
THIRD READING

Bill No: AB 1234
Author: Ortega (D), et al.
Amended: 7/17/25 in Senate
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 6/25/25
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE JUDICIARY COMMITTEE: 11-2, 7/15/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab,
Weber Pierson, Wiener
NOES: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 50-14, 6/4/25 - See last page for vote

SUBJECT: Employment: nonpayment of wages: complaints

SOURCE: California Federation of Labor Unions
Center for Workers' Rights
Bet Tzedek

DIGEST: This bill (1) makes specified changes to the process by which the Labor Commissioner investigates and adjudicates employee complaints of wage theft, as specified, and (2) authorizes the Labor Commissioner to impose an administrative fee with any order, decision or award, as specified.

ANALYSIS:

Existing law:

- 1) Establishes within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner (LC), and empowers the LC with ensuring a just day's pay in every workplace and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)
- 2) Requires the LC and authorized deputies and representatives, upon the filing of a claim by an employee as specified, to, among other things, take assignments of wage claims including claims for loss of wages, as specified. (Labor Code §96)
- 3) Establishes a citation process for the LC to enforce violations of the minimum wage that includes, but is not limited to, the following procedural requirements:
 - a) A citation issued to an employer must be in writing and shall describe the nature of the violation, including reference to the statutory provision alleged to have been violated, if contract wages are unpaid, or both.
 - b) The LC shall promptly take all appropriate action to enforce the citation and to recover the civil penalty assessed, wages, liquidated damages, and any applicable penalties, as specified.
 - c) To contest a citation, a person shall, within 15 business days after service of the citation, notify the office of the LC that appears on the citation of their appeal by a request for an informal hearing. The LC or their deputy or agent shall, within 30 days, hold a hearing.
 - d) The decision of the LC shall consist of a notice of findings, findings, and an order, all of which shall be served on all parties to the hearing within 15 days after the hearing by regular first-class mail.
 - e) Any amount found due by the LC as a result of a hearing shall become due and payable 45 days after notice of the findings, written findings, and order have been mailed to the party assessed. A writ of mandate may be taken from this finding to the appropriate superior court.
 - f) As a condition to filing a petition for a writ of mandate, the petitioner seeking the writ shall first post a bond with the LC equal to the total amount of any minimum wages, contract wages, liquidated damages, and overtime compensation that are due and owing, as specified.
 - g) A person to whom a citation has been issued shall, in lieu of contesting a citation pursuant to this section, transmit to the office of the LC designated on the citation the amount specified for the violation within 15 business days after issuance of the citation. (Labor Code §1197.1 et seq.)

- 4) Requires the LC, within 15 days after the hearing is concluded, to file in the office of the division a copy of the order, decision, or award (ODA). The ODA shall include a summary of the hearing and the reasons for the decision. Additionally, the ODA includes any sums found owing, damages proved, and any penalties awarded pursuant to the Labor Code, including interest on all due and unpaid wages, as specified. (Labor Code §98.1)
- 5) Upon filing of the ODA, requires the LC to:
 - a) Serve a copy of the decision personally, by first-class mail, or in the manner specified in Section 415.20 of the Code of Civil Procedure on the parties.
 - b) Advise the parties of their right to appeal the decision or award and further advise the parties that failure to do so within 10 days shall result in the decision or award becoming final and enforceable as a judgment by the superior court.
(Labor Code §98.1 and §98.2)
- 6) Specifies that if no appeal of the ODA is filed within the period specified, the ODA shall, in the absence of fraud, be deemed the final order. Existing law then requires the LC to file, within 10 days of the ODA becoming final, a certified copy of the final order with the clerk of the superior court of the appropriate county unless a settlement has been reached by the parties and approved by the LC. Judgment shall be entered immediately by the court clerk in conformity therewith. (Labor Code §98.2)
- 7) Provides that in case of willful failure by the judgment debtor to comply with a final judgment, the division or the judgment creditor may request the court to apply the sanctions provided in Section 708.170 of the Code of Civil Procedure including an order requiring a person to appear before the court. Failure to appear can result in a warrant to have the person brought before the court to answer for the failure to appear. (Labor Code §98.2)
- 8) As an alternative to a judgment lien, upon the order becoming final, a lien on real property may be created by the LC recording a certificate of lien, for amounts due under the final order and in favor of the employee or employees named in the order, with the county recorder of any county in which the employer's real property may be located, at the LC's discretion and depending upon information the LC obtains concerning the employer's assets. (Labor Code §98.2)

- 9) Provides that, upon payment of the amount due under the final order, the LC shall issue a certificate of release, releasing the lien created per the above. Unless the lien is satisfied or released, a lien under this section shall continue until 10 years from the date of its creation. (Labor Code §98.2)
- 10) Requires the LC to make every reasonable effort to ensure that judgments are satisfied, including taking all appropriate legal action. (Labor Code §98.2)
- 11) Authorizes, until January 1, 2029, a public prosecutor to prosecute an action, either civil or criminal, for a violation of certain provisions of the labor code or to enforce those provisions independently. (Labor Code §181)

This bill:

- 1) Revises the existing wage claim investigation process to specify that if the LC determines that no further action will be taken on an employee claim, then the LC shall, within 30 days of receipt of the complaint, notify the complainant of that determination. If the LC declines to continue to investigate, the claimant may pursue remedies through any alternative forum available, as specified.
- 2) Specifies that if the LC does not make a determination that no further action will be taken, then the LC shall, within 60 days of receipt of the complaint, notify all parties against whom allegations have been made in the complaint, including the total amount of wages, penalties, and other demands due and the Labor Code sections under which the claimant asserts the defendant's liability, as specified.
- 3) Revises the requirements regarding the defendant's response to a complaint to require, within 30 days of transmittal of the notice specified above, the defendant(s) to respond by either paying the full amount due as described in the notice or by filing an answer with the LC.
- 4) Requires the defendant's answer to, at a minimum, include both of the following:
 - a) Whether the defendant admits to employing the complainant during any period alleged in the notice.
 - i. If the defendant denies an employment relationship based on a worker's classification as an independent contractor, the defendant shall provide

- facts to demonstrate that the classification meets the ABC test as required by state labor law.
- ii. If the defendant denies an employment relationship for other reasons, the defendant shall name any and all known employers of the complainant or other parties potentially liable for the violations and shall include their contact information.
- b) Whether the defendant admits or denies owing any amount to the complainant.
- i. For any admission of an amount owed, authorizes the LC to issue an ODA for that amount and authorizes the ODA to be appealed pursuant to existing law.
 - ii. For any denial of liability for wages, penalties, and other demands for compensation alleged, the defendant shall set forth the particulars in which the employee complaint is inaccurate or incomplete and the facts upon which the defendant intends to rely.
- 5) Provides that if the defendant fails to provide an answer within 30 days of transmittal of the notice specified above, the LC shall issue an ODA in the amount stated in the notice. The ODA may be appealed pursuant to existing law.
- a) If the defendant provides an answer, but the answer does not meet the requirements specified above, the LC may provide the defendant with 15 additional days to submit a revised answer. After the 15 days, if the defendant fails to provide an answer as required, the LC shall issue an ODA in the amount stated in the notice which may be appealed.
- 6) Authorizes the LC to request an answer from any new party added to the employee complaint at any point in the investigation by issuing a notice of claim to that employer within 60 days of the employer being added to the complaint.
- 7) Provides that if the LC does not take any further action, as specified, the LC shall, within 30 days of the receipt of the response, notify all parties of the determination and authorizes a claimant to pursue remedies through any alternative forum available, as specified.

- 8) Requires, if the LC does not make a determination on a claim, the LC to conduct an investigation of the employee complaint. The LC shall make an estimated appraisal of the amount of wages, damages, penalties, expenses, and other compensation owed and shall determine all the parties liable for the assessment. The investigation, assessment, and determination of liability shall be made within 90 days of the receipt of the defendant's response and shall be made through the following process:
 - a) The LC may decide to hold a mandatory investigatory and settlement conference upon providing notice of the conference to the parties.
 - i. If the claimant fails to attend the conference, the employee complaint may be dismissed unless a claimant can provide a good cause reason for their nonappearance.
 - ii. If the defendant fails to attend the settlement conference and does not provide a good cause reason for their nonappearance, the LC may issue an ODA in the amount stated in the notice.
 - iii. Upon agreement of the claimant, the LC may hold additional mandatory investigatory and settlement conferences if additional defendants are identified during the investigation of the complaint.
 - b) The LC may issue a subpoena to a defendant requesting copies of payroll records for the employee, as specified, during the claim period.
- 9) Revises the hearing timeline to require, within 90 days of the issuance of the formal complaint, as specified, the LC to set a hearing date and serve a copy of the formal complaint on all parties, along with a notice of the date, time, and place of the hearing. The LC is authorized to conduct the hearing in person, over the telephone, or via video conference.
- 10) Authorizes, if a defendant fails to answer or appear at a hearing, the LC to issue an ODA in the amount stated in the formal complaint issued. The ODA is appealable pursuant to existing law.
- 11) Provides that, if a defendant's records are inaccurate or inadequate as to the precise extent of work completed and compensated by the claimant, the claimant has carried out their burden of proof if they prove that they have in fact performed work for which they were improperly compensated and produces sufficient evidence to show the amount and extent of that work as a matter of just and reasonable inference.

- 12) Regarding existing authority of the LC to grant relief to a defendant that fails to appear or answer to a complaint, specifies that the LC's authority to grant relief terminates upon the defendant's filing of an appeal.
- 13) Specifies that the LC's authority to investigate a claim or issue an ODA does not terminate upon the expiration of the deadlines set forth in these provisions.
- 14) Specifies that a notice required to be given pursuant to these provisions shall be given by personal service, first-class mail, certified mail, registered mail, or by any manner that the party agrees to accept service, including, but not limited to, electronic service.
- 15) Authorizes the LC, for an ODA granted pursuant to existing law, to impose an administrative fee of up to 30% of the amount awarded, based on the circumstances giving rise to the claim and the facts as presented during the investigation or hearing of the claim, and deposit the fee into the Wage Recovery Fund created by this bill.
 - a) In exercising this discretion, prohibits the LC from requesting, receiving, or considering additional evidence beyond that necessary to determine the merits of the wage claim.
- 16) Provides that if a party appeals the ODA, the amount of the administrative fee shall be adjusted proportionally to the final award, but the court shall not alter the percentage of the administrative fee as determined by the LC.
- 17) Requires, upon appropriation by the Legislature for this express purpose, all money in the Wage Recovery Fund to be disbursed by the LC, as specified, only to persons determined by the LC to have been damaged by the failure of an employer to pay wages, penalties and other damages.
- 18) Requires that any disbursed funds subsequently recovered by the LC from a liable party shall be returned to the fund, as specified.
- 19) Requires the LC, upon request by a defendant at a hearing for a formal complaint, to waive any or all of the administrative fee, provided that all of the following are satisfied:

- a) The ODA issued under these provisions does not impose liability for penalties related to an employer's willful failure to pay an employee upon termination or resignation.
 - b) The defendant shall attest in writing that it:
 - i. Does not have a prior ODA or judgment issued against them within the past 10 years for engaging in illegal conduct related to a wage dispute or other violations under the jurisdiction of the LC.
 - ii. Did not enter into a settlement agreement within the past 10 years concerning prior illegal conduct related to a wage dispute or other violations under the jurisdiction of the LC. Specifies that a payment made on owed wages does not constitute a settlement agreement for purposes of this provision.
- 20) Provides that if an appeal to an ODA is filed in superior court, the appeal is classified as an unlimited civil case. Specifies that a party seeking appeal is unsuccessful if they withdraw their appeal without a judgment. Adds to the grounds for an employee to be deemed successful, that the defendant voluntarily pays an amount greater than zero.
- 21) Prohibits a court from consolidating an appeal filed under these provisions with any other action not arising out of, or related to, the wage claim covered by the underlying ODA absent an executed agreement in writing by all parties.

Background

California leads the nation with some of the strongest workplace protections for workers. Unfortunately, those laws are meaningless if they are not implemented or enforced, leaving workers struggling to recoup owed wages. Wage theft in California, which impacts low-wage workers disproportionately, is well documented. Wage theft captures many labor law violations including violations of the minimum wage, overtime, denied meal periods, or misclassification of employees as independent contractors, among others. A 2022 report to the Legislature on the state's wage claim adjudication process reveals that there were nearly 19,000 wage claims filed in 2021 with a total of \$335 million being owed to workers.¹ Due to challenges in staffing, resources, and a growing case backlog, only approximately \$40 million has been paid in awards or settlements through the wage claim adjudication unit of the LC.²

¹ Wage Claims Adjudication Unit Annual Report Pursuant to Labor Code Section 96.1, Calendar Year 2021, California Labor Commissioner's Office, p. 15.

² *Ibid.*

Need for this bill? According to the author: “Despite the best efforts of the LC and other enforcement agencies, state-level enforcement of labor law violations is inadequate. There are numerous barriers to enforcement even if agencies were well-funded, but instead, these agencies are underfunded and understaffed – both Cal/OSHA and the LC’s Office have vacancy rates above 30%... Enforcement agencies need more tools to make sure workers are paid for all the hours they work at the appropriate rate. AB 1234 reduces the LC Office’s wage theft backlog by compelling employer participation in the process, thus avoiding unnecessary delays.”

[NOTE: Please see the Senate Labor, Public Employment and Retirement Committee analysis on this bill for more background information and information on prior and related legislation.]

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- The Department of Industrial Relations (DIR) indicates that it would incur first-year costs of \$13.1 million, and \$12.1 million annually thereafter, to implement the provisions of the bill (Labor Enforcement and Compliance Fund).
- By classifying the appeal of the Labor Commissioner’s order, decision or award (ODA) as an unlimited civil case, this bill could result in an increased number of civil actions. Consequently, the bill could result in potentially significant cost pressures to the courts; the magnitude is unknown (Trial Court Trust Fund (TCTF)). The specific number of new actions that could be filed under the bill also is unknown; however, it generally costs about \$10,500 to operate a courtroom for an eight-hour day. Courts are not funded on the basis of workload, and increased pressure on TCTF may create a need for increased funding for courts from the General Fund. The enacted 2025-26 budget includes \$38 million in ongoing support from the General Fund to continue to backfill TCTF for revenue declines.

SUPPORT: (Verified 8/29/25)

California Federation of Labor Unions, AFL-CIO (Co-source)

Center for Workers’ Rights (Co-source)

Bet Tzedek (Co-source)

American Federation of State, County and Municipal Employees, AFL-CIO

Asian Law Caucus

Attorney General Rob Bonta
California Coalition for Worker Power
California Domestic Workers Coalition
California Employment Lawyers Association
California Farmworker Coalition
California Federation of Teachers, AFT, AFL-CIO
California Immigrant Policy Center
California League of United Latin American Citizens
California Nurses Association
California Rural Legal Assistance Foundation
California Safety and Legislative Board of SMART – Transportation Division
California State Association of Electrical Workers
California State Pipe Trades Council
Central California Environmental Justice Network
Central Coast Alliance United for a Sustainable Economy
Centro Binacional de Desarrollo Indigena Oaxaqueño
Centro Legal de la Raza
Chinese Progressive Association
CLEAN Carwash Worker Center
Community Legal Services in East Palo Alto
Employee Rights Center
Equal Rights Advocates
Filipino Community Center
Garment Worker Center
Inland Empire Labor Council, AFL-CIO
Instituto De Educacion Popular Del Sur De California
Los Angeles Alliance for a New Economy
Maintenance Cooperation Trust Fund
Mission Action
Mixteco/Indigena Community Organizing Project
North Valley Labor Federation
Pilipino Workers Center
Public Counsel
Santa Clara County Wage Theft Coalition
South of Market Community Action Network
Street Level Health Project
Sunita Jain Anti-Trafficking Initiative Loyola Law School
TODEC Legal Center
Western States Council of Sheet Metal Workers

Women's Employment Rights Clinic of Golden Gate University
Worksafe

OPPOSITION: (Verified 8/29/25)

Acclamation Insurance Management Services
Agricultural Council of California
Allied Managed Care
American Subcontractors Association of California
Anaheim Chamber of Commerce
Associated General Contractors of California
Associated General Contractors - San Diego Chapter
Brea Chamber of Commerce
California Alliance of Family Owned Businesses
California Apartment Association
California Association of Sheet Metal & Air Conditioning Contractors National
California Chamber of Commerce
California Farm Bureau
California Hotel & Lodging Association
California Landscape Contractors Association
California League of Food Producers
California Manufacturers & Technology Association
California Retailers Association
California State Council of the Society for Human Resource Management
California Trucking Association
Carlsbad Chamber of Commerce
Chino Valley Chamber of Commerce
Coalition of Small and Disabled Veteran Businesses
Colusa County Chamber of Commerce
Corona Chamber of Commerce
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Elk Grove Chamber of Commerce
Flasher Barricade Association
Folsom Chamber of Commerce
Gateway Chambers Alliance
Glendora Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Housing Contractors of California

LA Cañada Flintridge Chamber of Commerce
Lake Elsinore Valley Chamber of Commerce
Lincoln Area Chamber of Commerce
Long Beach Area Chamber of Commerce
Murrieta/Wildomar Chamber of Commerce
National Federation of Independent Business
Newport Beach Chamber of Commerce
Norwalk Chamber of Commerce
Oceanside Chamber of Commerce
Orange County Business Council
Palos Verdes Peninsula Chamber of Commerce
Paso Robles and Templeton Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Rancho Mirage Chamber of Commerce
Roseville Area Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Shingle Springs/Cameron Park Chamber of Commerce
Simi Valley Chamber of Commerce
Society of Human Resources Management California
Southwest California Legislative Council
TechNet
Torrance Area Chamber of Commerce
Tri-County Chamber Alliance
United Chamber Advocacy Network
Valley Industry & Commerce Association
West Ventura County Business Alliance
Western Carwash Association
Western Electrical Contractors Association
Western Growers Association
Wine Institute
Yuba Sutter Chamber of Commerce

ARGUMENTS IN SUPPORT:

According to sponsors of the measure: “Current procedures for processing wage claims involve significant delays, often taking two or more years before a hearing is scheduled. Employers are not required to engage in the wage claim process and can fail to appear or respond to claims, refuse to communicate with the LCO, or otherwise deliberately delay the process leading to prolonged resolution times and hindering workers’ ability to recover unpaid wages. AB 1234 puts in place procedures to reduce the backlog at the Labor Commissioner’s Office by focusing

on employer failure to respond to wage theft claims that unnecessarily drag out cases.”

ARGUMENTS IN OPPOSITION:

A coalition of employer organizations, including the California Chamber of Commerce, are opposed to the measure arguing that although they support the goal of expediting claims through the LC’s office, especially in circumstances where the employer does not take the claim seriously, they have some concerns about the proposed procedural changes. Among other things, they write:

“AB 1234 imposes a thirty percent ‘administrative fee’ on every single order, decision, or award issued by the Labor Commissioner. [*Consultant notes recent amendments change from a mandatory 30 percent fee to authorizing the LC to impose up to a 30 percent fee*] This is a penalty by another name. It is an automatic thirty percent increase of whatever amount is found owed by the employer, which may already include penalties...

Recent amendments do not address this concern. The language provides that the fee shall be waived where an employer establishes several criteria. However, those criteria include that 1) the employer has never settled any wage disagreement with an employee over the last ten years and 2) the employer has never received an adverse order from the Labor Commissioner within the last ten years, regardless of the circumstances or facts... Virtually no employer will be able to attest that they have never settled any disagreement with an employee in the last ten years. Any additional ‘fee’ should solely be tied to scenarios where an employer fails to comply with the wage claim process...”

ASSEMBLY FLOOR: 50-14, 6/4/25

AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Ortega, Papan, Patel, Pellerin, Quirk-Silva, Ransom, Celeste Rodriguez, Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Alanis, Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Macedo, Patterson, Sanchez, Tangipa, Wallis

NO VOTE RECORDED: Bains, Bauer-Kahan, Carrillo, Castillo, Chen, Flora, Irwin, Lackey, Nguyen, Pacheco, Petrie-Norris, Ramos, Michelle Rodriguez, Blanca Rubio, Ta

Prepared by: Alma Perez-Schwab / L., P.E. & R. / (916) 651-1556
8/30/25 16:16:07

**** **END** ****