

CONCURRENCE IN SENATE AMENDMENTS

AB 889 (Hadwick, et al.)

As Amended September 05, 2025

Majority vote

SUMMARY

Makes changes to the annualization rule of fringe benefits for work on both public and private construction projects by requiring annualization to apply to all employer payments not made directly to the worker and by eliminating the exemption that the director of the Department of Industrial Relations (DIR) has determined that annualization would not further the purposes of the law.

Senate Amendments

- 1) Clarify that employers can take full credit for hourly amounts contributed to defined contribution pension plans for public works projects that provide for both immediate participation and *essentially* immediate vesting even if the employer contributes at a lower rate or does not make contributions to private construction.
- 2) Define "essentially immediate vesting" to mean the benefit vests within the first 500 hours worked.
- 3) Remove the provision stating that prevailing wage fringe benefit credit issues not addressed by California law shall be governed by the January 1, 2023, version of the U.S. Department of Labor Field Operations Handbook.

COMMENTS

See the Committee Policy Analysis.

According to the Author

According to the author, "As the cost of living rises, workers in California deserve fair compensation, but the current system of fringe benefit regulations and enforcement inefficiency allows for wage theft. AB 889 addresses these issues by clarifying regulations and streamlining enforcement. This bill ensures that workers are paid fairly and that contractors are held accountable, creating a more efficient, transparent system for enforcing prevailing wage law."

Arguments in Support

The California-Nevada Conference of Operating Engineers and the District Council of Iron Workers, sponsors of the bill, state, "In an effort to ensure clarity in statute and to prevent workers on public works projects from experiencing fringe benefit fraud, AB 889 (Hadwick) would conform State law with federal Department of Labor rules on annualization and provide clarity with respect to the type of contributions made. Specifically, the bill would specify that annualization calculations must be made for all employer payments that are not directly made to a worker, regardless of whether the employer provides benefits on private construction projects.

The bill would additionally revoke previous exemptions from annualization requirements and clarify that employers must be capable of demonstrating that the hourly credit they are taking for employee fringe benefit payments was properly calculated. Further, the bill would authorize the

labor commissioner to deny employer fringe benefit credits for failure to provide proof of accurate calculations."

Arguments in Opposition

The Western Electrical Contractors Association is opposed and states, "AB 889 revises existing public works law regarding the calculation of wage credits for employer payments to employee fringe benefits for meeting prevailing wage requirements. As drafted, AB 889 will have several adverse effects:

- 1) It routes vitally needed workforce development funds from apprenticeship programs, preparing tomorrow's workforce, to state bureaucrats.
- 2) It prohibits the director of DIR from making determinations about the annualization of benefit payments without a reason.
- 3) It arbitrarily revokes any exemptions to annualization requirements issued by the director before January 1, 2026."

FISCAL COMMENTS

According to the Senate Appropriations Committee,

Pursuant to Senate Rule 28.8, negligible state costs.

VOTES:

ASM LABOR AND EMPLOYMENT: 7-0-0

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

ASM APPROPRIATIONS: 14-0-1

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Solache, Ta, Alanis

ABS, ABST OR NV: Pellerin

ASSEMBLY FLOOR: 69-0-10

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Bonta, Bryan, Calderon, Caloza, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

ABS, ABST OR NV: Arambula, Boerner, Carrillo, Flora, Gallagher, Jeff Gonzalez, Irwin, Celeste Rodriguez, Sanchez, Wallis

UPDATED

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