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On Behalf Of:

Committee: Senate Committee On Judiciary

Measure, Appointment or Topic: SB426

SB 426 claims to solve wage theft in construction but instead shifts liability from bad actors to unknowing upper tier contractors and owners without allowing contractors to mitigate their risk through contract.

This bill is harmful for the construction industry, and will not actually get bad actors out of the system; it will:

1. Hurt Homeowners by making them liable for unpaid wages of the subcontractors' employees, even when they've paid in full and had no knowledge of nonpayment.
2. Hurt Small Businesses by discouraging contractors from hiring emerging and minority subcontractors due to increased financial risk.
3. Increase the cost of housing. In a time when housing is desperately needed this would increase risks and costs to builders therefore increasing the costs of housing production.

Real Solutions to Wage Theft

1. Fully Fund BOLI (approx. \$5M) – BOLI is responsible for handling wage claims and enforcing labor laws. Proper funding will:

1. Improve response times and enforcement actions against wage theft.
2. Provide a streamlined process for workers, especially undocumented employees, to recover unpaid wages without going to court.
3. Ensure BOLI has adequate staffing to investigate claims and hold bad actors accountable.

2. Strengthen Construction Labor Broker Regulation – Many wage theft cases stem from unscrupulous labor brokers who act as intermediaries between contractors and workers. To prevent this:

1. Transfer oversight of construction labor brokers from BOLI to the Construction Contractors Board (CCB), which has greater industry-specific enforcement authority.
2. Increase bond requirements to ensure funds are available to compensate workers when labor brokers fail to pay wages.
3. Remove bad actors from the system by making it financially unfeasible for dishonest brokers to operate.

We strongly oppose wage theft and its harmful effects on workers and families. However, SB 426 punishes the wrong people. Strengthening BOLI and properly regulating construction labor brokers will target the true culprits and create lasting solutions.