



## FREQUENTLY ASKED QUESTIONS

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**Q: Does SB 1174 replace an objective bid preference standard with a subjective preference?**

**A:** No. The preference is based on whether a company operates a qualifying employee stock ownership plan, a designation defined by federal law and verified by the IRS. It is binary and documented, and the bill applies it on a fixed scale (2% for 30 to 49% employee-owned, 3% for 50 to 99%, 4% for 100%, plus 1% more when employees are covered by a collective bargaining or master labor agreement). A firm either qualifies or it does not. That is one of the most objective criteria in public contracting, not a subjective judgment open to political influence.

**Q: Opponents to SB 1174 say bid preferences make taxpayers pay more. Is that accurate?**

**A:** Targeted preferences are a long-standing part of California procurement, including the federal DBE program the state has used for years. SB 1174 is not a radical departure, and the preference is modest. The public also gets a return: employee-owned firms are tied to higher productivity, longer job tenures (53% longer than comparable firms), and a workforce with a direct stake in doing the job right.

**Q: Does SB 1174 disadvantage contractors who have invested in safety and training?**

**A:** SB 1174 does not change safety standards in any way. Every bidder, employee-owned or not, must meet the exact same safety, training, and responsibility requirements, and ESOP firms are held to that identical bar. If anything, employee-owners have a greater stake in jobsite safety, because they own the company and share in its long-term success.

**Q: Will this add administrative complexity, legal risk, and more bid protests?**

**A:** ESOP verification is straightforward precisely because the designation is objective and already documented at the federal level, so there is nothing new to interpret. While there may be some bid protests, the process is straightforward.

**Q: Shouldn't the public works system stay neutral and competitive?**

**A:** The Legislature already decides what public dollars should reward, from local hiring to veteran-owned and small businesses. In practice, neutral here means locking in an outcome where construction wealth stays at the top. SB 1174 simply adds sharing wealth with workers to the list of public priorities the state already recognizes.

**Q: Why does this matter in a tight budget year?**

**A:** Broadly shared prosperity is exactly what California should invest in when budgets are tight. California is putting nearly \$5 billion a year into construction and stands to receive roughly \$41.9 billion in additional federal infrastructure funding over the next five years. SB 1174 helps ensure a small portion of those public dollars (\$500 million) are directed to companies that build long-term wealth for the workers delivering the projects, not just returns for executives at the top.

**Q: How does SB 1174 fit with California's priorities?**

**A:** Directly. In May 2026, Governor Newsom signed [Executive Order N-6-26](#), directing California agencies to support opportunities to expand and enhance worker ownership models to support broad-based capital growth and build wealth from productivity gain among workers. In addition, California taxpayers are overwhelmingly and rightfully concerned about economic inequality. According to a recent [PPIC Statewide Survey](#), 72% believe that the gap between the rich and poor is widening, and a similar share think state government should do more to reduce the gap. By providing a bid preference to ESOP construction firms, SB 1174 will help ensure taxpayer dollars go back to the workers who are building our roads and bridges, helping to lessen the gap between workers doing the labor who historically earn much less than construction executives. As the state is actively looking for concrete tools to grow employee ownership, and lessen the wealth equity gaps in California, SB 1174 is a clear starting point



**Q: Does SB 1174 hurt minority, women, veteran, and LGBT-owned firms, especially after the DBE cutbacks?**

**A:** The federal government has slashed the DBE program, and that is exactly why SB 1174 matters. It creates a program that shares California's benefits directly with workers, rather than one that only supports those at the top. The limitation with the DBE program is that it was based only on who owned the firm, not the workforce. ESOP construction companies expand ownership opportunities for California's construction workforce, which is predominantly ([83%](#)) Latino.

**Q: How do ESOPs advance equity in the construction industry?**

**A:** ESOPs align ownership with this reality by distributing equity across the workforce rather than limiting ownership to one or two individuals. In ESOP construction companies, a significant share of employee-owners are workers of color, meaning wealth-building opportunities reach the same communities performing the work. With SB 1174, California has an opportunity to incentivize more companies to look into the benefits of ESOPs to expand wealth building for employees rather than keeping monetary gains at the top.

**Q: Isn't employee ownership a model that only large companies can meet?**

**A:** No. Being an ESOP is not solely for large companies. Companies of any size and any makeup can share ownership with their employees, and women-, veteran-, and LGBT-owned firms can and do become employee-owned every day. In California, there are currently 70 ESOP-owned construction companies, representing approximately 12,378 employee-owners who could directly benefit from legislation like SB 1174.

**Q: Will small and emerging firms face heavy administrative burdens to qualify?**

**A:** No. SB 1174 does not add administrative burdens to small and emerging businesses. It uses existing documentation that ESOPs already have. To say that SB 1174 adds administrative burdens to companies is based on a misunderstanding of the ESOP process.

**Q: Do taxpayers see the value employee ownership?**

**A:** Yes. While [polling](#) has found that just 3% of individuals know "a lot" about employee ownership, once people learn about it, voters from across the political spectrum overwhelming (84-89% of republicans and 95-96% of democrats) recognize its value. Not only do voters like the idea conceptually, but they are also "more likely to support candidates who support broad-based employee ownership."