The California Contractor

News for the Western Regional Master Builders Association

January-February 2026 Volume 51 No. 1

New laws affecting construction and building trades in 2026

California's construction and building industry is facing a wave of new laws and regulations taking effect in 2026. From contract payment rules and retention limits to building codes, environmental review changes, and energy standards, these changes will have meaningful impacts on how projects are planned, priced, executed, and completed.

Whether you're in general construction, HVAC, roofing, plumbing, green building, or solar installation, understanding these developments now will help you stay compliant, maintain cash flow, and position your business for success.

Private Construction Contract Reforms: Prompt Payment and Retention Caps

Starting January 1, 2026, California is rolling out significant changes to how private construction contracts are managed, particularly in payment and dispute processes.

New Prompt Payment and Change Order Rules (SB 440)

A new statewide law known as the Private Works Change Order Fair Payment Act (SB 440) establishes the first set of clear expectations for how change orders and extra work claims must be handled on private projects. Under the law:

Owners must respond in writing to contractor claims within 30 days.

Undisputed payments must be made within 60 days, or interest begins to accrue (usually around 2% per month).

This can improve cash flow certainty and reduce disputes but requires detailed administrative tracking and timely responses.

5% Retention Cap on Private Projects (SB 61)

One of the biggest shifts for 2026 is the cap on retention on most private construction contracts at 5%:

Please see LAWS, page 2

At A Glance

Supporting all the employees in your workplace

Worker protections for rest breaks and overtime in California

Take care of your feet at work

Lift the right way to protect your back

… and more

Laws: Updated CBSC in effect as of January 1

Continued from page 1

Previously, retention of 10% (or more) was common.

Under Senate Bill 61, owners and prime contractors may withhold no more than 5% of each progress payment and no more than 5% of the total contract price in aggregate.

This aligns private work with public works retention limits and eases cash flow pressure on subcontractors and trades, especially smaller firms.

Why this matters: Contractors and subcontractors should update contract templates and payment procedures to ensure compliance and avoid disputes or enforceability issues.

Building Standards Code (Title 24) Updates

Effective January 1, 2026, the updated 2025 California Building Standards Code (Title 24) goes into effect. This is one of the most consequential code changes in years, touching everything from energy performance to fire safety.

Key aspects include:

Energy Code (Part 6) Enhancements: New provisions push builders and mechanical trades to integrate higher-performance and lower-carbon systems — including expanded requirements for heat pumps and electric-ready infrastructure in both new construction and significant renovations.

California Energy Commission

Cool Roof Requirements: Updated thermal and solar reflectance standards for roofing materials are now part of compliance criteria for many building types. This affects roofers and general contractors on both residential and non-residential jobs.

Cool Roof Rating Council

Wildland-Urban Interface (WUI) Code: California now has a standalone wildfire-resistant construction code under Title 24, Part 7, consolidating previously scattered requirements across several codes and expanding requirements in high-risk areas. This can affect roof assembly choices, venting, and exterior finishes on certain builds.

Implication for Trades: HVAC, plumbing, electrical, and solar installation teams will need to coordinate closely during design and permitting to meet the new energy, electrification, and resilience standards.

CEQA Streamlining for Housing and Infrastructure Projects

The California Environmental Quality Act (CEQA) has historically been a major barrier to project timelines due to litigation and discretionary reviews. Starting in 2026, reforms under AB 130 and SB 131 aim to streamline environmental reviews and broaden exemptions for qualifying projects, including housing, childcare facilities, and key infrastructure.

This means:

Faster timelines on certain housing and infill projects benefiting builders and trades involved in residential construction.

Caps on public hearings and narrower scopes in environmental litigation may reduce delays.

Builders can benefit from quicker approvals, but must still understand whether a project qualifies for a streamlined process.

Transit-Oriented Development and Zoning Changes

Another impactful change is SB 79 — the Abundant and Affordable Homes Near Transit Act — effective July 1, 2026. This law allows mid- and high-density residential development near transit stops to move forward with ministerial approvals and overrides certain local height and density limits.

For contractors and trades:

More potential multifamily residential work near transit corridors

Projects may be larger or higher density than previously permitted

Faster approvals can mean a steadier pipeline of work for concrete, framing, mechanical, electrical, roofing, and solar trades

Workplace Enforcement and Liability Rules

Construction employers should also be aware of workforce compliance changes:

AB 1002 expands the California Attorney General's authority to enforce unpaid wage judgments tied to licensed contractors. This means wage claims unresolved with contractors could prompt civil action by the state — increasing potential exposure for non-compliance with wage and hour laws.

AB 521 clarifies liability for the Contractors State License Board (CSLB) regarding contractor cash deposits, limiting CSLB's exposure in civil cases — a relatively technical change, but one that affects licensing and financial risk oversight.

Strong payroll systems and documentation practices will be especially important as enforcement authority expands.

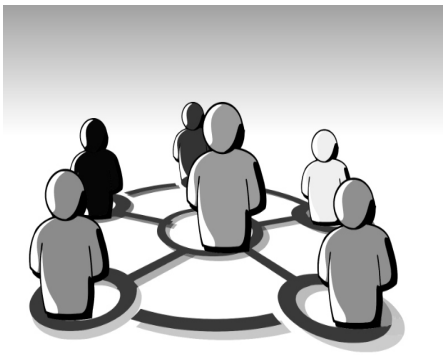
Please see 2026, page 5

Supporting lower-paid workers in your company

Behind every productive workplace is a team of people balancing more than just their job duties. For many workers—especially those in hourly, entry-level, or part-time positions—daily life involves navigating tight budgets, long commutes, limited childcare options, and health challenges that can affect performance and well-being.

As a manager, you can't solve every financial stress your employees face—but you can create a workplace that reduces burdens, builds trust, and helps people thrive. Supporting low-income workers isn't only an act of compassion; it's also good business. Employees who feel secure and valued are more engaged, loyal, and motivated.

Here's how managers can make a real difference.



Address Food Insecurity—Go Beyond the Pantry

Food insecurity is more common than most employers realize. Even full-time employees can struggle to afford nutritious meals, especially with the rising cost of groceries. While sponsoring or promoting a workplace food pantry is helpful, there are additional ways to make access to food more consistent and dignified.

1. Provide access to affordable meals on-site.

Offer subsidized or low-cost snacks and meal options in the break room.

Stock fresh fruit, oatmeal packets, and other healthy staples instead of only chips or candy.

Partner with local cafes, food trucks, or community kitchens for discounted employee meals.

2. Build flexibility around meal times.

Employees working multiple jobs or long shifts may skip meals to keep up. Allow flexible or staggered break times so workers can eat when they need to, rather than sticking to rigid schedules.

3. Share information about local food resources—confidentially.

Instead of handing out flyers publicly, managers can make information available discreetly through email, HR portals, or staff bulletin boards. Highlight resources like:

Community markets or co-ops that offer discounted produce.

Double Bucks" programs for using SNAP benefits at farmers markets.

Local meal delivery or community-supported agriculture (CSA) programs that accept payment assistance.

Support Childcare Needs with Flexibility and Resources

Childcare costs can consume a large portion of a low-income worker's paycheck. When care falls through, workers often face impossible choices—miss work and lose income, or leave a child in an unsafe situation. Managers can ease this pressure with creativity and empathy.

1. Build scheduling stability.

Give as much notice as possible for schedule changes.

Avoid last-minute shift swaps or unpredictable hours.

Offer consistent start and end times week to week.

Stable schedules allow parents to coordinate childcare and reduce stress.

2. Explore childcare partnerships.

Even small businesses can connect with local childcare providers for reduced-rate partnerships. Some employers offer "backup care" arrangements with nearby centers, or share vetted provider lists through HR.

3. Create a family-friendly culture.

Be understanding about school closures or sick days.

Let employees make up hours rather than lose pay if they miss time for family reasons.

Offer remote or hybrid options when possible—especially for office roles.

A culture that acknowledges family responsibilities helps employees stay committed without fearing judgment or penalties.

Promote Health and Well-Being Accessibly

Low-income workers often face barriers to healthcare, including cost, lack of time, or limited insurance coverage. You don't need a full benefits department to make a difference—small adjustments and local partnerships go a long way.

1. Share low-cost or free health resources.

Compile information on:

Community clinics offering sliding-scale medical or dental care.

Telehealth options for mental health

Please see PAY, page 5

Be on the right side of overtime and break laws

California has some of the strongest worker protection laws in the country, especially when it comes to overtime and rest breaks. But those rules can also be complex—and misunderstanding them can lead to costly mistakes, unhappy employees, or even legal trouble.

Whether you manage a small retail shop, oversee an office team, or coordinate hybrid schedules, it's essential to understand how these rules work in practice. Clear, consistent compliance doesn't just protect your business—it also builds trust and respect with your team.

Here's what every California manager should know about overtime and break laws, and how to apply them fairly and effectively.

Overtime: When Extra Hours Mean Extra Pay

California's overtime rules go beyond federal standards. They ensure that employees are compensated fairly for long workdays and extended weeks.

1. The Basic Rule: 1.5x Pay for Overtime Hours

Nonexempt employees (those paid hourly or eligible for overtime) must receive 1.5 times their regular rate of pay when they work:

- More than 8 hours in a single workday, or
- More than 40 hours in a single workweek, or
- The first 8 hours on the seventh consecutive day of work in a workweek.

Example:
If a retail employee works 9 hours on Tuesday, that extra hour is paid at 1.5x their regular rate—even if their total weekly hours are under 40.

2. Double Time: When the Day Runs Long

Employees earn 2 times their regular pay when they work:

- More than 12 hours in a single day, or
- More than 8 hours on the seventh consecutive workday in a workweek.

Example:
If an office employee works 13 hours in one day, the first 8 are at regular pay, the next 4 at 1.5x, and the final hour at 2x pay.

3. The Workweek Matters

A "workweek" doesn't have to start on Monday—but it must be a fixed, recurring 7-day period. Managers should define this clearly for payroll tracking and communicate it to employees.

4. Who Is Exempt?

Not every employee qualifies for overtime. "Exempt" employees—typically those in executive, administrative, or professional roles—must meet specific duties and salary requirements set by the California Department of Industrial Relations (DIR).

To qualify as exempt, an employee must:

- Earn at least twice the state minimum wage for full-time work, and
- Primarily perform exempt job duties (e.g., managing employees, exercising independent judgment).

If an employee doesn't meet both tests, they're nonexempt and must receive overtime pay when eligible.

Managing Overtime Wisely

Understanding the law is one part of the equation; managing overtime effectively is another. Here's how to handle it fairly and efficiently:

- Plan ahead for busy periods. Anticipate seasonal surges or big projects and adjust staffing or schedules early.
- Require approval for overtime. You can set policies requiring pre-authorization, but if an employee does work extra hours, you must still pay them—then address the policy violation separately.
- Track time accurately. Use a reliable system for recording hours. Paper timesheets, punch clocks, and digital tools are all fine as long as they're accurate and consistent.
- Avoid "off-the-clock" work. Even short tasks before or after a shift—like finishing a sale or checking emails—can count as compensable time.

Fair overtime management protects your business and your team from burnout alike.

Meal and Rest Breaks: Every Employee's Right

California law doesn't just focus on how long people work—it also ensures they have time to rest and recharge.

Please see BREAK, page 6

Pay: Review wage structures and benefits

Continued from page 3

support.

Free vaccination or preventive care events in your area.

Make these resources easy to find and update them regularly.

2. Consider offering micro-benefits.

If full insurance coverage isn't possible, explore:

Discounted gym memberships or online fitness programs.

Access to affordable telemedicine services.

Wellness stipends for health-related expenses like over-the-counter medication or glasses.

Even modest benefits show employees that their health matters.

Provide Financial Stability Through Pay and Policy

Financial insecurity affects every part of a worker's life—from housing stability to physical health. While budget constraints are real, small steps toward financial fairness and predictability can make a big difference.

1. Offer predictable pay and hours.

When possible, give employees consistent weekly schedules and avoid sudden reductions in hours. Predictability helps with budgeting, rent, and childcare planning.

2. Simplify access to earned wages.

Some employers use on-demand pay systems that let workers access a portion of their earned pay early, reducing reliance on payday loans.

3. Review wage structures and benefits.

Even incremental raises can have long-term impact. Look for opportunities to:

Raise starting pay when financially viable.

Reward longevity or skill development.

Offer small bonuses for attendance, teamwork, or training completion.

4. Connect workers with trusted financial resources.

Provide voluntary access to financial literacy workshops, community credit unions, or nonprofit organizations that help with budgeting, debt management, and tax prep.

Consider Transportation and Housing Challenges

Commuting costs can eat into low wages, especially when public transportation is limited. Managers can help ease these pressures.

Offer flexible start times to align with bus or train schedules.

Encourage carpooling or coordinate ride-sharing among employees who live nearby.

Provide transit subsidies, even small ones, when possible.

Share local housing assistance information—many cities have nonprofit programs that help renters find

2026: Federal challenges regarding rollout of gas rules

Continued from page 2

Energy Policy Uncertainty: Gas Appliance Restrictions

Although not yet universally enforced, local ordinances restricting natural gas infrastructure in new buildings — like those passed in cities such as Petaluma and Morgan Hill — are facing federal legal challenges. The U.S. Department of Justice has sued to block these ordinances, arguing they conflict with federal energy standards.

For HVAC and plumbing firms, this evolving legal landscape underscores the importance of monitoring:

Local electrification mandates for heating and water systems

Federal challenges that could alter the rollout of gas-free building rules

Contractors should maintain regulatory awareness and adjust workforce training and equipment investments accordingly.

7. Practical Steps for California Contractors

To prepare for these changes, businesses should:

Update Contract Templates: Ensure clauses comply with new retention limits, payment timelines, and change-order processes.

Train Project Managers: On Title 24 energy and electrification standards, solar/EV readiness, and wildfire-resistant construction practices.

Coordinate Early: Between trades (HVAC, electrical, solar, framing) to align designs with updated energy code requirements.

Review Compliance Documentation: Especially for wage law enforcement and prompt payment processes.

Watch Local Regulations: Especially for electrification mandates or green building requirements that might supersede or expand statewide rules.

Break: Pitfalls include verification, meal breaks

Continued from page 4

Breaks are legally required and play a big role in maintaining health, morale, and productivity.

1. Rest Breaks

- Frequency: Employees are entitled to a 10-minute paid rest break for every four hours worked (or major fraction thereof).
- Timing: Breaks should fall roughly in the middle of each work period, not tacked onto the beginning or end of a shift.
- Pay: Rest breaks are on the clock—employees don't clock out.

Example:
An employee working 8 hours gets two paid 10-minute breaks, usually around mid-morning and mid-afternoon.

2. Meal Breaks

- Duration: Employees who work more than 5 hours must receive an unpaid, off-duty meal break of at least 30 minutes.
- Second meal break: If they work more than 10 hours, they're entitled to a second 30-minute meal break.
- Off-duty means off-duty. During a meal break, employees must be relieved of all work duties. They can't be required to stay at their workstation or remain on-call unless they agree in writing to an on-duty meal period (which is rare and must meet strict conditions).

3. What if an Employee Skips a Break?

If a rest or meal break isn't provided, the employer must pay the employee one additional hour of pay at their regular rate for each day a break was missed. This "premium pay" is designed to encourage compliance.

4. Scheduling Tips for Break Compliance

- Stagger breaks so coverage remains smooth in customer-facing settings.
- Use scheduling software to automatically assign and track breaks.
- Train supervisors not to discourage or delay breaks, even during busy times.

Special Situations: Remote, Split, and Alternative Schedules

California's labor laws apply to all nonexempt employees—whether they work on-site or remotely.

Remote Workers

Managers must still track work hours accurately, including overtime and breaks. Encourage employees to log off completely during breaks and clearly record start and end times.

Split Shifts

A "split shift" occurs when an employee's workday is broken into two parts separated by more than a normal meal period (for example, working 8–11 a.m. and 4–8 p.m.). Additional "split shift premiums" may apply, depending on wages earned.

Alternative Work Schedules

Some workplaces use flexible setups—like four 10-hour days instead of five 8-hour days—but these must be formally adopted by a two-thirds employee vote and approved under specific state guidelines. Without that approval, working over 8 hours in a day still counts as overtime.

Common Manager Mistakes

Even well-meaning managers sometimes trip over California's strict rules. Watch out for these pitfalls:

- Assuming exempt status without verifying duties and salary.
- Allowing "off-the-clock" work to finish quick tasks.
- Failing to pay overtime because it wasn't pre-approved.
- Not providing a second meal break after 10 hours.
- Scheduling back-to-back shifts that violate daily or weekly limits.

Regularly reviewing time records, communicating with HR or payroll, and refreshing training can help you stay compliant.

Overtime and break laws aren't just red tape—they're designed to ensure fairness, prevent burnout, and reward employees for their time. For managers, understanding and applying these rules correctly strengthens credibility and protects your organization.

Encourage open communication about hours and breaks. If an employee isn't sure about their rights, or if you're unsure about a scheduling question, check the California Department of Industrial Relations (DIR) website or consult HR before making changes.

SAFETY ... IT PAYS

How to care for your feet on the job

Feet are foundational — literally. Whether you're outdoors on rough terrain, standing all day on the job, or sitting at a desk, foot health plays a crucial role in overall comfort, mobility, and long-term well-being. Middle age can bring new challenges, but with proactive care, workers can keep their feet strong and pain-free.

Outdoor and Active Workers

Workers who walk miles, traverse uneven ground, or wear boots face unique foot stresses.

Tips for outdoor workers:

- Choose the Right Footwear: Invest in high-quality boots with cushioned insoles, sturdy arches, and good ankle support. Waterproofing and breathability matter too.
- Rotate Insoles: Swap out worn insoles every few months to maintain shock absorption.
- Stretch and Warm Up: Before shifts, simple calf and toe stretches reduce strain. After work, gentle foot rolls or arch massages relieve tension.

Common problems and prevention

- Blisters: Wear moisture-wicking socks and break in shoes gradually.
- Plantar Fasciitis: Stretch arches and calves regularly; avoid flat-soled shoes without support.

Workers Who Stand All Day

Retail staff, hospitality workers, healthcare aides, and others who stand for long shifts are prone to foot fatigue, heel pain, and swelling.

Daily habits for foot comfort

- Supportive Mats: Soft anti-fatigue mats behind counters or work stations can dramatically reduce strain.
- Compression Socks: These improve circulation and decrease swelling during long standing hours.
- Take Micro-Breaks: Even brief seated breaks or gentle foot flexes can ease pressure.

Signs to watch for

- Achilles Pain: Tightness here often reflects calf tension — regular stretching helps.
- Swollen Ankles: If persistent, consult a healthcare provider, as this can signal circulation issues.

No matter your work style, these habits support long-term foot health through middle age and beyond:

- Inspect Your Feet Regularly: Look for cuts, swelling, calluses, or redness. Early attention prevents bigger issues.
- Trim Toenails Properly: Straight across, not too short, to avoid ingrown nails.
- See a Professional: Persistent pain, numbness, or unusual symptoms deserve evaluation by a podiatrist.

Stay proactive — good foot care isn't luxury, it's a foundation for comfort and productivity.

OSHA CORNER

Please visit the following address on the web to download helpful safety posters, guides and pamphlets for a safer workplace.

https://www.osha.gov/publications

State of California
CAL OSHA
Department of Industrial Relations

Lift the right way to protect your back

Lifting and storing materials are everyday tasks in most workplaces. But these seemingly simple actions can lead to serious injuries when done incorrectly. Back pain, strains, and sprains are among the most common workplace injuries, and many can be traced back to unsafe lifting habits.

Lifting Done Right: Protect Your Back and Body

Every lift, no matter how small, adds up over time. Repeatedly bending, twisting, or carrying heavy items without using the right technique can cause wear and tear on your muscles and spine. Following these steps can help you stay injury-free.

1. Plan Before You Lift

Take a few seconds to assess what you're about to move.

Check the weight. Gently push or tilt the object to gauge its heaviness. Don't assume—some boxes look light but aren't.

Clear your path. Make sure there's nothing blocking your way or your destination. A cluttered floor or cords can cause trips and stumbles while carrying a load.

Plan your grip and stance. Know where you'll hold the object and how you'll set it down before you start.

Ask for help if needed. If the load looks too heavy or awkward for one person, team up or use lifting aids such as dollies, carts, or pallet jacks.

2. Position Yourself Correctly

How you stand matters just as much as how you lift.

Place your feet shoulder-width apart, with one foot slightly ahead for balance.

Keep the load close to your body—your arms should be tucked in, not extended.

Tighten your core muscles and maintain a natural curve in your back.

Keep your head up and look forward, not down at the load.

3. Lift with Your Legs, Not Your Back

This is the golden rule of safe lifting. Your leg muscles are stronger and better equipped to bear weight than your back muscles.

Bend your knees and hips—not your waist.

Grip the object firmly and lift in a smooth, controlled motion.

Avoid sudden jerks or twists.

4. Don't Twist—Pivot Instead

Twisting while holding a heavy object puts major stress on your spine. Instead, turn with your feet. Take small steps to pivot your entire body rather than rotating your torso.

5. Set It Down Carefully

When placing the item down, use the same technique in reverse. Keep the load close to your body, bend your knees, and lower it smoothly. Avoid dropping or reaching too far forward.

Know Your Limits and Use the Tools Around You

Even with perfect form, lifting too much can still cause injuries. A good rule of thumb is:

Lift alone only if the load is under 25–30 pounds and can be easily handled.

For heavier or bulkier items, use mechanical aids like carts, hand trucks, or lift tables.

If those aren't available, get a team lift—two people can share the weight evenly and keep the lift stable.

Strengthen and Stretch

Your muscles and joints are your best tools. Keeping them flexible and strong helps prevent injuries.

Warm up before physical tasks. Gentle stretches for your back, shoulders, and legs can prepare your body.

Take micro-breaks. If you lift or move items repeatedly, pause for a moment to stretch and reset your posture.

Rotate tasks. Repetitive lifting—even if done safely—can lead to fatigue and strain. Switch between tasks that use different muscle groups when possible.

"The CALIFORNIA CONTRACTOR" is a published bi-monthly newsletter of the Western Regional Master Builders Association. Annual subscription is available with membership in the Western Regional Master Builders Association. For membership information, call (562) 296-8854.

POSTMASTER: Send address changes to "Western Regional Master Builders Association" at 12501 Seal Beach Blvd. Suite 250, Seal Beach, CA 90740.