

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2039 (Zbur) – As Amended March 25, 2026

Policy Committee: Judiciary

Vote: 12 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill strengthens enforcement against attorney misconduct in three areas: it regulates attorney-client loans and financial advances, enhances penalties for illegal client solicitation (“capping”), and establishes whistleblower protections for persons who report attorney misconduct.

Specifically, this bill:

- 1) Prohibits attorneys from charging interest on loans or advances to clients, requires detailed written disclosures in a contract separate from the retainer agreement, provides clients a five-business-day cooling-off period, and prohibits conditioning legal strategy or settlement decisions on loan repayment and makes violations subject to restitution, \$15,000 civil penalties per offense, and State Bar discipline.
- 2) Requires mandatory summary disbarment upon a felony conviction for capping, or a misdemeanor conviction where the attorney acted knowingly and for financial gain and prohibits the State Bar from negotiating alternative discipline in lieu of disbarment.
- 3) Authorizes the Attorney General, city attorneys, and county counsel to seek civil penalties of \$25,000 per violation for capping, with each client retained and each claim filed constituting a separate violation.
- 4) Establishes anti-retaliation protections, modeled on Labor Code Section 1102.5, for employees, contractors, clients, and others who report attorney misconduct in good faith to the State Bar, courts, or prosecutors.

**FISCAL EFFECT:**

- 1) Unknown, but likely minor costs to the Department of Justice (General Fund) for enforcement of the new \$25,000 per-violation civil penalty against attorneys engaged in capping. The AG is authorized but not required to bring these actions. To the extent DOJ pursues enforcement, costs would be partially offset by penalty recoveries and attorney’s fees awards.
- 2) Cost pressures (Trial Court Trust Fund, General Fund) of an unknown but potentially significant amount to the courts to adjudicate civil actions authorized by this bill, possibly in the hundreds of thousands of dollars annually. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs

approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions, totaling approximately \$117.3 million in 2025-26. The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year beginning in the 2027-28 fiscal year.

- 3) Unknown, minor costs to the State Bar of California for processing mandatory disbarment proceedings and administering confidential or anonymous reporting mechanisms for attorney misconduct. The State Bar is funded by attorney licensing fees, not the General Fund.
- 4) No significant state costs from the whistleblower and anti-retaliation provisions, which extend existing Labor Code 1102.5 protections to the law firm context and do not create new state enforcement obligations.

#### COMMENTS:

- 1) **Purpose.** According to the author, recent reporting has uncovered evidence that some attorneys are engaged in illegal client solicitation in connection with large government settlement funds, including a \$4 billion settlement with Los Angeles County arising from childhood sexual abuse at juvenile detention facilities. The bill increases accountability for attorney misconduct and ensures consistent enforcement of capping prohibitions.
- 2) **Background.** Existing law prohibits attorneys from using runners or cappers to solicit clients and imposes criminal penalties of up to one year in county jail and \$15,000 in fines for a first offense, escalating to two to four years in state prison for subsequent offenses. SB 37 (Umberg), Chapter 345, Statutes of 2025, added private civil enforcement provisions including statutory damages of \$5,000 to \$100,000 per violation. This bill adds a \$25,000 per-violation civil penalty enforceable by public prosecutors — a provision specifically designed to empower the city attorneys and county counsel who are defending municipalities against potentially fraudulent claims. The bill also requires mandatory disbarment for convicted cappers, addressing concerns that the State Bar's discretionary disciplinary process has resulted in inconsistent outcomes, with some attorneys receiving suspensions rather than disbarment. The attorney-client loan provisions respond to a gap in existing law: while AB 931 (Kalra), Chapter 565, Statutes of 2025, established rules for loans from outside entities, existing law is largely silent on loans from attorneys directly to their clients.

**Analysis Prepared by:** Shiran Zohar / APPR. / (916) 319-2081