

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2025-2026 Regular Session**

AB 485 (Ortega)  
Version: July 1, 2025  
Hearing Date: July 15, 2025  
Fiscal: Yes  
Urgency: No  
ME

**SUBJECT**

Labor Commissioner: unsatisfied judgments: nonpayment of wages

**DIGEST**

This bill enhances worker protections by strengthening wage theft laws.

**EXECUTIVE SUMMARY**

The bill before this Committee aims at pushing more employers into compliance with wage theft laws. The bill does this by going after an employer's state license or permit if that employer has been found to have violated the wage theft law. (Lab. Code § 238) The bill requires that if the Labor Commissioner (Commissioner) finds that an employer is conducting business in violation of Labor Code Section 238, then the Commissioner is required to notify the applicable state agency with jurisdiction over that employer's license or permit. The bill also requires the state agency to deny a new license or permit, or the renewal of an existing license or permit for that employer. However, in an attempt to satisfy the opposition of the California Hospital Association, the bill provides that the State Public Health Officer may exempt a hospital employer from the requirements of this bill upon a determination that a denial, suspension, or revocation of the hospital's license, permit, or renewal could have imminent or substantial adverse effects upon public health or safety.

AB 485 is sponsored by the Santa Clara County Wage Theft Coalition and supported by the California Federation of Labor Unions, AFL-CIO, and numerous labor unions and organizations that support workers. The bill is opposed by the California Hospital Association, the California Assisted Living Association, LeadingAge California, and the Dental Board of California. This bill passed the Senate Labor, Public Employment and Retirement Committee with a 4 to 0 vote.

**PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Establishes the Division of Labor Standards Enforcement (DLSE), under the direction of the Labor Commissioner (Commissioner), within the Department of Industrial Relations (DIR) and sets forth its powers and duties regarding the enforcement of labor laws. (Lab. Code §§ 79 et seq.)
- 2) Authorizes the Commissioner to investigate employee complaints and to provide for a hearing in any action to recover wages, penalties, and other demands for compensation, as specified. (Lab. Code § 98.)
- 3) Allows parties to the Commissioner hearing process to appeal an order, decision, or award to the superior court within 10 days after service of the notice of the order, decision, or award, and requires the appeal to be heard de novo. Specifies that if no appeal is filed within the 10-day period, the Commissioner's order, decision, or award is to be deemed the final order. (Lab. Code § 98.2.)
- 4) Authorizes, beginning 20 days after a judgment is entered by a court of competent jurisdiction in favor of the Commissioner or an employee, the Commissioner to mail a notice of levy upon all persons having in their possession, or who will have in their possession or under their control, any credits, money, or property belonging to the judgment debtor. (Lab. Code § 96.8.)
- 5) Prohibits an employer with a final judgment for nonpayment of wages that remains unsatisfied after a period of 30 days after the time to appeal therefrom has expired and no appeal therefrom is pending from continuing to conduct business in California, unless that employer has obtained a bond from a surety company and filed that bond with the Commissioner, as prescribed, or reached an accord with an individual holding an unsatisfied final judgment, and subjects an employer in violation of this provision to a civil penalty. (Lab. Code § 238.)
- 6) Allows the Commissioner, if an employer is found to be in violation of the above provision governing unsatisfied judgments, to issue a stop work order prohibiting the use of employee labor until the requirements of the above provision governing unsatisfied judgments is satisfied, and requires that any employee affected by the work stoppage be paid by the employer for such time lost, not exceeding 10 days, pending compliance by the employer. (Lab. Code § 238.1.)
- 7) Allows the Commissioner to create a lien on any real property in California of an employer or a successor employer that is conducting business in violation of the above provision governing unsatisfied judgments, for the full amount of any wages, interest, and penalties claimed to be owed to any employee. (Lab. Code § 238.2.)

- 8) Allows the Commissioner to create a lien on any personal property in California of an employer that is conducting business in violation of the above provision governing unsatisfied judgments, for the full amount of any wages, interest, and penalties claimed to be owed to any employee. (Lab. Code § 238.3.)
- 9) Provides that, if an employer in the long-term care industry that is also required to obtain a license from the State Department of Public Health or the State Department of Social Services has violated Labor Code Section 238 governing unsatisfied judgments, either of those departments may deny a new license or the renewal of an existing license for that employer. Upon finding that an employer in the long-term care industry is violating the Labor Code Section 238 the Commissioner is required to notify those departments. (Lab. Code § 238.4.)

This bill:

- 1) Provides that notwithstanding any other law, if an employer that is required to obtain a license or permit from any state agency is found to have violated Labor Code Section 238, the applicable state agency shall deny a new license or permit, or the renewal of an existing license or permit, for that employer.
- 2) Provides that if the Labor Commissioner finds that an employer is conducting business in violation of Labor Code Section 238, the Labor Commissioner shall notify the applicable state agency with jurisdiction over that employer's license or permit.
- 3) Provides that the State Public Health Officer may exempt a hospital employer from the requirements of this bill upon a determination that a denial, suspension, or revocation of the hospital's license, permit, or renewal could have imminent or substantial adverse effects upon public health or safety or would violate constitutional law.
- 4) Specifies that for purposes of this bill, "state agency" has the meaning prescribed by of Government Code Section 11000.
- 5) Repeals Labor Code Section 238.4 described in 9), above, in the existing law section of this analysis.

### COMMENTS

#### 1. Stated need for the bill

According to the author:

Wage theft is a pervasive problem that requires an all-hands-on-deck response from the state. With our Labor Commissioner's Office facing a dire staffing

shortage and an overwhelming backlog of wage claims, we need to get creative about solutions. This bill is an important part of wage theft reforms being proposed by the Legislature this session and is designed to deputize state agencies to assist the Labor Commissioner and workers in recouping their hard-earned, unpaid wages. By targeting the state-issued licenses held by the most egregious perpetrators of wage theft – those that have exhausted their appeal opportunities and still refuse to pay up – this bill will create a powerful incentive for employers to satisfy their judgments.

## 2. Wage theft is prevalent in California

California has some of the strongest protections across the country for workers and for ensuring they can be made whole when they are wronged by their employer. These laws include rules for a minimum wage, rest and meal breaks, overtime pay, and the timely payment of wages, and rules against retaliation for an employee asserting their rights. Many of California's labor laws include statutory or civil penalties and fines for employers who violate them. These laws ensure that California's workforce and economy are the strongest in the world and that workers' rights, fair treatment and pay, and dignity are respected.

However, laws are only as good as the extent to which they are followed and enforced, and labor law violations continue to be a major problem across the state. A 2017 study found that 19.2% of low-wage workers experience minimum wage violations in California each year, with employers stealing almost two billion dollars from California workers every year through minimum wage violations.<sup>1</sup> Another study found even higher losses for California workers: across three metropolitan areas covering Los Angeles, San Diego, and the Bay Area, employers were estimated to have stolen an average of 2.3 to 4.6 billion dollars in earned wages from workers each year between 2014 and 2023.<sup>2</sup> Furthermore, the number of underpaid workers has more than doubled since 2014, with a dramatic increase of 56 percent from 2022 to 2023.<sup>3</sup> This wage theft disproportionately affects African American, Latinx, noncitizen, and women workers. Given these statistics, wage theft remains a bigger problem of theft in California than all other forms of theft.<sup>4</sup>

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<sup>1</sup> David Cooper & Teresa Kroeger, *Employers steal billions from workers' paychecks each year* (May 10, 2017) Economic Policy Institute, <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/>.

<sup>2</sup> Jake Barnes et al., *Wage Theft in California: Minimum wage violations, 2014-2023* (May 2024) Rutgers School of Mgmt. and Lab. Rel., available at <https://www.smlr.rutgers.edu/news-events/smlr-news/minimum-wage-theft-rises-sharply-california>.

<sup>3</sup> *Id.*

<sup>4</sup> Ross Eisenbrey & Brady Meixell, *Wage theft is a much bigger problem than other forms of theft – but workers remain mostly unprotected* (Sept. 18, 2014) Economic Policy Institute, <https://www.epi.org/publication/wage-theft-bigger-problem-forms-theft-workers/>.

Despite these serious and pervasive violations of labor law, employees often are unable to obtain redress or recovery of stolen wages. A Legislative Analyst's Office analysis found that about 33,000 workers file wage claims with the Commissioner every year, with workers reporting collecting less than 20 percent of unpaid wages owed.<sup>5</sup> Moreover, the State Auditor found that, between 2018 and 2023, about 28 percent of employers liable for wage theft failed to make payments ordered by the Commissioner.<sup>6</sup>

Non-enforcement causes serious harm. When an employer violates labor law, it places law-abiding employers at a disadvantage, and if violations are not enforced, it incentivizes a race to the bottom as employers try to compete with their competitors in the market. Moreover, minimum wage violations and worker misclassification, where an employer wrongly classifies a worker as an independent contractor instead, result in lost payroll and sales tax revenue for the state. A report from the UC Berkeley Labor Center found that worker misclassification and informal employment costs state and federal programs almost \$3,000 per misclassified worker each year.<sup>7</sup> Most importantly, those employees who have their wages stolen lose thousands of dollars every year, hurting their pocketbooks and livelihoods. Research has found that minimum wage violations in California contribute to a 22.9% increase in poverty rates among those affected.<sup>8</sup> Thus, enforcement is essential to ensuring California's strong labor laws actually protect workers and society from harm.

### 3. Attempts to stop wage theft

California has robust statutes designed to protect workers from employers stealing their wages. Under current law, when an employer has failed to pay a worker what they are owed under the law, the worker generally must file a wage claim with the Labor Commissioner. When a worker files a wage claim with the Commissioner, the Commissioner will investigate the claim. The Commissioner must notify both parties within 30 days of the complaint as to whether a hearing is required to adjudicate the claim, whether the Commissioner will prosecute the labor law violation, or whether no further action will be taken. If the Commissioner determines a hearing is needed, it must set the matter for a hearing within 90 days. (Lab. Code § 98.) The Commissioner must file and serve on each party its decision within 15 days after the hearing, after which the parties have 10 days from the date of service to seek review of the Commissioner's decision in the superior court. (Lab. Code §§ 98.1, 98.2.) If no party

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<sup>5</sup> Legislative Analyst's Office, *The 2020-2021 Budget: Improving the State's Unpaid Wage Claim Process* (Feb. 19, 2020) available at <https://lao.ca.gov/Publications/Report/4165> [as of July 9, 2025].

<sup>6</sup> California State Auditor, Report No. 2023-104, *2023-104 The California Labor Commissioner's Office: Inadequate staffing and poor oversight have weakened protections for workers* (May 29, 2024) available at: <https://www.auditor.ca.gov/reports/2023-104/> [as of July 9, 2025].

<sup>7</sup> Sarah Hinkley et al., *Race to the Bottom: How Low-Road Subcontracting Affects Working Conditions in California's Property Services Industry* (Mar. 8, 2016) UC Berkeley Labor Center, available at: <https://laborcenter.berkeley.edu/race-to-the-bottom/> [as of July 9, 2025].

<sup>8</sup> Cooper and Kroeger, *supra* note 1.

appeals the Commissioner's decision by this deadline, it is deemed final, and the Commissioner has 10 days to file a copy of the final order with the superior court. (Lab. Code § 98.2(d)-(e).) The superior court then enters a judgment pursuant to the final order that has the same force and effect as a judgment in a civil action, and the Commissioner or the employee can take action to enforce that judgment.

When there is a final judgment against an employer, the Labor Code currently provides for a variety of mechanisms to ensure the employer satisfies the judgment. After 20 days from when a judgment is entered in favor of the Commissioner or in favor of an employee after a hearing before the Commissioner, the Commissioner may collect the outstanding amount of the judgment with the consent of the aggrieved employee by placing a levy on the employer's assets and property. (Lab. Code § 96.8.) Under Labor Code Section 238, if a final judgment for unpaid wages remains unsatisfied after 30 days or more from the time to appeal the judgment and no appeal is pending on the judgment, the employer is prohibited from conducting any business in the state, unless it obtains a specified bond or has reached an accord with the holder of the judgment for payment. (Lab. Code § 238.)

If an employer continues conducting business despite the unsatisfied judgment, the Commissioner may order a stop order, or create a lien on any of the employer's real or personal property in California. (Lab. Code §§ 238.1-238.3.) Furthermore, any employer that continues to conduct business after 30 days from when the judgment became unsatisfied is subject to a civil penalty of \$2,500, and an additional penalty of \$100 for every day that the judgment remains unpaid when the employer has previously been assessed a civil penalty for an unsatisfied judgment. (Lab. Code § 238(f).) If an employer who previously failed to pay a judgment for a labor law violation again fails to pay a judgment within 10 years of the previous failure to pay a judgment, an employee may bring an action for a temporary restraining order against the employer prohibiting the employer from doing business in the state unless they deposit a bond to pay the wages of their employees under the law or satisfy any judgment for failing to do so. (Lab. Code § 243.) California law also provides that, if an employer in the long-term care industry that is also required to obtain a license from the State Department of Public Health or the State Department of Social Services has violated Labor Code Section 238 governing unsatisfied judgments, either of those departments may deny a new license or the renewal of an existing license for that employer. Upon finding that an employer in the long-term care industry is violating the Labor Code Section 238 the Commissioner is required to notify those departments. (Lab. Code § 238.4.)

#### 4. Creates another incentive for employers to stop wage theft and pay wages owed

This bill establishes another incentive for employers to stop wage theft and pay wages owed. According to the author, a similar program was implemented in Santa Clara County in 2019. The author explains that in "2019, Santa Clara County's Office of Labor Standards Enforcement began a new enforcement program through which the county

suspends food health permits for employers with unpaid wage theft judgments. The program has been very successful at compelling employers to abide by judgments and return stolen wages, with the county only needing to briefly suspend one employer's permit. San Diego County started its own version of this program in 2023, and the state of New Jersey has a similar law for all licenses and industries."

The bill before this Committee aims at pushing more employers into compliance with wage theft laws. The bill does this by going after an employer's state license or permit if that employer has been found to have violated the wage theft law. (Lab. Code § 238.) The bill requires that if the Commissioner finds that an employer is conducting business in violation of Labor Code Section 238, then the Commissioner is required to notify the applicable state agency with jurisdiction over that employer's license or permit. The bill also requires the state agency to deny a new license or permit, or the renewal of an existing license or permit for that employer. However, in an attempt to satisfy the opposition of the California Hospital Association, the bill provides that the State Public Health Officer may exempt a hospital employer from the requirements of this bill upon a determination that a denial, suspension, or revocation of the hospital's license, permit, or renewal could have imminent or substantial adverse effects upon public health or safety.

The current law does not appear to be strong enough to deter employers from stealing the wages of their workers and from ensuring that employers pay up when they are found to have violated the wage theft law. Because of the threat of losing their license, this bill would provide an additional incentive for employers to comply with the law and not steal the wages of their employees.

## 5. Support

The sponsor of the bill, the Santa Clara County Wage Theft Coalition, writes the following in support of the bill:

[AB 485] will arm the state with another tool to help workers collect unpaid wages by requiring state agencies to deny a new license or permit, or the renewal of an existing license or permit, for employers that have outstanding wage theft judgments and have not obtained a surety bond or reached an accord with the affected employee to satisfy the judgment.

Wage theft is the most prevalent type of theft in this country, causing more economic loss than all other types of theft combined. In California, workers lose an estimated \$2 billion annually due to wage theft, and 30 percent of low-wage workers in the state report experiencing at least one form of wage theft.

Even when workers prevail in their wage theft claims, they are more often than not unsuccessful in recovering the stolen money. According to the California

State Auditor, between 2018 and 2023, the Labor Commissioner's Judgment Enforcement Unit was successful in collecting the entire amount owed in just 12 percent of the cases that were referred to the state for enforcement. A 2022 CalMatters investigation found that, overall, only one in seven court-issued judgments are paid by employers. [ . . . ]

By empowering state agencies to deny a new or renewed license, AB 48 will offer a powerful incentive for employers to satisfy those judgments and prevent future wage theft. [ . . . ]

## 6. Opposition

In opposition, the California Assisted Living Association and LeadingAge California write:

AB 485 requires state agencies to deny a new license or permit, or the renewal of an existing license or permit, for employers that have outstanding wage theft judgments and have not obtained a surety bond or reached a settlement with the affected employee to satisfy the judgment.

CALA and LeadingAge California members take their responsibility as employers in California very seriously, striving to maintain compliance and correct issues expeditiously. Current law provides the labor commission with ample remedies to respond to situations of non-compliance, making a new remedy of license denial and revocation unnecessary. Such license denials or revocations would ultimately harm older adults by reducing access to increasingly needed services and potentially leading to displacement.

Existing enforcement remedies for wage theft orders already exist, and if needed, consideration should be given to providing resources necessary to enforce existing remedies, rather than putting access to services at risk.

The California Hospital Association writes the following in opposition to the bill:

Under existing law, the Labor Commissioner may use an array of enforcement mechanisms to compel the payment of unpaid wages. This includes issuing a stop work order against an employer that has ignored a judgment for unpaid wages — essentially shutting down a business. AB 485 would take this one step further by requiring the Labor Commissioner to notify licensing agencies, which would then withhold issuing or renewing a license or permit until the outstanding judgment is satisfied.

For hospitals, this means closure — a detrimental consequence for patients and workers that has a cascading effect on the community. Patients must be



transferred to hospitals with capacity, workers must find alternative employment, sensitive equipment must be disabled, blood banks are disrupted, and third-party contracts must be suspended. Moreover, reopening a hospital that has been forced to close is a resource-intensive, lengthy endeavor – and communities are left without access to care in the meantime.

Each hospital recognizes the value and strength its workforce brings to the quality of care and services provided to its patients. To that end, **hospitals do not support or condone wage theft – but as a matter of policy, AB 485 goes too far.** Providing the Labor Commissioner with additional resources to better utilize existing enforcement mechanisms is a far better approach than threatening to withhold a hospital’s license and risk its closure, which ultimately would hurt the patients we all serve.

In response to the California Hospital Association’s opposition, the author amended the bill to provide the hospital licensing authority some discretion. Specifically, the bill now allows the State Public Health Officer to exempt a hospital employer from the requirements of the bill upon a determination that a denial, suspension, or revocation of the hospital’s license, permit, or renewal could have imminent or substantial adverse effects upon public health or safety.

The Dental Board of California maintains an oppose position to the bill and seeks amendments to clarify the process for the “Board to issue the initial or renewal license or permit if the employer subsequently comes into compliance with the unsatisfied judgment requirements.” Moreover, the Dental Board of California explains that “the Board does not provide lists of license or permit applicants to the Labor Commissioner, so it is unclear how the Labor Commission would know whether the employer had applied for a Board-issued license or permit.”

### **SUPPORT**

Santa Clara Wage Theft Coalition (sponsor)  
California Federation of Labor Unions, AFL-CIO  
California Nurses Association/National Nurses United  
California State Association of Electrical Workers  
California State Pipe Trades Council  
Day Worker Center of Mountain View  
Santa Clara and San Benito Counties Building and Construction Trades Council  
SEIU California  
Western States Council of Sheet Metal Workers  
Working Partnerships USA  
YWCA Golden State Silicon Valley

## **OPPOSITION**

California Hospital Association  
California Assisted Living Association  
Dental Board of California  
LeadingAge California

## **RELATED LEGISLATION**

### **Pending Legislation:**

SB 261 (Wahab, 2025), among other things, require the Commissioner to post a copy of the ODA on the division's website, as specified, no later than 15 days after the time to appeal from the ODA has expired and no appeal therefrom is pending; additionally the bill requires the DLSE to post on its website specified information about any employer with an unsatisfied ODA; the bill additionally requires the employer to be subject to a civil penalty not to exceed three times the outstanding judgment amount if a final judgment against an employer arising from the employer's nonpayment of work performed in this state remains unsatisfied after a period of 180 days. The bill is currently in the Assembly Judiciary Committee.

SB 310 (Wiener, 2025) authorizes workers to recover penalties for lost wages through an independent civil action. The bill is currently on the Senate Floor.

SB 355 (Perez, 2025) requires employers with wage theft judgments to provide, within specified timelines, documentation to the Labor Commissioner that the judgment is fully satisfied or the judgment debtor entered into an agreement for the judgment to be paid in installments, as prescribed; subjects the judgment debtor employer to a civil penalty for violations; and requires the Commissioner to notify the Tax Support Division of the Employment Development Department of unsatisfied judgments as a notice of potential tax fraud. The bill is currently in the Assembly Appropriations Committee.

AB 1234 (Ortega, 2025) requires, among other things, the DLSE to promptly notify employers when a worker files a wage claim and requires a full response in a reasonable amount of time; the bill also allows the DLSE to issue an ODA based on the worker's claim if the employer fails to respond or appear; it additionally adds procedural requirements for employers that challenge claims, including requiring documentation of specific facts and evidence for disputes over the amount of the claim. The bill is set to be heard in this Committee on the same day as AB 485.

Prior Legislation:

SB 588 (De León, Ch. 803, Stats. 2015) allowed the Commissioner to file a lien or levy on an employer's property in order to assist the employee in collecting unpaid wages when there is a judgment against the employer; additionally required that, if a final judgment against an employer arising from the employer's nonpayment of wages for work performed in this state remains unsatisfied after a period of 30 days after the time to appeal therefrom has expired, the employer must cease business operations unless the employer has obtained a surety bond or provided the Commissioner with a notarized copy of an accord reached with an individual holding an unsatisfied final judgment.

AB 469 (Swanson, Ch. 655, Stats. 2011) made numerous changes related to wage theft, employee wage claims, and related provisions including subjecting an employer guilty of wage theft to paying restitution of wages to the employee, and extending the period within which the DLSE may commence a collection action, as defined, from one year to three years.

**PRIOR VOTES:**

Labor, Public Employment and Retirement Committee (Ayes 4, Noes 0)

Assembly Floor (Ayes 56, Noes 7)

Assembly Appropriations Committee (Ayes 11, Noes 0)

Assembly Labor and Employment Committee (Ayes 5, Noes 0)

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