

Hi. This is Chris Micheli with the Sacramento governmental relations firm of Aprea and Micheli and an adjunct professor at McGeorge School of Law. Thanks for joining today's brief podcast on AB 1565 in the 2018 legislative session, which concerns a new labor-related liability rule for direct contractors.

Governor Jerry Brown signed Assembly Bill 1565 by State Assemblyman Tony Thurmond on September 19th as Chapter 528. As an urgency-clause measure, the bill took effect on chaptering, which was September the 19th. It amends Labor Code Section 218.7 and creates a new labor-related liability rule for direct contractors.

AB 1565 provides that for any contract entered into on or after 01/01/19, in order to withhold dispute payments, the direct contractor must specify in its contract with the subcontractor the specific documents and information that the direct contractor will require that the subcontractor must provide upon request.

Also, AB 1565 says that subcontractors may include the same requirements in their contracts with lower-tiered subcontractors, and they, too, may withhold, as disputed, all sums owed.

The bill also declares that it must go into effect immediately due to the need to resolve the confusion created by existing language at the earliest possible time.

AB 1565 repeals the provisions that state that obligations and remedies are in addition to existing obligations and remedies provided by a law except that the provisions are not to be construed to impose liability on a direct contractor for anything other than unpaid wages and fringe or other benefit payments or contributions, including interest owed.

This repeal is of Subdivision H, contained in Section 218.7 of the Labor Code. Thanks for joining this brief review of AB-1565 from the 2018 legislative session.