
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 485 (Ortega) - Labor Commissioner: unsatisfied judgments: nonpayment of wages

Version: July 1, 2025

Policy Vote: L., P.E. & R. 4 - 0, JUD. 11 - 0

Urgency: No

Mandate: No

Hearing Date: August 18, 2025

Consultant: Robert Ingenito

Bill Summary: AB 485 would require 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.

Fiscal Impact:

- Administrative costs to California Department of Public Health (CDPH) resulting from the current version of the bill have yet to be identified. However, costs to CDPH, at a minimum, would likely be in the high hundreds of thousands of dollars annually (State Department of Public Health Licensing and Certification Program Fund). Cost drivers would include conducting more complex reviews of license applications and renewals, evaluating hospital employers for potential exemptions, and promulgating regulations.
- Similarly, the bill would result in costs of an unknown, but potentially significant, magnitude across other state departments to (1) determine whether an employer is found to be in violation of Section 238, and (2) deny the employer's license or permit (special fund).
- The Department of Industrial Relations (DIR) indicates that its Division of Labor Standards Enforcement (DLSE), headed by the Labor Commissioner's Office (LCO) would incur first-year costs, of \$318,000, and \$294,000 annually thereafter, to implement the provisions of the bill (Labor Enforcement and Compliance Fund).

Background: Wage theft is the failure of an employer to pay wages due to an employee. Wage theft affects low-wage workers disproportionately, and captures many labor law violations, including the minimum wage, overtime, denied meal periods, and/or misclassification of employees as independent contractors.

Under current law, a worker may file a wage theft claim with the LCO, which is then tasked with resolving wage theft claims by investigating, facilitating a resolution with the worker and employee, and holding a hearing when necessary. In some cases, claims may go directly to civil litigation, skipping the settlement conference and hearing steps.

Once the LCO issues an ODA, the employer has a limited time after service of the LCO decision to file an appeal. If no appeal is filed within the specified period, the LCO must file a certified copy of the decision with the appropriate Superior Court and obtain a judgment against the employer for the amount owed. When the LCO does request that the court enter the judgment against the employer, the worker can choose the option of referring the judgment to the LCO's Enforcement Unit for collection or pursue collection on their own or through the use of an external partner, such as a private attorney or advocacy groups.

DLSE's Enforcement Unit can use a variety of means to collect judgment amounts, including levies against employers' bank accounts and liens on properties. Additionally, DLSE calculates interest accrued on any outstanding judgment amounts for collection purposes.

Existing law prescribes specified number of days (with a maximum of 135) for each step in the wage theft adjudication process. The timeline under which DLSE is required to respond to a wage theft claim is as follows:

- 30 days from claim submission to gather information and determine if a hearing is necessary or takes no further action and notifies parties.
- Hold a hearing within 90 days of determination that a hearing is necessary.
- Within 15 days after the hearing is concluded, file an order, decision, or award.
- Within 10 days of service of an ODA, parties can appeal or the LC files the ODA with the appropriate Superior Court and the court issues a judgment against the employer.

In May, the California State Auditor released a report summarizing the findings of a DLSE audit. The Auditor reviewed the backlog of wage claims submitted by workers from 2018 to November 2023, and concluded that the LCO is not providing timely adjudication of wage claims for workers primarily because of insufficient staffing to process those claims. The backlog grew from 22,000 at the end of 2017–18 to 47,000 at the end of 2022–23. As of November 1, 2023, more than 2,800 claims had been open for five years or more, reflecting \$64 million in unpaid wages. Among other things, the report found:

- The LCO often takes two years or longer to process wage claims, with a median of 854 days to issue a decision (more than six times longer than the law allows).
- Field offices have insufficient staffing to process wage claims with vacancy rates equal to or greater than 10 percent, and 13 field offices with vacancy rates greater than 30 percent. The Auditor estimates that the LCO's office needs hundreds of additional positions to resolve its backlog. Contributing to the high vacancy rate is an ineffective and lengthy hiring process and non-competitive salaries.
- DLSE's Enforcement Unit's work results in only a small percentage of successful payment to workers. Between January 2018 and November 2023, about 28 percent of employers did not make LCO ordered payments. The LCO

consequently obtained judgments against those employers. In roughly 24 percent of judgments during that time, or about 5,000 cases, the workers referred their judgments to the Enforcement Unit. The unit successfully collected the entire judgment amount in only 12 percent of those judgments, or in about 600 cases.

Additionally, if the employer in violation is a long-term care provider, the LCO must notify CDPH or the Department of Social Services (DSS), and the CDPH and/or the DSS may deny a new license or a renewal of an existing license. The Contractors State License Board is also empowered to suspend construction contractors' licenses if they have outstanding wage theft judgments.

Proposed Law: This bill would do the following:

- Require a state agency, as defined, to deny a new license or permit, or the renewal of an existing license or permit, for an employer that has an outstanding wage theft judgment and has not obtained a surety bond or reached an accord with the affected employee to satisfy the judgment (violations found under Labor Code Section 238).
- Require the LCO, if it finds that an employer is conducting business in violation of Labor Code Section 238 requiring an employer to obtain a surety bond or reach an accord with the affected employee to satisfy a wage judgment, to notify the applicable state agency with jurisdiction over that employer's license or permit.
- Authorize CDPH to exempt a hospital employer from these provisions 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.
- Repeal Labor Code Section 238.4, authorizing CDPH or DSS to deny a new or renewal of an existing license for a long-term care provider employer that is in violation of Labor Code Section 238, which would now be in conflict with the provisions proposed with this bill.

Related Legislation:

- SB 261 (Wahab) would (1) require DLSE to post online information of employers with unsatisfied ODAs on a claim for unpaid wages; 2) prescribe when a posting can be removed; 3) subject, for final judgments unsatisfied after a period of 180 days, the employer to a civil penalty not to exceed three times the outstanding judgment amount; and 4) authorize the Labor Commissioner to adopt regulations to enforce these provisions. The bill is currently pending in the Assembly Appropriations Committee.
- SB 310 (Wiener) would permit the penalty for failure to pay wages owed to employees to be recovered through an independent civil action, as specified. The bill is currently on the Senate Inactive File.
- SB 355 (Perez) would (1) require employers with unsatisfied judgments for owed wages to provide documentation to the LC that the judgment is fully satisfied or

the judgment debtor entered into an agreement for the judgment to be paid in installments, as prescribed, (2) subjects the judgment debtor employer to a civil penalty for violations, and (3) require the LC 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 pending in the Assembly Appropriations Committee.

- AB 1002 (Gabriel) would authorize the AG to bring a civil action for the temporary suspension or permanent revocation of a contractor's license for failing to pay workers the full amount of wages they are entitled to, failing to pay a wage judgment or for being in violation of an injunction or court order regarding the payment of wages. The bill is currently pending in this Committee.
- AB 1234 (Ortega) would revise the wage theft claims process that the LC must follow to investigate, hold a hearing, and make a determination relating to an employee's complaint. Among other things, this bill permits the entry of default judgments if a defendant fails to answer an employee's complaint, fails to attend a mandatory settlement conference without cause, or fails to appear at the hearing on the complaint and imposes an administrative fee in the amount of 30 percent of the ODA. The bill is currently pending in this Committee.
- AB 594 (Maienschein, Chapter 659, Statutes of 2023), until January 1, 2029, clarified and expanded public prosecutors' authority to enforce the violation of specified labor laws through civil or criminal actions without specific authorization from DLSE.

Staff Comments: For a prior version of this bill, CDPH additionally noted anticipated annual costs ranging from hundreds of thousands of dollars to the low millions of dollars if this bill results in health facility closures, as CDPH must comply with various complicated legal criteria during the facility closure process (State Department of Public Health Licensing and Certification Program Fund).

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