Date of Hearing: January 22, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 1439 (Garcia) – As Amended March 24, 2025

Policy Committee: Public Employment and Retirement Vote: 5 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill prohibits a public pension and retirement system board from investing in a development project in California unless the project provides labor standards and protections for workers, as defined.

FISCAL EFFECT:

1) Potential cost exposure to the California Public Employees Retirement System (CalPERS) and other public pension and retirement systems likely in the hundreds of millions to tens of billions of dollars depending upon the level of divestment from construction projects this bill would require.

2) Potential losses to existing CalPERS investments in the billions to tens of billions of dollars. According to the CalPERS, the system has $18 billion in real estate and infrastructure investments in California.

3) Potential losses to existing California State Teachers' Retirement System (CalSTRS) investments in the billions of dollars. CalSTRS has an estimated net asset value of approximately $12 billion in real estate and infrastructure investments in California. Since 2000, CalSTRS has been subject to various divestment actions and portfolio restrictions, which, over time, have compounded and resulted in an estimated $11.2 billion loss to the fund as of June 30, 2025.

   Additionally, potential opportunity costs and losses resulting from portfolio restrictions place the CalSTRS Funding Plan at risk. Any resulting costs would increase the unfunded liability and may result in an increase in the state's contribution from the General Fund to the Defined Benefit Program.

COMMENTS:

1) **Purpose.** According to the author:

   > CalPERS ultimately bears the risk of failure to deliver such projects on time, within budget, and in accordance with construction standards. When construction project managers do not consider the qualifications of potential contractors, they are choosing to favor low quality irresponsible contractors who submit the lowest cost construction bids.

2) **Background.** Under Proposition 162, commonly known as the Pension Protection Act of 1992, CalPERS and every public pension and retirement system administrative board has a fiduciary duty to manage the funds in their respective care solely for the benefit of the members and beneficiaries of the system. However, according to the California School Employees Association, directing the CalPERS board to make specific investment or divestment decisions "undermines the authority of the independent CalPERS board to make investment decisions in the best interest of current members, retired public employees, and their beneficiaries."

   Currently, CalPERS has a Responsible Contractor Policy (RCP) as a means of ensuring contractors working on CalPERS-funded projects steward public funds well and treat their workforce with dignity. Similarly, CalSTRS's RCP, among other things, defines a "responsible contractor" as a contractor or subcontractor who pays workers a "fair wage" and "fair benefit" as evidenced by payroll and employee records. In both cases, the determination of "fair" is relative to the applicable local market factors and recognizes that a standard of "prevailing wage" may not be realistic in all markets. Conversely, this bill would require any public employee retirement system to divest from development projects in California unless the project includes labor standards protections, defined as prevailing wage and apprenticeship standards consistent with the Labor Code, an enforceable commitment to use a skilled and trained workforce, and a commitment by the developer to provide labor peace during union organizing campaigns.

3) **Prior Legislation.** SB 252 (Gonzalez), of the 2023-24 Legislative Session, would have required CalPERS and CalSTRS to divest their holdings of fossil fuel company investments. The bill was referred to, but not heard by the Assembly Committee on Public Employment and Retirement.

Analysis Prepared by: Aaron Heredia / APPR. / (916) 319-2081