

SENATE THIRD READING  
SB 261 (Wahab and Wiener)  
As Amended September 02, 2025  
Majority vote

## SUMMARY

Subjects judgment debtors with final wage theft judgments unsatisfied after a period of 180 days to a civil penalty not to exceed three times the outstanding judgment amount; and requires public prosecutors to be awarded court costs and reasonable attorney's fees for enforcing a wage theft judgment.

### Major Provisions

- 1) Requires, if a final judgment arising from nonpayment of wages for work performed in this state remains unsatisfied after a period of 180 days after the time to appeal therefrom has expired and no appeal therefrom is pending, the judgment debtor to be subject to a civil penalty not to exceed three times the outstanding judgment amount, including post-judgment interest then due.
  - a. Specifies that a judgment debtor shall not be subject to a penalty if the judgment debtor reaches an accord, pursuant to existing law, before the 180th day and then remains in full compliance with the accord until its full satisfaction.
  - b. Authorizes the court to assess this penalty in any action brought to enforce the judgment or to otherwise induce compliance by or impose lawful consequences on a judgment debtor.
- 2) Requires the court, in any action brought to enforce the judgment or to otherwise induce compliance by or impose lawful consequences on a judgment debtor, to assess against the judgment debtor the entire amount of the requested penalty except to the extent that the court finds that the judgment debtor has demonstrated by clear and convincing evidence good cause to reduce the amount of the penalty.
- 3) Requires penalties assessed by a court to be distributed as follows:
  - a. Fifty percent to the employee or employees in whose favor the judgment was rendered, shared proportionally according to the amount due to each employee in the judgment entered in superior court.
  - b. Fifty percent to the DLSE for enforcement of labor laws, and for education of employers and employees about their rights and responsibilities under the Labor Code, as specified.
- 4) Requires a successor to a judgment debtor, as defined, to be jointly and severally liable for penalties assessed pursuant to these provisions.
- 5) Specifies that penalties assessed pursuant to these provisions shall be in addition to any other penalties or fines permitted by law.

- 6) Includes public prosecutors in the list of entities required to be awarded court costs and reasonable attorney's fees for enforcing a final wage theft judgment, as specified.
- 7) Makes related findings and declarations.

## COMMENTS

### *Wage theft in California:*

Wage theft is the most prevalent type of theft in the country, causing more economic loss than all other types of theft combined. Recent studies estimate that California workers lose more than \$2.3 to \$4.6 billion in stolen wages each year.<sup>1</sup> In California, workers can bring wage claims either through the Labor Commissioner (LC) or through a civil action in court.

However, even when workers prevail in their wage theft claims, they are more often than not unsuccessful in recovering the stolen money. A 2024 California State Auditor Report found that, between 2018 and 2023, the LC's Judgment Enforcement Unit was successful in collecting the entire amount owed in just 12% of the cases that were referred to the state for enforcement. A 2020 Legislative Analyst's Office report found that, for workers who filed wage claims in 2017, less than half who received an award for unpaid wages were able to collect any wages at all from their employer.

Existing law requires employers with unpaid wage theft judgments to cease business operations unless they have obtained a surety bond or reached an accord with an individual holding an unsatisfied final judgment. If an employer is found to be in violation of this requirement, they are subject to a civil penalty and the LC can file a lien on the employer's personal and real property, as well as issue a stop work order.

### **According to the Author**

"Wage theft is the no. 1 crime taking money out of Californians' pockets in the midst of an affordability crisis when millions of people are struggling to meet their basic needs. Workers are especially vulnerable to both wage violations and cost of living increases right now. When employers violate wage laws, they harm workers, families, and communities that need those dollars the most. Ensuring Californians are paid every penny they have earned is a matter of justice that is critical to addressing socioeconomic disparities.

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. In fact, of the judgments that are referred to the Labor Commissioner's Office for judgment enforcement, over three quarters go entirely unpaid, and only 12% are fully paid. SB 261 will give local prosecutors and attorneys the tools to enforce judgments and help workers get paid by requiring transparency from the LCO and adding penalties for employers who refuse to pay."

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<sup>1</sup> Rutgers School of Management and Labor Relations, May 2024, "Wage Theft in California: Minimum Wage Violations, 2014-2023."

[https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/California\\_MinimumWage\\_Study\\_May2024.pdf](https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/California_MinimumWage_Study_May2024.pdf)

### Arguments in Support

The County of Santa Clara, co-sponsor of this measure, writes in support that "under current law, employees are only entitled to simple interest when a judgment goes unpaid, even if unpaid for months or years. The Labor Commissioner has authority to impose a small \$2,500 penalty on employers operating with unpaid judgments for the first violation, and \$100 per day for subsequent violations, but these limited penalties have proven to be insufficient leverage to get employers to pay because they are not tethered to the size of the unpaid wage judgment or the number of workers affected. Equally important, the law does not require those penalties to be distributed to the workers who are harmed by the violations."

### Arguments in Opposition

The Valley Industry and Commerce Association is in opposition and states that this bill "mandates automatic attorney's fees for plaintiffs, which could encourage unnecessary litigation and raise costs for employers. At a time when California businesses are already facing high operating costs, SB 261 adds unnecessary risk and undermines fair resolution processes."

## FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs of an unknown amount to DLSE, led by the LC, to 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.

## VOTES

### SENATE FLOOR: 29-6-5

**YES:** Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

**NO:** Alvarado-Gil, Dahle, Grove, Jones, Seyarto, Strickland

**ABS, ABST OR NV:** Choi, Niello, Ochoa Bogh, Reyes, Valladares

### ASM LABOR AND EMPLOYMENT: 7-0-0

**YES:** Ortega, Flora, Chen, Elhawary, Kalra, Lee, Ward

### ASM JUDICIARY: 11-0-1

**YES:** Kalra, Dixon, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Papan, Sanchez, Stefani, Zbur

**ABS, ABST OR NV:** Macedo

**ASM APPROPRIATIONS: 11-0-4**

**YES:** Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache

**ABS, ABST OR NV:** Sanchez, Dixon, Ta, Tangipa

**UPDATED**

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