CONCURRENCE IN SENATE AMENDMENTS
AB 1439 (Garcia)
As Amended August 13, 2026
Majority vote

SUMMARY

Requests the University of California Berkeley (UCB) Labor Center to study California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) portfolio-funded real estate and infrastructure development projects to analyze the extent of their labor standards protections and CalPERS and CalSTRS to provide the UCB Labor Center relevant data, among other provisions.

Senate Amendments

1) Remove the mandate that prohibited CalPERS and CalSTRS from investing in, or providing financing for, infrastructure development projects in California unless those projects include certain labor standards protections and, *instead:*

    a) Request the UCB Labor Center to study the subject and provide its findings to the Legislature and Department of Finance by January 1, 2028.

    b) Request CalPERS and CalSTRS to provide relevant data to the UCB Labor Center for the study within 60 days after receipt of request.

2) Remove the mandate that CalPERS and CalSTRS fund the study.

3) Revise the definition of "labor standards protections" to include that the developer has entered into a community benefits agreements that is informed by meaningful engagement and outreach to residents of the surrounding communities and that includes funding for, or direct implementation of, specific community improvements or amenities, including job access within the community in which the project is located.

COMMENTS

This bill stems from labor union efforts to prohibit public employee pension funds from investing in companies that they believe do not adhere to certain labor standards. The labor unions' efforts aim to draft public employee pension systems into their struggle to obtain labor policies in the private sector even though both CalPERS and CalSTRS already have responsible contractor policies regarding worker protections for companies held in their portfolios.

It is again noted that CalPERS has indicated that it has already issued a request for proposals to conduct a similar study.

Please refer to the various policy committee analyses for a full discussion of this bill.

According to the Author

"[The recently approved CalPERS] RCP has no real teeth to guarantee that prevailing wages are paid, that construction workers are properly trained, or that there is labor peace after construction. This allows CalPERS to actively invest in projects that allow worker exploitation and undermine the standards that labor have fought so hard to establish. [This bill will help to ensure] contractors doing work on CalPERS-funded projects not only are good stewards of public employee members' investments but that they treat workers on CalPERS projects with dignity."

Arguments in Support
The State Building and Construction Trades Council of California expresses, "[w]hile CalPERS' Board members and staff have a fiduciary duty to properly invest members' contributions, there are several practical steps CalPERS can take to mitigate the risks associated with contractors' noncompliance with the RCP and state labor law at investment properties. Issues such as wage theft, health and safety violations, and poor-quality construction are not readily apparent during a construction project and largely come to light only after construction is complete, as workers fear losing their jobs if they report problems. These low-road employer violations not only negatively impact a construction workers' livelihood and safety on the job but they create investment risks for CalPERS as an asset owner. Wage theft, health and safety issues, project delays, and construction defects may lead to fines and penalties by public agencies and litigation by workers and end users. These negative outcomes are financial risks that can erode a construction project's investment returns and are difficult to mitigate once the problem has developed. 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. The bill was amended to focus specifically on investments by CalPERS and CalSTRS and to simply require a study of the impacts of such an investment prohibition. This bill will provide the state with an evaluation of how requiring labor-standard protections on pension-funded development projects could affect public retirement system investments and fiduciary obligations."

Arguments in Opposition
According to a coalition of local government interests, i.e., cities and counties, "[f]undamentally, we do not believe it is appropriate to undermine the plenary authority of our public pension systems, particularly at the expense of the financial security of our workforce or public agencies. As noted in the bill analysis in the Assembly Public Employment and Retirement Committee, the legislature has limited constitutional authority to impose conditions on how public pension funds make investment decisions. [This bill] represents a step down a slippery slope of political interference in the retirement assets earned by California's public employees. Aside from our concerns that the bill advances an unwise legislative proposal, we do not believe it is necessary. CalPERS is conducting a market study to evaluate the potential impacts of adopting the standards that had been proposed in [this bill]. It is not clear that there is an entity better positioned to conduct a study than the pension systems themselves: professional investment staff governed by a board accountable to public employees and employers. Requiring a duplicative analysis to be conducted by an outside entity, like the UC Labor Centers, undermines CalPERS' and CalSTRS' independence and authority to assess investment risks on behalf of their members."

Registering a stance of "opposed unless amended," the Western Electrical Contractors Associations (WECA) states, among other things, "[the UCB Labor Center] is a respected institution with a long history of participation in public policy debates concerning labor standards, prevailing wage laws, project labor agreements, workforce mandates, and related issues. The Center has published numerous reports and policy recommendations supporting expanded labor protections and has frequently participated in legislative discussions regarding those policies. If the Legislature truly seeks an independent assessment, California already possesses well-established

procurement and contracting procedures for obtaining independent research and consulting services. A competitive process could establish the study scope, qualifications, and deliverables while allowing qualified universities, economists, public policy institutes, and research organizations to compete to perform the work. Such a process would strengthen confidence in the study's conclusions regardless of the outcome. Instead, [this bill] predetermines who will conduct the analysis and then asks policymakers and stakeholders to accept the resulting report as independent. That approach undermines the very purpose of commissioning an independent study. At a minimum, WECA respectfully requests that [this bill] be amended to remove the statutory designation of the [UCB Labor Center] and instead direct CalPERS and CalSTRS to procure the study through a competitive and transparent process designed to ensure neutrality and independence.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, the UCB Labor Center would incur one-time costs in the low hundreds of thousands of dollars over an 18-month period to conduct the required study (General Fund). To provide the data for the study, CalPERS would incur one-time administrative costs of $250,000 (Public Employment Retirement Fund) and one-time costs to CalSTRS would total $200,000 to $500,000 (Teacher's Retirement Fund). Administrative costs would include gathering, reviewing and categorizing the requisite data.

VOTES:

ASM PUBLIC EMPLOYMENT AND RETIREMENT: 5-0-2
YES: Alanis, Boerner, Elhawary, Garcia, Chen
ABS, ABST OR NV: McKinnor, Nguyen

ASM APPROPRIATIONS: 10-4-1
YES: Wicks, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pellerin, Solache
NO: Hoover, Dixon, Ta, Tangipa
ABS, ABST OR NV: Pacheco

ASSEMBLY FLOOR: 50-9-21
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Elhawary, Fong, Gabriel, Garcia, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Ortega, Pacheco, Papan, Patel, Pellerin, Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Wallis, Ward, Wilson, Zbur, Rivas
NO: Ávila Farías, Dixon, Ellis, Gallagher, Johnson, Macedo, Sanchez, Ta, Tangipa
ABS, ABST OR NV: Arambula, Bauer-Kahan, Castillo, DeMaio, Flora, Gipson, Hadwick, Lackey, McKinnor, Muratsuchi, Nguyen, Patterson, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Blanca Rubio, Valencia, Wicks

UPDATED

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