

THIRD READING

Bill No: SB 1241
Author: Smallwood-Cuevas (D)
Amended: 5/14/26
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 3/25/26
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 6-1, 5/14/26
AYES: Cervantes, Cabaldon, Dahle, Grayson, Richardson, Wahab
NOES: Seyarto

SUBJECT: Skilled and trained workforce requirements

SOURCE: California State Association of Electrical Workers
California State Pipe Trades Council
Western States Council of Sheet Metal Workers

DIGEST: This bill 1) makes specified changes to skilled and trained workforce (STW) requirements; 2) expands the circumstances under which a public entity can be required to obtain an enforceable commitment to use a STW; 3) requires public entities and private developers to comply with STW notice and posting requirements, as specified; 4) defines “substantial compliance plan” and “material misrepresentation;” 5) modifies the criteria the Labor Commissioner (LC) uses to assess penalties for STW violations; 6) requires the LC to impose the maximum allowable financial penalty for a contractor’s failure to submit a monthly report or continued failure to use a STW after notice of a violation, as specified; 7) requires the LC to accept complaints from a joint labor-management committee (JLMC); 8) requires the LC to impose a penalty on a private developer who fails to comply with STW notice and posting requirements, as specified; and 9) makes a willful violation of the STW posting or notice requirement by a developer, its agent, or representative, a misdemeanor.

ANALYSIS:

Existing federal law:

- 1) Permits, pursuant to the Labor Management Cooperation Act of 1978, the establishment of plant, area, and industrywide labor management committees (JLMCs), which have been organized jointly by employers and labor organizations representing employees in that plant, area, or industry, as specified. (Title 29 United States Code (U.S.C.) §175a)

Existing state law:

- 1) Establishes within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner (LC) and empowers the LC to ensure a just day's pay in every workplace and to promote justice through robust enforcement of labor laws. (Labor Code §79-107)
- 2) Defines a "skilled and trained" workforce (STW) as a workforce that meets both of the following conditions:
 - a) All the workers performing work in an apprenticeable occupation in the building and construction trades are either skilled journeypersons or apprentices registered in an apprenticeship program approved by the Division of Apprenticeship Standards (DAS).
 - b) At least 60% of the skilled journeypersons employed to perform work on the contract or project by every contractor and each of its subcontractors at every tier are graduates of an apprenticeship program for the applicable occupation, as specified. (Public Contract Code §2601)
- 3) Provides that a public entity can be required, by statute or regulation, to obtain an enforceable commitment that a bidder, contractor, or other entity will use a STW to complete a contract or project. (Public Contract Code §2600(a))
- 4) Authorizes a public entity to require a bidder, contractor, or other entity to use a STW to complete a contract or project regardless of whether the public entity is required to do so by statute or regulation. (Public Contract Code §2600(b))
- 5) Provides that when the use of a STW to complete a contract or project is required pursuant to 3) or 4), above, the public entity shall include in all bid documents and construction contracts a notice that the project is subject to a STW requirement. (Public Contract Code §2600(c))

- 6) Requires a contractor, bidder, or other entity to provide to the public entity or other awarding body, on a monthly basis while the project or contract is being performed, a report demonstrating compliance with skilled and trained workforce requirements. (Public Contract Code §2602)
- 7) Provides that if a monthly report does not demonstrate compliance, the public agency or other awarding body shall do all of the following:
 - a) Withhold further payments until the contractor, bidder, or other entity provides a plan to achieve substantial compliance, as specified.
 - b) Forward a copy of the monthly report to the LC for issuance of a civil wage and penalty assessment.
 - c) Forward to the LC a copy of the plan, if any, submitted by the contractor, bidder, or other entity to achieve substantial compliance. (Public Contract Code §2602(c))
- 8) Provides that a contractor or subcontractor that fails to use a STW shall forfeit, as a civil penalty to the state, not more than \$5,000 per month of work performed in violation of STW requirements. A contractor or subcontractor that commits a second or subsequent violation within a three-year period shall forfeit as a civil penalty to the state the sum of not more than \$10,000 per month of work performed in violation of STW requirements. (Public Contract Code §2603(a))
- 9) Authorizes the LC to reduce or waive any monetary penalty for STW violations if the amount of the penalty would be disproportionate to the severity of the violation. (Public Contract Code §2603(c))
- 10) Directs the LC to consider the following criteria when assessing penalties for STW violations:
 - a) Whether the violation was intentional.
 - b) Whether the contractor or subcontractor has committed other violations of STW requirements or of the Labor Code.
 - c) Whether, upon notice of the violation, the contractor or subcontractor took steps to voluntarily remedy the violation.
 - d) The extent or severity of the violation.
 - e) Whether a contractor or subcontractor submitted and followed a plan to achieve substantial compliance with this chapter.(Public Contract Code §2603(c))

- 11) Provides that whenever a contractor or subcontractor is found by the LC to have violated STW requirements with intent to defraud, the contractor or subcontractor or a firm, corporation, partnership, or association in which the contractor or subcontractor has any interest is ineligible for a period of not less than one year or more than three years to do either of the following:
 - a) Bid on or be awarded a contract for a public works project.
 - b) Perform work as a subcontractor on a public works project.(Public Contract Code §2603(h))

- 12) Authorizes a JLMC to bring an action in any court of competent jurisdiction against an employer that fails to pay the prevailing wage to its employees or that fails to provide certified payroll records, as specified. (Labor Code §1771.2)

This bill:

- 1) Expands the circumstances under which a public entity can be required to obtain an enforceable commitment to use a STW to include a requirement imposed by rule, resolution, ordinance, permit condition, permit streamlining condition, public funding condition, development agreement, or public contract, in addition to statute or regulation.

- 2) Provides that when the use of a STW to complete a contract or project is required, as specified, the public entity shall do both of the following:
 - a) Provide a notice in all bid documents and construction contracts for such work that the project is subject to the STW requirement.
 - b) Post or require the prime contractor to post a job site notice that the project is subject to the STW requirement.

- 3) Provides that the failure of a public entity to provide a notice, or post or require the posting of a job site notice, that a project is required to use a STW shall not excuse a bidder, contractor, or other entity from the obligation to use a 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.

- 4) Provides that a private developer required to use a STW for a project shall do both of the following:
 - a) Provide a notice in all bid documents and construction contracts for such work a notice that the project is subject to the STW requirement.

- b) Post or require the prime contractor to post a job site notice that the project is subject to the STW requirement.
- 5) Provides that the failure of a private developer to provide a notice, or to post or require the posting of a job notice, as specified, shall not excuse a contractor or subcontractor from the obligation to use a STW if such a requirement is imposed by a statute, regulation, rule, resolution, ordinance, permit condition, permit streamlining condition, public funding condition, development agreement, or contract.
- 6) Defines “substantial compliance plan” as a written plan that does both of the following:
- a) Ensures full compliance with the apprenticeship graduate workforce percentage requirements and skilled journeyman requirements on all work performed after acceptance of the plan.
 - b) Substantially remedies prior violations of STW requirements through exceeding the minimum apprenticeship graduate requirements on future work.
- 7) Defines “material misrepresentation” as a false or misleading statement or omission of material fact in 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.
- 8) Makes various changes to the existing criteria the LC considers when assessing penalties for STW violations. Specifically, this bill directs the LC to consider:
- a) Whether the violation was intentional. A violation is intentional if the contractor had actual knowledge of the STW requirements and failed to take reasonable steps to comply.
 - b) Whether, upon notice of the violation, the contractor or subcontractor took steps to voluntarily remedy the violation and any subsequent violations did not occur.
 - c) 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.
 - d) Whether the contractor or subcontractor is a party to a collective bargaining agreement that requires the contractor or subcontractor to obtain workers from a hiring hall and whether the contractor or subcontractor notified the hiring hall of the STW requirement.

- 9) Prohibits the LC from waiving penalties for failure to timely submit a required monthly report, material misrepresentation, or continued noncompliance after notice of a violation.
- 10) Provides 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 financial penalty equal to the maximum penalty allowable under STW law.
- 11) Requires the LC to accept and timely investigate complaints from a JLMC alleging that a contractor or subcontractor failed to use a STW workforce, as specified.
- 12) Provides that if the LC or their designee determines after an investigation that a private developer failed to comply with the notice and posting requirements in 4) with respect to a project, the developer shall forfeit, as a civil penalty to the state, no more than \$10,000 per month for each month when work subject to the STW requirement is performed on the project.
- 13) Authorizes the LC to waive or reduce any monetary penalty under 12) if the amount of the penalty would be disproportionate to the severity of the violation. The LC shall consider, in setting the amount of a monetary penalty, all of the following circumstances:
 - a) Whether the developer had actual knowledge of the STW requirement.
 - b) Whether the developer's failure to comply with the notice and posting requirement resulted in the violation of the STW requirement.
 - c) The extent or severity of the developer's violation.
- 14) Provides that the determination of the LC as to the amount of the penalty imposed in 13) shall be reviewable by the Director of DIR only for an abuse of discretion.
- 15) Provides that a private developer, agent, or representative thereof who has actual knowledge that the STW requirement applies to a project and willfully violates the notice and posting requirements in 4) is guilty of a misdemeanor.
- 16) Make various technical and conforming changes.

Background

What is a 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 journeypersons¹ or apprentices registered in a DAS-approved apprenticeship program. Additionally, at least 60% 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% minimum graduation requirement. STW requirements ensure high-quality construction projects and invest in the State’s apprenticeship programs by increasing demand for graduates.

A public entity can be required, by statute or regulation, to obtain an enforceable commitment that a bidder, contractor, or other entity will use a STW to complete a contract or project. However, even in the absence of a statute or regulation, a public entity can mandate the use of a STW.

This bill would expand the circumstances under which a public entity can be required to obtain an enforceable commitment to use a STW to include a requirement imposed by rule, resolution, ordinance, permit condition, permit streamlining condition, public funding condition, development agreement, or public contract. Additionally, the bill would require public entities and private developers to provide a notice in all bid documents and construction contracts that the project is subject to STW requirements and to post, or require the prime contractor to post, a job site notice that the project is subject to STW requirements.

Monthly Compliance Reports and Substantial Compliance Plans

When a contractor is required to use a STW they 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.

¹ A “skilled journeyperson” means a worker who either 1) graduated from an in-state apprenticeship program approved by DAS or an out-of-state apprenticeship program, approved by the federal Secretary of Labor or 2) has at least as many hours of on-the-job experience as would be required to graduate from the applicable DAS-approved apprenticeship program.

If a contractor fails to provide a monthly report or provides an incomplete one, the public entity will withhold payments until compliance is achieved and notify the LC for issuance of a civil penalty. For the public entity to resume payments, a contractor must submit a substantial compliance plan. The Public Contract Code 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 are incentivized to accept any compliance plan so that work on their project can continue.

This bill would define “substantial compliance plan” so that public entities have clear guidelines to determine whether a plan is sufficient and they should resume payments. A “substantial compliance plan” would be a written plan that does both of the following:

- 1) Ensures full compliance with the apprenticeship graduate workforce percentage requirements and skilled journeyperson requirements on all work performed after acceptance of the plan.
- 2) Substantially remedies prior violations of skilled and trained workforce requirements through exceeding the minimum apprenticeship graduate requirements on future work.

Penalties for Skilled and Trained Workforce Violations. 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.

This bill would make several changes to the approach the LC uses to assess penalties for STW violations. Among other things, the measure would:

- Prohibit the LC from waiving penalties for failure to timely submit a required monthly report, “material misrepresentation” or continued noncompliance after notice.
- Require the LC to impose a mandatory financial penalty equal to the maximum allowable under STW law (PCC §2600-2603) for failure to submit the monthly report, failure to remedy an incomplete monthly report, or continued failure to use a STW workforce.
- Require the LC to accept complaints from a JLMC alleging that a contractor failed to use a STW.
- Require the LC to issue a civil wage and penalty assessment to a developer that violates the STW notice and posting requirements, as specified.
- Make a willful violation of the STW posting or notice requirement by a developer, its agent, or representative, a misdemeanor.

Collectively, these changes would increase the frequency of STW penalty assessments and limit the LC’s ability to reduce or waive penalties.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

“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).”

SUPPORT: (Verified 5/14/26)

California State Association of Electrical Workers (Co-source)
 California State Pipe Trades Council (Co-source)
 Western States Council of Sheet Metal Workers (Co-source)
 California Federation of Labor Unions
 International Union of Painters and Allied Trades, District Council 16
 International Union of Painters and Allied Trades, District Council 36
 State Building and Construction Trades Council
 Teamsters California

OPPOSITION: (Verified 5/14/26)

Associated General Contractors

California State Council of Laborers
Construction Employers' Association
Western Electrical Contractors Association

ARGUMENTS IN SUPPORT: The California State Association of Electrical Workers, the California State Pipe Trades Council, and the Western States Council of Sheet Metal Workers argue:

“California's STW requirements were established with a clear purpose: to ensure high-quality, safe, and efficient construction on public works projects. Unfortunately, persistent gaps in enforcement have allowed some contractors to circumvent these standards without meaningful accountability. Under current law, a contractor may cure an STW violation simply by submitting a ‘substantial compliance plan’ — yet the law provides no clear definition of what substantial compliance actually requires. As a result, some contractors have been able to satisfy their obligations through vague assurances and no corrective action rather than genuine workforce investment. This loophole undermines the integrity of the STW framework, allows noncompliant contractors to access public dollars, and puts responsible employers who invest in apprenticeship training at a competitive disadvantage.

SB 1241 directly addresses these failures. By defining substantial compliance, limiting its application to first-time violations, and requiring contractors to remedy past noncompliance, the bill closes the most significant enforcement gap in the current law. Additionally, by clarifying material misrepresentation standards, establishing consequences for intentionally false submissions, authorizing temporary disqualification from public works for serious violations, and directing the Labor Commissioner to accept complaints from joint labor management committees, SB 1241 creates a meaningful and accountable enforcement framework.”

ARGUMENTS IN OPPOSITION: The Associated General Contractors oppose the measure, arguing:

“SB 1241 represents a substantial broadening of the STW mandate by extending its applicability to additional agreements and local actions, including development agreements and resolutions. This expansion would capture a far larger share of public and quasi-public work, increasing compliance obligations for contractors without any demonstrated need or capacity analysis.

SB 1241 broadens the circumstances under which STW requirements apply, sweeping in more projects and local instruments than ever before. This expansion

increases compliance exposure for contractors and public agencies alike, even where local markets lack sufficient numbers of workers meeting STW thresholds.

Current law already requires monthly reporting to demonstrate STW compliance. SB 1241 tightens these requirements and prohibits the Labor Commissioner from waiving penalties when monthly reports are incomplete or missing, regardless of circumstances. This creates a rigid, high-risk reporting environment that disproportionately impacts small and mid-sized contractors.”

The California State Council of Laborers also oppose the measure, arguing:

“...we believe SB 1241 will prove counterproductive to the goals of the unionized construction sector. Because union contractors are virtually the only entities with the training infrastructure to meet aggressive ‘skilled and trained’ standards, they are the primary targets of these increased penalties. Even the most sophisticated union contractors often face significant hurdles in meeting these rigorous workforce percentages. By removing the Labor Commissioner's discretion to waive penalties for administrative errors, this bill creates a high-stakes environment that punishes those who are doing the most to uphold state labor standards.

Finally, we are deeply concerned that SB 1241 will make it extraordinarily difficult, if not impossible, to achieve our goals of hiring emerging minority, women, or locally owned community contractors (XBEs) on public works jobs. These are typically smaller, newer contractors who are still developing their administrative capacity. Forcing these growing firms to operate under the threat of a three-year ‘death penalty’ for a single reporting error will discourage their participation in public works and strip away opportunities for the very communities we aim to empower.”

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