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A Guide to Agency Best Practices for Progress Payments in Public Works Construction

Creating a Fair and Effective Payment Process Across California for Public Works Contractors

About UCON

United Contractors (UCON) represents more than 800 union-signatory heavy civil engineering and affiliated firms operating across California. Our members are responsible for building and maintaining much of the state's most critical infrastructure, including roads, highways, bridges, transit systems, water infrastructure, schools, public parks, and more. Collectively, UCON members perform tens of billions of dollars in annual public works contracts and represent over 35 million work hours annually.

UCON is committed to supporting policies and practices that improve project delivery, reduce costs, and help public agencies attract more competitive bids from union-signatory construction companies of all sizes and scopes. One key area that directly impacts project success—and contractor participation—is the process by which progress payments are released.

Why Progress Payment Practices Matter

For contractors of all sizes, cash flow is imperative to growth and survival. Contractors must finance labor, materials, equipment, and subcontractors upfront, and the timing of progress payments from public agencies is often the deciding factor in whether a contractor can bid additional work or continue performance.

When payments are delayed, withheld arbitrarily, or restricted due to minor administrative matters, it places enormous strain on contractors. Delayed payments harm the contractors, threaten their ability to retain their union workforce, and pay the trust funds. The impact on agencies is reduced competition, discourages small and emerging businesses, drives up project costs, and slows down public infrastructure delivery.

Excessive withholdings have harmed contractors, especially smaller companies, resulting in reduced capacity to bid and perform work, workforce layoffs, and even business closures.

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A Model Worth Following: Caltrans' Progress Payment System

UCON recommends that public agencies across California adopt the Caltrans model for progress payments, as outlined in their 2024 Standard Specifications and the California Public Contract Code. As the largest public works agency in the state, Caltrans demonstrates that a fair, timely, and transparent payment system can work, even on the largest and most complex infrastructure projects.

Key elements of the Caltrans model that make it effective:

- Timely release of maximum allowable payment, even while resolving minor outstanding issues (e.g., certified payroll discrepancies).
- Clear procedures for documentation and review.
- Consistent application of standards across districts and contracts.
- Avoidance of unnecessary withholdings, which are treated as serious exceptions, not routine behavior.

UCON Recommendations for Public Agencies

To improve competitiveness, ensure project delivery, and attract a broader pool of bidders, UCON urges agencies to:

1. Adopt a "maximum allowable" progress payment standard—release all earned funds promptly, even while resolving minor compliance issues.
2. Avoid using payment withholdings as leverage for administrative documentation unless clearly justified by material contractual breaches.
3. Establish internal review deadlines—14 calendar days or less—for payment processing after receipt of required documentation.
4. Provide contractors with a written explanation when withholdings occur, along with a clear path to resolution.
5. Train staff on the practical financial realities of construction and the importance of consistent cash flow for all contractors.

Contractor Responsibilities & Best Practices

UCON also recognizes that contractors have a role to play in ensuring smooth payment processes. We encourage contractors to:

- Fully understand contract terms related to payment schedules, retainage, and compliance.
- Communicate proactively with subcontractors about payment timelines and processes.

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- Maintain thorough records of all billing, change orders, and correspondence.
- Make timely payments to subcontractors to preserve relationships and avoid cascading delays.
- Utilize legal and professional resources, including those available from UCON. Members can contact us for more information.

A Call to Action

UCON encourages public agencies to initiate a best practice review of their current progress payment processes and consider updates that align with the Caltrans model. These reforms are not just about policy; they are about partnership, project success, and delivering infrastructure more efficiently and affordably for the public.

We welcome the opportunity to collaborate, share insights from across the state, and support you in making your agency a more competitive and contractor-friendly destination for public works.

We look forward to working with you on next steps.

Sincerely,

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