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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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### SB 1241 (Smallwood-Cuevas) - Skilled and trained workforce requirements

**Version:** March 26, 2026  
**Urgency:** No  
**Hearing Date:** April 13, 2026

**Policy Vote:** L., P.E. & R. 4 - 1  
**Mandate:** No  
**Consultant:** Robert Ingenito

**Bill Summary:** SB 1241 would make specified changes to the State's skilled and trained workforce requirements.

**Fiscal Impact:** Administrative costs to the Department of Industrial Relations (DIR) have yet to be identified, but the bill's workload (including increased investigations, enforcement and appeals) would result in annual costs potentially in excess of \$1 million annually (Labor Enforcement and Compliance Fund). Additionally, the bill would likely result in increased penalty revenue of unknown magnitude (Labor Enforcement and Compliance Fund).

**Background:** Skilled and Trained Workforce (STW) requirements are qualifications for the building and construction workforce that California requires on certain projects. A "skilled and trained" workforce is one in which all workers performing work in an apprenticeable occupation in the building and construction trades are either skilled journeypersons or apprentices registered in a Division of Apprentice Standards (DAS) approved apprenticeship program. Additionally, at least 60 percent of the skilled journeypersons employed to perform work on the contract or project are graduates of either an in-state, DAS-approved apprenticeship program or an out-of-state, federally-approved apprenticeship program. Individuals who qualify as skilled journeypersons based on their on-the-job experience do not count towards the 60 percent minimum graduation requirement.

Contractors required to use an STW commit to doing so in an enforceable agreement with the public entity or awarding body. As part of this agreement, a contractor submits monthly reports to the public entity that demonstrate their compliance and their subcontractors' compliance at every tier. Reports include the full name of each worker and the name, location, and graduation date of their completed apprenticeship program.

If a contractor fails to provide a monthly report or provides an incomplete one, the public entity will (1) withhold payments until compliance is achieved, and (2) notify DIR's Division of Labor Standards Enforcement (DLSE), headed by the Labor Commissioner (LC), for issuance of a civil penalty. For the public entity to resume payments, a contractor must submit a substantial compliance plan. Current law does not specify the format of a substantial compliance plan, nor does it specify the information that should be included. This vagueness can be problematic, because public entities are required to immediately resume payments unless they reject the plan as insufficient and explain the reason for the rejection. Without clear guidelines, public entities can accept any compliance plan so that work on their project can continue.

Under current law, the LC can issue civil penalties and debar contractors that violate STW obligations. Initial violations carry a maximum penalty of \$5,000 per month of work performed in violation. Second or subsequent violations within a three-year period carry a maximum penalty of \$10,000 per month of work performed. When assessing penalties, the LC considers specified criteria, including whether the violation was intentional and whether a contractor submitted and followed a substantial compliance plan.

A contractor can be debarred for any violation of STW obligations committed with intent to defraud. Generally, intent to defraud requires the intent to deceive another person or entity, and to induce such person or entity, in reliance upon such deception, to assume, create, transfer, alter or terminate a right, obligation, or power with reference to property of any kind.

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

- Expand the circumstances under which a public entity can be required to obtain an enforceable commitment to use an STW, as specified.
- Provide that the failure of a public entity to provide notice that a project is required to use an STW shall not excuse a bidder, contractor, or other entity from the obligation to use an STW if such a requirement is imposed, as specified.
- Define “substantial compliance plan” as a written plan that (1) ensures full compliance with the apprenticeship graduate workforce percentage requirements and skilled journeyman requirements on all work performed after acceptance of the plan, and (2) substantially remedies prior violations of STW requirements through exceeding the minimum apprenticeship graduate requirements on future work.
- Provide that the failure of a public entity to provide notice that a project is required to use an STW shall not excuse a bidder, contractor, or other entity from the obligation to use an STW if such a requirement is imposed by rule, resolution, ordinance, permit condition, permit streamlining condition, public funding condition, development agreement, or public contract, in addition to statute or regulation.
- Define “material misrepresentation” as a false statement or omission made regardless of intent. Material misrepresentation includes a certification in a monthly report, substantial compliance plan, or other submission required by STW law, that would tend to affect a determination of compliance.
- Make various changes to the existing criteria the LC considers when assessing penalties for STW violations. Specifically, this bill directs the LC to consider (1) whether the violation was intentional, as specified, (2) whether, upon notice of the violation, the contractor or subcontractor took steps to voluntarily remedy the violation so that any subsequent violation did not occur, and (3) if the violation is the first violation by the contractor or subcontractor within the prior three years, whether a contractor or subcontractor submitted and followed a substantial

compliance plan and the extent to which the compliance plan remedied prior noncompliance.

- Prohibit the LC from waiving penalties for failure to submit a required monthly report, material misrepresentation, or continued noncompliance after notice of a violation.
- Provide that a “substantial compliance plan” may only be submitted for a first violation by a contractor or subcontractor within a three-year period.
- Provide that failure to submit the required monthly report, failure to remedy an incomplete monthly report, or continued failure to use a STW after notice of a violation shall result in a mandatory penalty equal to the maximum penalty allowable under STW law.
- Amend an existing requirement for the LC to debar a contractor or subcontractor found to have violated STW requirements with “intent to defraud” to instead require the LC to debar a contractor or subcontractor found to have committed a “material misrepresentation,” as specified.
- Require the LC to accept complaints from a JLMC alleging that a contractor or subcontractor failed to use an STW workforce, as specified.

#### **Related Legislation:**

- SB 978 (Perez) would, among other things, require a STW for the construction of large-scale energy facilities. The bill is currently pending in this Committee.
- SB 1162 (Cortese, Chapter 882, Statutes of 2024) required, on or before July 1, 2025, DAS to create and maintain a public online database to verify that a worker graduated from a California apprenticeship program.
- SB 2311 (Low, Chapter 347, Statutes of 2020) required a public entity to include in all bid documents and construction contracts a notice that the project is subject to STW requirements, if applicable. The bill also provided that the failure to do so does not excuse a public entity, bidder, or contractor from complying with STW requirements.
- AB 3018 (Low, Chapter 882, Statutes of 2018) strengthened public agency reporting requirements, creating penalties for noncompliance, and providing the LC the authority to issue a civil wage and penalty assessment against a contractor or subcontractor found in violation of STW requirements.
- SB 418 (Hernandez, Chapter 393, Statutes of 2017) revised the existing definition of “skilled and trained workforce” to specify that on or after January 1, 2018, the 40, 50 and 60 percentage graduation rate of skilled journeypersons required for work in specified contracts shall not apply to work performed in specified occupations.

- SB 693 (Hueso, Chapter 774, Statutes of 2016) among other provisions, consolidated the STW requirements of various provisions of existing law, related to alternative construction delivery methods, and defined the terms of these requirements.

**Staff Comments:** As noted above, an STW requirement can currently be required by statute or regulation. This bill would expand the circumstances under which a public entity can be required to obtain an enforceable commitment to use an STW to include a requirement imposed by rule, resolution, ordinance, permit condition, permit streamlining condition, public funding condition, development agreement, or public contract. This would likely lead to increased administrative costs to various divisions within DIR. The magnitude of the increase, has yet to be determined.

The bills proposed changes to DLSE operations would likely increase the frequency of STW penalty assessments and limit the LC's ability to reduce or waive penalties. The magnitude of the increase, is unknown, but probably minor.

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