

ASSEMBLY THIRD READING

AB 1198 (Haney)

As Amended January 22, 2026

Majority vote

SUMMARY

Provides, commencing July 1, 2027, that if during any semiannual period the director of the Department of Industrial Relations (DIR) determines that there has been a change in a prevailing wage rate in any locality, the director's determination shall apply to any public works contract that is awarded or for which notice to bidders is published after July 1, 2027. Exempts from this requirement contracts for an affordable housing development project, as specified.

Major Provisions

- 1) Provides, commencing July 1, 2027, that if during any semiannual period the director determines that there has been a change in a prevailing wage rate in any locality, the director shall make that change available to the awarding body and the director's determination shall be final, except as specified.
 - a) The director's determination shall apply on its effective date to any contract that is awarded or for which notice to bidders is published after July 1, 2027.
- 2) Exempts from the requirement in 1a) above contracts for a housing development project if 100 percent of the units, excluding managers' units, are restricted by deed, regulatory restrictions contained in an agreement with a governmental agency, or other recorded document as affordable housing for persons and families of low or moderate income, as defined, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of low or moderate income, as defined.
- 3) Authorizes any contractor, awarding body, or representative of any craft, classification, or type of work affected by a change in rates on a particular contract to, within 20 days after publication of the new determination, file with the director a verified petition to review the determination upon the ground that it has not been determined in accordance with state law. Within two days after the filing of the petition, a copy of that petition shall be filed with the awarding body.
- 4) Requires the director, or the director's authorized representative, to, upon notice to the petitioner, the awarding body, and other persons the director deems proper, including the recognized collective bargaining representatives for the particular crafts, classifications, or types of work involved, initiate an investigation or hold a hearing.
- 5) Requires the director, within 20 days after the filing of that petition, or within a longer period as agreed upon by the director, awarding body, and all interested parties, to make a final determination and transmit that determination in writing to the awarding body and to the interested parties.
- 6) Provides that the determination in 5), above, is effective 10 days after its issuance. The director shall include an issue date on the determination.

- 7) States that the determination shall remain in effect until it is modified, rescinded, or superseded by the director.

COMMENTS

In California, the prevailing wage rate is an hourly rate paid on public works projects that is often set in the terms of a collective bargaining agreement. According to DIR, the wage rate relies upon such factors as "the particular craft, classification or type of work within the locality and in the nearest labor market area (if majorities of such workers are paid at a single rate). If there is no single rate paid to a majority, then the single or modal rate being paid to the greater number of workers is prevailing."¹

The policy behind paying a prevailing wage is to ensure that contractors are not awarded public works contracts by virtue of paying low wages and undercutting competitors who provide higher compensation. Prevailing wage creates a level playing field by requiring an across-the-board rate for all bidders on publicly subsidized projects.

This measure seeks to ensure that workers are not locked into prevailing wage rates that are outdated and misaligned with industry standards. Under current law, a worker need only be paid at the rate in effect at the time the public works project is advertised for bid. If the rate is determined to be higher mid-contract, the new rate will not apply unless a collective bargaining agreement assumed this increase.

According to the Author

According to the author, "Workers deserve to be paid the current prevailing wage – regardless of whether a project was bid on years ago, or days ago. AB 1198 levels the playing field for construction workers by making sure that when they begin a project, they are earning the current wage – not the wage that was set when the project was announced. AB 1198 also ensures that contractors are complying with all parts of the State's public works law and will provide transparency on public works projects."

Arguments in Support

The State Building and Construction Trades Council of California, is in support and states, "In California contract law, the asterisk (*) and double asterisk (**) provisions in prevailing wage determinations indicate that future wage increases are tied to a collective bargaining agreement (CBA) but may not be immediately reflected in the contract at the time of bidding. The single asterisk (*) signifies that wage rates are subject to periodic adjustments based on scheduled increases in the CBA, while the double asterisk (**) denotes that the wage determination itself is entirely based on an underlying CBA, including any future wage escalations. However, some non-union contractors exploit this system by bidding on public works projects using the lower, preadjustment wage rates and then refuse to honor subsequent increases once the contract is awarded. This creates an unfair advantage over responsible contractors who comply with CBA-mandated wage adjustments, undermining fair competition and leading to wage suppression for workers.

¹ California Department of Industrial Relations Webpage. *Frequently Asked Questions-Prevailing Wage*. March 2022.

AB 1198 seeks to close this loophole by ensuring that all contractors adhere to post-award wage adjustments, reinforcing fair labor practices in public works projects. AB 1198 closes this loophole by requiring that prevailing wages be adjusted in accordance with CBAs that take effect after a contract is awarded. This will ensure that all contractors adhere to the same wage obligations, preventing unfair cost-cutting tactics that harm both workers and lawabiding

businesses. Furthermore, this bill reinforces California's commitment to fair labor standards and the protection of skilled workers who rely on negotiated wage increases to keep up with the cost of living."

Arguments in Opposition

The Rural County Representatives of California, the California State Association of Counties, the League of California Cities, and the California Special Districts Association, are opposed to the bill and state, "Currently, when a project is

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs of approximately \$3.2 million in the first year, \$3 million in the second year, and \$2.8 million annually thereafter to DIR to review prevailing wage petitions and make determinations (State Public Works Enforcement Fund).
- 2) Costs of an unknown, but likely significant, amount across state agencies executing a public works project, to the extent updating the prevailing wage rate paid on a project increases project costs (GF and special fund). Similarly, likely increase in local government project costs (non-reimbursable).

VOTES

ASM LABOR AND EMPLOYMENT: 7-0-0

YES: Ortega, Flora, Chen, Elhawary, Kalra, Lee, Ward

ASM APPROPRIATIONS: 12-1-2

YES: Wicks, Hoover, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache

NO: Tangipa

ABS, ABST OR NV: Dixon, Ta

UPDATED

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