



LOZANO SMITH ALERT

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Number 13

DEPARTMENT OF INDUSTRIAL RELATIONS ANNOUNCES INTENT TO SUSPEND OPERATION OF RECENTLY APPROVED LABOR COMPLIANCE REGULATIONS

Recent actions by the Department of Industrial Relations (DIR) have created substantial uncertainty as to the fate of the State's new regulations on Labor Compliance Programs (LCPs). Earlier this year, the DIR issued new regulations on LCP services for school and community college construction projects. The new regulations implemented Senate Bill X2 9 (SBX2 9) and created the Compliance Monitoring Unit (CMU) to take the place of third party LCP providers. These regulations applied to contracts effective August 1, 2010, and following, as we reported in our Client News Brief [No. 28](#), July 2010.

Yesterday, the DIR gave [notice](#) that it was proposing to issue emergency regulations to suspend the new regulations and the operation of the CMU, due to concerns about the effect of the new regulations on state bond sales.

If the proposed emergency regulations are approved, the operation of the CMU will be suspended, along with the requirements for school and community college districts to pay the related mandatory fee to DIR from their state bond apportionments. Please note, however, that the regulations which took effect August 1 are still valid until any emergency regulations are adopted. This will most likely be sometime in November at the earliest. As a result of this timing, there is likely to be a great deal of confusion, particularly in the next several weeks, about LCP requirements and programs. If you have any ongoing projects where the contract was (or will be) signed on or after August 1, 2010, you should consult with your legal counsel before making any changes. Contracts that were signed before August 1 should not be affected.

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LOZANO SMITH will continue to monitor this situation, and will provide further updates as future developments occur. In the meantime, if you have any questions regarding labor compliance requirements or construction matters in general, please do not hesitate to contact one of our [seven offices](#) located statewide or consult our [website](#).

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As the information contained herein is necessarily general, its application to a particular set of facts and circumstances may vary. For this reason, this Alert does not constitute legal advice. We recommend that you consult with your counsel prior to acting on the information contained herein.