirements on procurement to achieve socioeconomic goals goes back over many decades. Set-asides to boost contracting with minority-, women-, and veteran-headed businesses are prominent examples. Prevailing wage requirements and minimum wage/leave standards for federal contracted workers are other cases in point."¹

¹ Tomas E. Duran and Mark G. Popovich, The Aspen Institute, "Trillion Dollar Opportunities: Quality Jobs Should Be A Priority in Federal Procurement," March 11, 2021.

Localities Are Utilizing Community Benefits Agreements

Over the last 20 years, a number of cities in the state have adopted Community Benefits Agreements. For example, since 2005, the Los Angeles Airport has operated under a Community Benefits Agreement that provides for, among other things, targeted hiring of low-income individuals living in the project area, job training programs including skills development and job readiness, and work experience programs. Similarly, in 2013, the City of Oakland entered into a Community Benefits Agreement to transform a decommissioned army base into an international trade and logistics center at the Port of Oakland. Due to the agreement's local hiring provisions, the construction of the center "generated tens of millions of dollars in wages for Oakland workers, union jobs offered career advancement opportunities for city dwellers, and new hiring and investment practices ... begun to address the racial injustice and economic loss experienced by West Oakland residents."²

What Are the Benefits of Using a Skilled and Trained Workforce?

A skilled and trained workforce refers to the requirement that a project utilize workers performing work in an apprenticeable occupation within the building and construction trades who are either skilled journeypersons or registered apprentices enrolled in an apprenticeship program approved by the chief of the DAS.

The benefits of using a skilled and trained workforce in the construction and associated industries are well documented. Research demonstrates that using a skilled workforce on construction projects generally leads to better project performance.³ Conversely, hiring unskilled labor at lower wages on projects "may cause time delays, cost escalation, quality defects, schedule overrun, increase(s) in the amount of rework or defects, inappropriate use of materials, improper construction methods, and increase in safety incidents."⁴ Furthermore, skilled workforce initiatives lead to safer worksites. These initiatives prioritize "safety training, reducing the number of accidents and injuries in the construction sector. Proper knowledge of safety protocols and practices ensures a safer work environment for both workers and the public."⁵

According to the author, "Last year, the Legislature passed Senate Bill 131 through the budget process. While SB 131 created many sensible CEQA exemptions and reforms, it also created an exemption for advanced manufacturing that is so broad it covers strip mining and other activities known to be especially harmful to the environment. SB 131 passed the Legislature with the commitment that the policy would be revisited to add stronger protections for habitat, tribal resources, and to reconsider the scope of CEQA exemptions for advanced manufacturing.

SB 954 follows through on those promises by adding important guardrails to the CEQA exemption for advanced manufacturing, including adding protections for tribal and cultural resources, in addition to adding labor provisions to the CEQA exemption for advanced

² "Oakland's Army Base Redevelopment Was a Win for Locals. Can the Coliseum Be the Same?" Katie DeBenedetti, KQED, May 30, 2025.

³ Shahid Hussain, Wang Xuotong, and Talib Hussain. "Impact of Skilled and Unskilled Labor on Project Performance Using Structural Equation Modeling Approach." SAGE Open, Vol. 10, Issue 1, March 31, 2020.

⁴ *Ibid.*

⁵ Sunita Umesh Madhure, "Skill Development Initiatives for Workers in the Construction Sector: Challenges and Opportunities," The Online Journal of Distance Education and e-Learning, April 2023, Vol. 11, Issue 2.

manufacturing. SB 954 also excludes habitat for protected species from many of the CEQA exemptions created in SB 131, and expands SB 131's CEQA exemption for daycare facilities to include residential areas while excluding industrial areas.

Ultimately, SB 954 advances the goals of SB 131 to reduce green tape while adding the important protections for habitat, communities, tribal resources, and workers needed to ensure that California is not just building more, but building better.”

The author further states that the bill will maximize benefits for underserved and marginalized communities because “among the guardrails in SB 954 is a requirement that projects be set back from sensitive receptors and disadvantaged communities, including low income and pollution burdened communities. SB 954 therefore recognizes that manufacturing facilities are frequently sited in disadvantaged communities and retains important transparency and protections afforded by CEQA in those communities.”

Arguments in Support

A coalition of labor organizations, including the California Federation of Labor Unions, AFL-CIO, are in support and state, “SB 131 was signed into law on June 30, 2025, just three days after its language was published. It was not subject to the standard legislative process—instead, it was written as a “budget trailer bill,” nearly eliminating public disclosure and conditioning passage of the state budget on its adoption. SB 131 created sweeping California Environmental Quality Act (CEQA) exemptions for broadly defined “advanced manufacturing” projects without labor standards. As a result of SB 131, major industrial facilities may be constructed without guarantees of a skilled and trained workforce, prevailing wages, or community benefits agreements, undermining job quality, worker safety, and construction standards across the industry. Equally concerning, SB 131 weakened long-standing environmental and public health protections by exempting large categories of industrial development from CEQA review and reducing safeguards for sensitive habitats. These changes increase risks not only to surrounding communities but also to the workers who will build, operate, and maintain these facilities.

SB 954 will address these impacts by restoring necessary protections for workers, communities, and the environment, and by establishing state oversight over the use of the “advanced manufacturing” CEQA exemption. Specifically, this bill:

- Includes labor protections such as requirements for a skilled, trained workforce, prevailing wage standards, high-road job standards, and community benefits agreements,
- Ensures that exempted “advanced manufacturing” projects are located a safe distance away from homes, schools, and disadvantaged communities,
- Creates a state-administered certification process to designate “advanced manufacturing” projects for exemption,
- Narrows the class of projects that are eligible for the “advanced manufacturing” CEQA exemption,
- Sharply limits air pollution from exempted projects; and
- Restores standard protections for endangered species habitat.

These provisions are critical to ensuring that any CEQA streamlining is paired with strong workforce standards and responsible construction practices. Absent these protections, exemptions risk incentivizing a low-road model that compromises safety, undermines apprenticeship pathways, and delivers lower-quality outcomes for the state.”

Arguments in Opposition

A coalition of business organizations, including the Bay Area Council, is opposed on the grounds that the bill “Requires unprecedented labor standards that may conflict with existing regulations and have an unclear method of enforcement. These include labor requirements for facility *operations*, not just construction, a new requirement that’s far beyond what’s required by CEQA and in many cases might not be possible. In addition, because these standards are required to be established under the community benefit agreement, it is unclear 1) how SB 954 would account for any standards within a CBA that conflict with existing regulations, such as those under the purview of CalOSHA for example and 2) whether by introducing these standards via a CBA, SB 954 is introducing a pathway for private litigation when the intent is to reduce project litigation...”

The decline of manufacturing in California is an urgent economic and climate challenge, since many of these industries are choosing to grow in states with dirtier electric grids and fuel portfolios. A factory in California emits 33% fewer emissions than the same factory in Nevada, 56% fewer emissions than in Texas, and 70% fewer emissions than in Utah. California also boasts higher wages, stronger workplace protections, and stricter air and water quality regulations than other states. When California drives existing manufacturers out and fails to attract new investment here because of permitting dysfunction and regulatory uncertainty, it protects neither the environment nor our economy.”

Prior Legislation

SB 1185 (Cortese) of 2026 requires 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 skilled and trained workforce. This measure is pending in the Assembly Appropriations Committee.

SB 131 (Committee on Budget and Fiscal Review) Chapter 24, Statutes of 2025 exempted from CEQA, except when located on natural and protected lands, as defined, a project that consists exclusively of a day care center, as specified, a project that consists exclusively of a federally qualified health center or a rural health clinic, as specified, a project that consists exclusively of a nonprofit food bank or food pantry, as specified, and a project that consists exclusively of a facility for advanced manufacturing, as specified.

AB 1083 (Connolly) of 2025 had labor provisions that were identical to those in this measure. The bill died in the Assembly Rules Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Sacramento
California Alliance for Retired Americans
California Environmental Voters
California Federation of Labor Unions, AFL-CIO
California State Association of Electrical Workers
California State Legislative Board of the Smart - Transportation Division
California State Pipe Trades Council
Center for Biological Diversity
Center on Race, Poverty & the Environment
Coalition for Clean Air
Contra Costa Central Labor Council
Defenders of Wildlife
Earthjustice
Five Counties Central Labor Council
Inland Empire Labor Council, AFL-CIO
International Brotherhood of Electrical Workers
International Brotherhood of Electrical Workers, Local 1245
Leadership Counsel for Justice & Accountability
Napa Solano Central Labor Council
North Bay Labor Council
North Valley Labor Federation
Orange County Labor Federation, AFL-CIO
Planning and Conservation League
Sacramento Central Labor Council, AFL-CIO
San Diego & Imperial Counties Labor Council
San Mateo County Central Labor Council
State Building and Construction Trades Council of California, AFL-CIO
Teamsters California
UAW Region 6
Unite Here International Union, AFL-CIO
Unite Here Local 11
United Food and Commercial Workers, Western States Council
Western States Council of Sheet Metal, Air, Rail, & Transportation

Support If Amended

Western Center on Law & Poverty, INC.

Opposition

Bay Area Council
California Association for Local Economic Development
California Business Properties Association
California Business Roundtable
California Chamber of Commerce
California Construction and Industrial Materials Association
California Council for Affordable Housing
California Manufacturers and Technology Association
California Retailers Association

California YIMBY
Chemical Industry Council of California
Circulate Planning & Policy
East Bay Economic Development Alliance
East Bay Leadership Council
Fieldstead and Company, INC.
Greater Sacramento Economic Council
Housing Action Coalition
Los Angeles Area Chamber of Commerce
Naiop Commercial Real Estate Development Association Social Chapter
New California Coalition
North Bay Leadership Council
Orchard Partners
Reach Central Coast
San Joaquin Valley Manufacturing Alliance
San Mateo County Economic Development Association
Santa Rosa Metro Chamber
Southern California Leadership Council
SPUR
Student Homes Coalition
Supply Chain Federation
Western Electrical Contractors Association

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