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Major Victory for Union Contractors: AB 1198 Signed into Law

Governor Newsom has signed industry backed **AB 1198 (Haney)** into law, delivering an important victory for union construction contractors competing on California's largest and longest-duration public works projects.

AB 1198 fixes a longstanding inequity in California's prevailing wage law by allowing prevailing wage rates to be updated during covered public works projects rather than effectively freezing those rates at the time the project is advertised.

Why AB 1198 Is Important

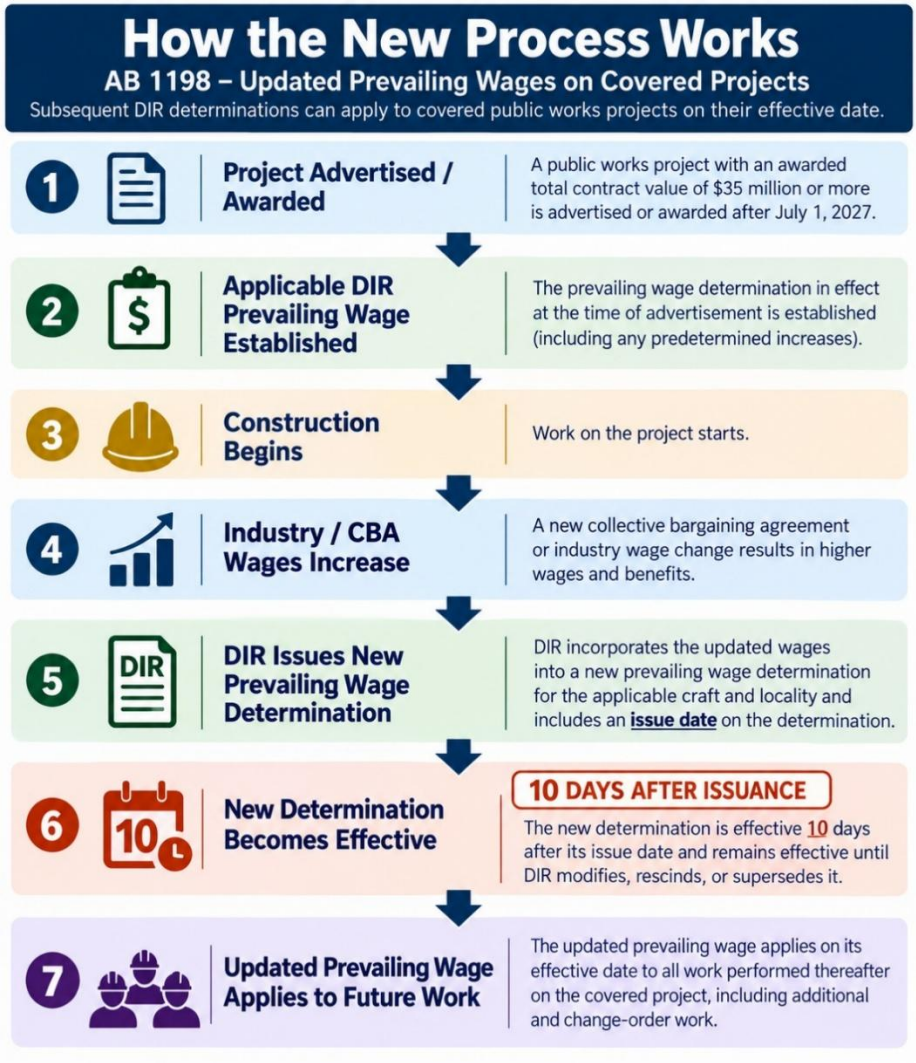
Under current law, the prevailing wage applicable to a public works project is established when the project is advertised for bid, along with any predetermined increases already included in the applicable wage determination.

That can create a significant competitive disadvantage for union contractors on large, long-duration projects.

When a new collective bargaining agreement (CBA) is negotiated after a project begins, a union contractor must pay the increased wages and benefits required by the new CBA. However, if those increases were not predetermined when the project was originally advertised, the prevailing wage applicable to that project remains at the older rate.

The result is that a union contractor may be required to pay its workforce the new, higher CBA rate while a nonunion contractor can continue performing the same project at the older prevailing wage rate. AB 1198 changes that.

Beginning **July 1, 2027**, on public works contracts with an **awarded prime contract value of $35 million or more** that are awarded or for which notice to bidders is published after July 1, 2027, subsequent prevailing wage determinations issued by the Department of Industrial Relations (DIR) apply to the ongoing project on their effective date.



Important Benefit for Change Orders and Additional Work

AB 1198 also provides an important benefit when additional or change-order work is added after the project was originally advertised.

Under current law, that additional work generally remains tied to the prevailing wage determination applicable to the original contract. On a long-duration project, a union contractor may therefore be paying substantially higher current CBA wages while additional labor is still valued under a prevailing wage determination established years earlier.

This can be particularly problematic on time-and-material and other change-order work, where the union contractor can be left absorbing the difference between the older project rate and the contractor's current CBA labor cost.

Under AB 1198, once a new DIR determination becomes effective on a covered project, labor performed thereafter, including additional and change-order work, is subject to the updated prevailing wage requirement.

This allows the legally applicable prevailing wage to better reflect current labor costs when new work is added months or years into a project.

Leveling the Playing Field for Union Contractors

Union contractors have always been required to honor their current collective bargaining agreements, regardless of when a public works project was originally advertised for bid.

AB 1198 helps ensure that on California's largest public works projects, the prevailing wage requirement can keep pace as industry wages change instead of remaining frozen at a rate established years earlier.

For union contractors already required to pay current CBA wages and benefits, this helps reduce the competitive advantage that can otherwise exist when a nonunion contractor remains subject to an older prevailing wage determination.

A Significant Industry Success

Large public works projects routinely extend across multiple years and, in some cases, multiple collective bargaining agreements. California's prevailing wage law should recognize that reality.

AB 1198 modernizes the law so that prevailing wages on these major projects can keep pace with the wages actually prevailing in the construction industry, reducing an existing competitive disadvantage and creating a more level playing field for union contractors bidding and performing public work.