WACA ALERT

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Support Industry Legislation to Cap Retention on Private Construction Contracts at 5%

On behalf of the industry, Senator Dave Cortese (D-San Jose, CA) has introduced SB 61, to establish a 5% cap on retention for private construction contracts in California. This measure aligns private project retention practices with the successful 5% cap already in place for public works in the state, addressing financial strain and cash-flow challenges faced by contractors statewide.

Retention, or retainage, is a standard industry practice where a portion of progress payments—typically 10% on private projects—is withheld until project completion. However, this excessive withholding creates significant financial burdens, particularly for subcontractors and small businesses operating on tight profit margins. By capping retention at 5%, SB 61 will bring much-needed relief and promote a fair and sustainable construction environment.

Key Benefits of SB 61:

- **Improved Cash Flow:** Contractors can maintain a healthier financial position, ensuring timely payment of wages, benefits, and reinvestment in future projects.
- **Reduced Financial Strain:** Lower retention requirements will decrease reliance on high-interest credit lines, reducing overall project costs.
- **Fairness and Predictability:** A standardized policy provides contractors with consistency and the ability to better manage financial resources.

California has successfully implemented a 5% retention cap on public works projects since 2011, with no adverse impacts. More than 20 other states, including New York, Nevada, Oregon and Washington, have adopted similar policies for private construction, further demonstrating the viability and benefits of this approach.

About SB 61:
This legislation seeks to level the playing field for contractors, especially small and emerging businesses, by addressing cash flow challenges that hinder growth and job creation. The bill will help contractors remain financially stable, ensuring they can continue delivering high-quality work without unnecessary financial obstacles.

Take Action to Support SB 61:
We are urging all affiliated contractors to use our grassroots advocacy page to send a preformulated email to their elected officials and Governor Newsom, asking them to support SB 61.

Take action TODAY and voice your support for SB 61: CLICK HERE

Once you have taken action, please encourage other union contractors in your sphere to act by sharing our grassroots action center - www.unioncontractorvoice.com