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

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<b>Bill No:</b>	SB 978	<b>Hearing Date:</b>	April 8, 2026
<b>Author:</b>	Pérez		
<b>Version:</b>	March 23, 2026		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	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 journeymen<sup>1</sup> or apprentices registered in a DAS-approved apprenticeship program. Additionally, at least 60% of the skilled journeymen 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 journeymen 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.<sup>2</sup> For these

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<sup>1</sup> A “skilled journeyman” 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.

<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup> In Northern Virginia, which has the largest data center market in the county, IBEW members do close to 97% of the work.<sup>7</sup> 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.<sup>8</sup> Union jobs provide high wages and good benefits that reverberate through communities, so resistance to data center construction can have serious economic consequences.<sup>9</sup>

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.

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<sup>3</sup> Christopher, Nilesh. "['You're a liar.' Why the world's biggest building boom has run into a wall in California.](#)" LA Times. April 2, 2026.

<sup>4</sup> Ibid.

<sup>5</sup> DePillis, Lydia. "[Local Opposition Is Slowing A.I. Data Centers. Wall Street Has Noticed.](#)" *New York Times*. March 26, 2026.

<sup>6</sup> IBEW. "[The DATA CENTER Surge: A New Generation of IBEW Jobs](#)" May 1, 2025.

<sup>7</sup> Ibid.

<sup>8</sup> Williams, Sheri, "[Building Trades Sign PLA for New Data Center.](#)" *Sacramento Valley Union Bulletin Board*. January 19, 2026.

<sup>9</sup> 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 statute 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

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