CONCURRENCE IN SENATE AMENDMENTS
AB 1198 (Haney)
As Amended August 21, 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, if the awarded value of the prime contract is thirty-five million dollars ($35,000,000) or greater. Exempts from this requirement contracts for an affordable housing development project, as specified.

Senate Amendments

1) State that for purposes of the director of the DIR determining in any semiannual period that there has been a change in a prevailing wage rate in any locality and then applying that determination to any public works contract that is awarded or for which notice to bidders is published after July 1, 2027, the prime contract must have an awarded value of thirty-five million dollars ($35,000,000) or greater.

2) Align the review period for the director of the DIR to determine a prevailing wage rate change for public works projects that are housing developments, as specified, to semiannual, as provided for in 1) above.

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This measure seeks to ensure that workers are not locked into prevailing wage rates that are outdated and misaligned with industry standards.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.

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

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.

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 first advertised for bid, the public agency (as well as the contractor) can go to a webpage managed by DIR to see what the prevailing wage rates are. These wage rates generally include those upcoming increases which will occur during the duration of the project. We are concerned that further changes to the wages mid-stream will result in uncertainty in bidding and contracting and put projects in jeopardy.

Continual change orders during a public works project would make it impossible to predict the actual cost of a project and, consequently, difficult to budget funds accurately. These additional cost pressures may impact the ability of a jurisdiction to move forward with a project. It would be challenging to predict how many determinations could occur during the project period and adequately plan for cost increases, which may put potential projects at risk."

FISCAL COMMENTS

According to the Senate Appropriations Committee,

1) 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).

2) 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).

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

ASSEMBLY FLOOR: 65-6-9
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Elhawary, Fong, Gabriel, Gallagher, Garcia, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO: DeMaio, Ellis, Johnson, Macedo, Sanchez, Tangipa
ABS, ABST OR NV: Arambula, Castillo, Dixon, Flora, Gipson, Hadwick, Ransom, Celeste Rodriguez, Valencia

UPDATED

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