
UNFINISHED BUSINESS

Bill No: SB 261
Author: Wahab (D) and Wiener (D), et al.
Amended: 9/2/25 in Assembly
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 3/26/25
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE JUDICIARY COMMITTEE: 11-0, 4/8/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab,
Weber Pierson, Wiener
NO VOTE RECORDED: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-0, 5/23/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Seyarto, Dahle

SENATE FLOOR: 29-6, 6/4/25
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon,
Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird,
Limón, McGuire, McNeerney, Menjivar, Padilla, Pérez, Richardson, Rubio,
Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NOES: Alvarado-Gil, Dahle, Grove, Jones, Seyarto, Strickland
NO VOTE RECORDED: Choi, Niello, Ochoa Bogh, Reyes, Valladares

ASSEMBLY FLOOR: 71-1, 9/8/25 - See last page for vote

SUBJECT: Division of Labor Standards Enforcement: orders, decisions, and
awards

SOURCE: California Federation of Labor Unions, AFL-CIO
Civil Prosecutors Coalition
County of Santa Clara

DIGEST: This bill 1) makes an employer liable for a civil penalty of up to three times the outstanding judgment amount if a final judgment from the nonpayment of wages remains unsatisfied after a period of 180 days, as specified; 2) prescribes how the penalties assessed are to be distributed and used; and 3) requires a court to award a prevailing plaintiff specified fees and costs in any action brought by a judgment creditor, the Labor Commissioner, or a public prosecutor to enforce a final judgment against an employer.

Assembly Amendments of 9/2/25 removed provisions that previously required the Division of Labor Standards Enforcement to post on its internet website specified information about any employer with an unsatisfied order, decision, or award, as prescribed.

ANALYSIS:

Existing law:

- 1) Establishes within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner (LC), and empowers the LC with ensuring a just day's pay in every workplace and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)
- 2) Establishes a citation process for the LC to enforce violations of the minimum wage that includes, but is not limited to, the following procedural requirements:
 - a) A citation issued to an employer, as specified.
 - b) The LC shall promptly take all appropriate action to enforce the citation and to recover the civil penalty assessed, wages, liquidated damages, and any applicable penalties, as specified.
 - c) To contest a citation, a person shall, within 15 business days after service of the citation, notify the office of the LC that appears on the citation of their appeal by a request for an informal hearing. The LC or their deputy or agent shall, within 30 days, hold a hearing.
 - d) The decision of the LC shall consist of a notice of findings, findings, and an order, all of which shall be served on all parties to the hearing within 15 days after the hearing by regular first-class mail.
 - e) A person to whom a citation has been issued shall, in lieu of contesting a citation as specified, transmit to the office of the LC designated on the

citation the amount specified for the violation within 15 business days after issuance of the citation. (Labor Code §1197.1 et seq.)

- 3) Requires the LC, within 15 days after the hearing is concluded, to file in the office of the division a copy of the order, decision, or award (ODA). The ODA shall include a summary of the hearing and the reasons for the decision. Additionally, the ODA includes any sums found owing, damages proved, and any penalties awarded pursuant to the Labor Code, including interest on all due and unpaid wages, as specified. (Labor Code §98.1)
- 4) Requires, upon filing of the ODA, the LC to:
 - a) Serve a copy of the decision personally, by first-class mail, or in the manner specified in Section 415.20 of the Code of Civil Procedure on the parties.
 - b) Advise the parties of their right to appeal the decision or award and further advise the parties that failure to do so within 10 days shall result in the decision or award becoming final and enforceable as a judgment by the superior court. (Labor Code §98.1 and §98.2)
- 5) Specifies that if no appeal of the ODA is filed within the period specified, the ODA shall, in the absence of fraud, be deemed the final order. Existing law then requires the LC to file, within 10 days of the ODA becoming final, a certified copy of the final order with the clerk of the superior court of the appropriate county unless a settlement has been reached by the parties and approved by the LC. Judgment shall be entered immediately by the court clerk in conformity therewith. (Labor Code §98.2)
- 6) Authorizes, in order to ensure that judgments are satisfied, the LC to serve upon the judgment debtor, personally or by first-class mail at the last known address of the judgment debtor listed with the division, a form, as specified, to assist in identifying the nature and location of any assets of the judgment debtor. (Labor Code §98.2)
- 7) Provides that in case of willful failure by the judgment debtor to comply with a final judgment, the division or the judgment creditor may request the court to apply the sanctions provided in Section 708.170 of the Code of Civil Procedure including an order requiring a person to appear before the court. Failure to appear can result in a warrant to have the person brought before the court to answer for the failure to appear. (Labor Code §98.2)

- 8) Requires the LC to make every reasonable effort to ensure that judgments are satisfied, including taking all appropriate legal action. (Labor Code §98.2)
- 9) Authorizes, until January 1, 2029, a public prosecutor to prosecute an action, either civil or criminal, for a violation of certain provisions of the labor code or to enforce those provisions independently. (Labor Code §181)

This bill:

- 1) Provides that if a final judgment arising from an employer's nonpayment of wages remains unsatisfied after a period of 180 days after the time to appeal therefrom has expired and no appeal is pending, the judgment debtor shall be subject to a civil penalty not to exceed three times the outstanding judgment amount, including postjudgment 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.
- 2) In any action brought to enforce the judgment or otherwise induce compliance, requires the court 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) Provides that penalties assessed by a court pursuant to these provisions be distributed as follows:
 - a) Fifty percent to the employee(s) in whose favor the judgment was rendered, shared proportionally according to the amount due to each employee in the judgment.
 - 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, upon appropriation, to supplement and not supplant the funding to the division for those purposes.
- 4) Specifies that a successor to a judgment debtor, as defined, shall 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) Requires the court to award a prevailing plaintiff all reasonable attorney's fees and costs in any action brought by a judgment creditor, the Labor Commissioner, or a public prosecutor, as defined, to enforce a final judgment arising from the nonpayment of wages, penalties, or other amounts owed, or to otherwise induce compliance by or impose lawful consequences on a judgment debtor for nonsatisfaction of a final judgment, as specified.
- 7) Includes findings and declarations relevant to the pervasive issue of wage theft in California and the need for additional tools to enhance enforcement and collection of wage judgments to ensure workers who are victims of wage theft are paid in a timely manner.

Background

Data on Wage Theft. California leads the nation with some of the strongest workplace protections for workers. Unfortunately, those laws are meaningless if they are not implemented or enforced, leaving workers struggling to recoup owed wages. Wage theft in California, which impacts low-wage workers disproportionately, is well documented. Wage theft captures many labor law violations including violations of the minimum wage, overtime, denied meal periods, or misclassification of employees as independent contractors, among others. A 2022 report to the Legislature on the state's wage claim adjudication process reveals that there were nearly 19,000 wage claims filed in 2021 with a total of \$335 million being owed to workers.¹ Due to challenges in staffing, resources, and a growing case backlog, only approximately \$40 million has been in paid in awards or settlements through the wage claim adjudication unit of the LC.² In 2022, the Labor Commissioner's office recovered through the wage claim process an average of 63% of wages owed, totaling more than \$47 million paid to workers.

Wage theft does not only affect workers, but they also create unfair competition for responsible employers who follow the law. The State of California is also harmed when labor laws are not enforced because more workers fall into poverty, the safety net is eroded, and payroll taxes are not paid.

¹ Wage Claims Adjudication Unit Annual Report Pursuant to Labor Code Section 96.1, Calendar Year 2021, California Labor Commissioner's Office, p. 15.

² *Ibid.*

Need for this bill? According to the author: “Ensuring Californians are paid every penny they have earned is a matter of justice that is critical to addressing socioeconomic disparities. While young workers (16-24) are at the highest risk of being paid below minimum wage, seniors over 65 are also more likely to experience minimum wage violations.

The existing system for recovering stolen wages is not enough. Only 12% of workers who report stolen wages to the Labor Commissioner’s Office (LCO) receive the payment they’re owed, and over half of wage theft judgments go unpaid. 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.”

[NOTE: Please see the Senate Labor, Public Employment and Retirement Committee analysis on this bill for more background information and information on prior legislation.]

Related/Prior Legislation

SB 310 (Wiener 2025) would permit the penalty for failure to pay wages owed to employees to be recovered through an independent civil action, as specified.

SB 355 (Perez, 2025) would 1) require employers with unsatisfied judgments for owed wages to provide, within specified timelines, 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) subject 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.

AB 1234 (Ortega, 2025) would, among other things, revise and recast the provisions relating to the process for the LC investigate, hold a hearing, and make determinations relating to an employee’s complaint of wage theft. Among other things, the bill would impose an administrative fee payable in the amount of 30% of the ODA to be deposited into the Wage Recovery Fund, created by the bill, and appropriated to compensate the LC for the staffing required to investigate and recover wages and penalties owed to aggrieved employees.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee:

- 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.

SUPPORT: (Verified 9/8/25)

California Federation of Labor Unions, AFL-CIO (Co-source)

Civil Prosecutors Coalition (Co-source)

County of Santa Clara (Co-source)

American Federation of State, County and Municipal Employees Local 57

Attorney General Rob Bonta

California Employment Lawyers Association

California Federation of Teachers – Union of Educators & Classified Professionals

California Nurses Association/National Nurses United

California Rural Legal Assistance Foundation, INC.

California School Employees Association

California Teamsters Public Affairs Council

City and County of San Francisco

City of San Jose

City of Santa Ana

Civil Prosecutors Coalition

Consumer Attorneys of California

San Francisco City Attorney David Chiu
Santa Clara County Wage Theft Coalition
South Bay AFL-CIO Labor Council
Transport Workers Union of America, AFL-CIO
Western Center on Law & Poverty, INC.

OPPOSITION: (Verified 9/8/25)

Tri-Country Chamber Alliance
Valley Industry and Commerce Association

ARGUMENTS IN SUPPORT: According to proponents, “Many wage theft judgments remain unpaid. This may be the result of the lack of consequences for employers who fail to pay. 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...this bill is a crucial step towards ensuring that workers receive timely justice and that employers adhere to fair labor practices. The additional enforcement tools in SB 261 would provide greater protection for workers’ rights and promote a fairer workplace environment statewide.”

ARGUMENTS IN OPPOSITION: According to opponents, “the bill increases exposure to substantial financial penalties and expands the scope of enforcement without adequate safeguards. Small businesses in particular could face disproportionate consequences that threaten their survival, even for minor or contested infractions. Rather than fostering compliance, this approach creates an adversarial environment that may discourage open dialogue and timely resolution of disputes. We encourage opposition to SB 261 to preserve fairness in the adjudication process and protect small businesses from unintended harm.”

Assembly Floor: 71-1, 9/8/25

Ayes: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian,

Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor,
Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris,
Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers,
Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani,
Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

Noes: Johnson

No Vote Recorded: Castillo, Ellis, Hadwick, Lackey, Macedo, Nguyen, Ta,
Tangipa

Prepared by: Alma Perez-Schwab / L., P.E. & R. / (916) 651-1556
9/8/25 19:44:50

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