SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1198 (Haney) - Public works: prevailing wages

Version: January 22, 2026
Urgency: No
Hearing Date: June 22, 2026
Policy Vote: L., P.E. & R. 5 - 0
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 1198 would require updated prevailing wage rates, as determined by the Department of Industrial Relations (DIR), to apply to any public works contract that is awarded or for which notice to bidders is published after July 1, 2027, as specified.

Fiscal Impact:

- DIR indicates that it would incur first-year costs of $5.75 million to $6 million, and $5.4 million to $5.7 million annually thereafter, to implement the provisions of the bill (State Public Works Enforcement Fund).
- To the extent that state agencies execute a public works project, the bill would result in increased project costs. The magnitude is unknown, but potentially significant (General Fund and special fund).

Background: California's prevailing wage laws require workers on public works projects to be paid wages and benefits that reflect local labor market standards for their trade and geographic area. These requirements are intended to promote fair competition for public contracts by ensuring that contractors compete based on efficiency and quality, rather than by reducing employee compensation. DIR, through the Director, is responsible for establishing prevailing wage rates. In setting these rates, the Director considers collectively bargained wage agreements, federal prevailing wage determinations, and other relevant labor market information.

DIR issues prevailing wage determinations twice each year, with updated rates becoming effective shortly after publication. These determinations establish the wage rates that generally apply to public works projects based on the date bids are solicited.

Under existing law, when prevailing wage rates change, DIR notifies awarding bodies of the revised rates. These notifications are generally informational and do not require changes to contracts that have already been bid or awarded. However, some prevailing wage determinations include predetermined wage increases that may take effect during the life of a project.

Prevailing wage determinations identify whether future wage adjustments are scheduled. When a determination includes a predetermined increase, contractors must pay the higher wage rate once it becomes effective, even if the project is already underway. As a result, these increases are typically incorporated into project contracts and cost estimates at the outset. Predetermined increases most commonly arise from collective bargaining agreements that contain scheduled wage adjustments. If no predetermined increase is identified, the prevailing wage rate in effect at the time of bidding generally remains applicable throughout the project.

Proposed Law: This bill, among other things, would do the following:

- Require, if during any semiannual period DIR determines there has been a change in any prevailing rate of per diem wages, DIR to make such change available to the awarding body. The Director's determination shall be final, except as specified.
- Provide that DIR's determination of a change in the prevailing wage shall only apply on its effective date to any contract that is awarded or for which notice to bidders is published after July 1, 2027.
- Exempt from the above requirement contracts for a housing development project if 100 percent of 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 specified, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of low or moderate income, as specified.
- Provide that for contracts for a housing development project, described above, DIR's determination of a change in the prevailing wage shall not be effective as to any contract for which notice to bidders has been published or as to any contract that has been awarded.
- Authorize 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 of that rate upon the ground that it has not been determined in accordance with Labor Code §1773. Within two days after the filing of the petition, a copy of that petition shall be filed with the awarding body. The petition shall set forth the facts upon which it is based.
- Require 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.
- Require DIR, within 20 days after the filing of a 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.
- State that a determination by DIR is effective 10 days after its issuance. DIR shall include an issue date on the determination. The determination shall remain in effect until it is modified, rescinded, or superseded by the Director.

- Provide that its provisions shall become operative on July 1, 2027.

Related Legislation:.

- SB 909 (Smallwood-Cuevas, 2026) would increase public works enforcement by (1) authorizing DIR to establish and adjust contractor registration and renewal fees of up to $1,000, as specified, (2) increasing penalties for various public works violations, including prevailing wage violations, and (3) directing 50 percent of penalties recovered through a civil wage and penalty assessment to the State Public Works Enforcement Fund. The bill is currently pending in the Assembly Appropriations Committee.

- AB 2182 (Haney, 2024) would have, among other things, required a change in the prevailing rate of per diem wages, as determined by DIR, to apply to any public works contract for which notice to bidders is published after July 1, 2026, and that meets specified criteria. AB 1198 is substantially similar to AB 2182. The bill was vetoed by Governor Newsom.

- AB 1140 (Daly, 2013) would have required a change in the prevailing rate of per diem wages, as determined by DIR, to apply to any public works contract that is awarded or for which notice to bidders is published on or after January 1, 2014. AB 1198 is nearly identical to AB 1140. The bill was vetoed by Governor Brown.

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