

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 261 (Wahab) – As Amended May 23, 2025

Policy Committee:	Labor and Employment	Vote:	7 - 0
	Judiciary		11 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill requires the Division of Labor Standards Enforcement (DLSE) to post information on its website about an employer with an unsatisfied order, decision, or award (ODA) and subjects an employer with an unsatisfied final judgement to an additional civil penalty.

Specifically, this bill:

- 1) Requires DLSE to post on its website the name and other essential information about an employer with an ODA for which the time to appeal has expired and no appeal is pending, or there is an unsatisfied final court judgment. DLSE must provide at least 15 days' notice to the employer before posting the information and remove the post within 15 days of confirming an employer has: (a) fully paid the judgment or entered into an approved settlement, and (b) submitted certification that all violations identified in the posted information have been remedied or abated.
- 2) Provides that a public prosecutor may be an assignee of a judgment creditor and requires, instead of entitles, a judgment creditor (or the Labor Commissioner (LC) or public prosecutor as the assignee) be awarded court costs and reasonable attorney's fees for enforcing a judgment rendered pursuant to the ODA process.
- 3) Allows a court to assess a civil penalty on an employer, not to exceed three times the outstanding judgment amount, if a final judgment against an employer arising from a wage violation remains unsatisfied after 180 days. The penalty amount must be split in half between affected employees and DLSE for enforcement of labor laws and education efforts. A court must award a prevailing plaintiff all reasonable attorney's fees and costs in an action brought by a judgment creditor, the LC, or a public prosecutor to enforce the final judgment.

FISCAL EFFECT:

- 1) Costs of approximately \$3.1 million in the first year and \$3 million annually thereafter to DLSE, led by the LC, to manage postings about employers with an unsatisfied ODA and pursue additional enforcement of a final judgment against an employer (Labor Enforcement and Compliance Fund). Costs may be minimally offset by penalty revenue.
- 2) Annual cost pressures (General Fund (GF) or Trial Court Trust Fund (TCTF)) of an unknown, but potentially significant amount, to the courts in additional workload by authorizing a court to impose additional civil penalties against an employer with a final

judgment arising from a wage violation, thus allowing further enforcement of the judgment by a creditor, the LC, or a public prosecutor, and requiring the award of attorney's fees and costs to a prevailing plaintiff. It is unclear how many additional civil actions may be filed statewide, but the estimated workload cost of one hour of court time is \$1,000. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF to perform existing duties. The Budget Act of 2025 provides \$82 million ongoing GF to the TCTF for court operations.

COMMENTS:

1) **Purpose.** According to the author:

The existing system for recovering stolen wages is not enough. Most wage theft goes unreported to authorities, and even for those workers who go through the time-consuming and burdensome process to pursue their wage claims and are awarded judgments, the vast majority never see the money they earned...SB 261 will give local prosecutors and attorneys the tools to enforce judgments and help workers get paid by requiring transparency from the [LC] and adding penalties for employers who refuse to pay.

2) **Background. Wage Theft.** A May 2024 study by the Rutgers School of Management and Labor Relations found that California workers lose between \$2.3 billion to \$4.6 billion, or more, each year due to wage theft. In California, a worker may bring a claim against an employer for unpaid wages through the LC or a civil court action. However, even when a worker prevails in a wage theft claim, the worker is often not successful in recovering the stolen money. A 2020 Legislative Analyst's Office report found that less than half of workers awarded unpaid wages were able to collect any amount of the award from the employer.

"Bad Actors" List. SB 1402 (Lara), Chapter 702, Statutes of 2018, requires DLSE to publish online a list of port drayage motor carriers with unsatisfied final judgements owed for wage, tax, and workers' compensation violations. SB 338 (Gonzalez), Chapter 333, Statutes of 2021, expanded the types of violations that qualify a carrier for the DLSE list. This bill similarly requires DLSE to create and maintain an online list of any type of employer with an unsatisfied ODA if the time to appeal has been exhausted and no appeal is pending, or there is an unsatisfied final court judgment based on the ODA. This bill also allows a judgment creditor to assign the judgment to a public prosecutor, thus allowing the public prosecutor to enforce the unpaid judgment.

Labor Code Section 238. SB 588 (De León), Chapter 803, Statutes of 2015, established Labor Code Section 238, which requires an employer with an unsatisfied final judgment for non-payment of wages to cease business operations in California after 30 days unless the employer obtains a surety bond or reaches an accord with the unpaid worker. An employer that conducts business in violation of Section 238 is subject to a civil penalty of \$2,500 or more. The LC may also issue a stop work order against an employer or file a lien against the employer's real property or personal property. This bill creates another enforcement tool by authorizing a court to impose an additional civil penalty on an employer of up to three times the outstanding balance of the judgment and requiring the employer to pay attorney's fees and costs to a prevailing plaintiff.

- 3) **Support and Opposition.** This bill is sponsored by the California Federation of Labor Unions, Civil Prosecutors Coalition, and County of Santa Clara, with the former arguing this bill “creates a deterrent to prevent employers from avoiding payment of wage theft judgments and gives workers more access to attorneys and public prosecutors to help them collect wages that are due to them.” This bill is also supported by other labor organizations and local jurisdictions, Attorney General Rob Bonta, and economic justice groups.

This bill is opposed by business associations, with the Valley Industry and Commerce Association arguing “this bill risks damaging a business’s reputation before due process is complete” and “mandates automatic attorney’s fees for plaintiffs, which could encourage unnecessary litigation and raise costs for employers.” A larger coalition of business groups, led by the California Chamber of Commerce, has a neutral position on this bill.

- 4) **Related Legislation.** SB 355 (Perez) requires a judgment debtor employer to provide documentation to the LC confirming payment of the judgment and requires the LC to report a non-compliant employer to the Employment Development Department. SB 355 is pending hearing in this committee.

AB 485 (Ortega) requires a state agency to deny the license or permit of an employer subject to an unsatisfied final judgment for non-payment of wages. AB 485 is pending hearing in the Senate Appropriations Committee.

AB 1234 (Ortega) modifies the LC’s wage claim process to allow an entry of default judgment if an employer fails to respond within a certain time frame and impose an additional administrative fee on the amount owed by an employer. AB 1234 is pending hearing in the Senate Appropriations Committee.

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