

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 355 (Pérez) – As Amended June 26, 2025

Policy Committee: Labor and Employment

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires a judgment debtor employer to provide documentation to the Labor Commissioner (LC) confirming payment of the judgment and requires the LC to report a non-compliant employer to the Employment Development Department (EDD).

Specifically, this bill:

- 1) Requires a judgment debtor employer to provide documentation to the LC, within 60 days of a final judgment being entered against an employer requiring payment to an employee or to the state, that: (a) a judgment is fully satisfied, (b) a bond has been posted, or (c) an installment payment agreement has been entered.
- 2) Makes a judgement debtor employer that fails to comply with the documentation requirement liable for a \$2,500 civil penalty via a citation issued by the LC.
- 3) Requires the LC to provide an employer that has not submitted documentation with written notice that: (a) the LC will submit the unsatisfied judgment to EDD as a notice of potential tax fraud, and (b) the civil penalty is due within 90 days. If an employer neither submits documentation nor pays the civil penalty within 90 days of receiving the LC's notice, the LC must provide EDD with a notice that includes a summary of the final judgment and identifying information of the liable entities.

FISCAL EFFECT:

- 1) Costs of approximately \$4 million in the first year and \$3.7 annually thereafter to the LC to issue and enforce citations against non-compliant employers (Labor Enforcement and Compliance Fund). Costs may be minimally offset by penalty revenue.
- 2) Minor and absorbable costs to EDD to receive notices about non-compliant employers from the LC. EDD notes that this bill does not require EDD to investigate a non-compliant employer, so EDD does not anticipate related enforcement costs.
- 3) Possible payroll tax revenue gain of an unknown amount, to the extent EDD identifies tax fraud by a non-compliant employer and recovers uncollected tax revenues (special fund).

COMMENTS:

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

SB 355 is a critical step in holding wage-theft/tax evaders accountable. Despite existing laws, unscrupulous employers continue to withhold wages and evade tax obligations, thus harming workers, law-abiding businesses, and the state's tax base. This bill strengthens enforcement by ensuring that employers who refuse to pay wage theft judgments face real consequences – including increased coordination between [EDD] and the [LC] for tax fraud investigations.

This bill is co-sponsored by the California Federation of Labor Unions and the Sheet Metal, Air, Rail, and Transportation Workers, Local 105, and supported by other labor organizations and social justice groups.

- 2) **Background. Wage Theft.** A May 2024 study by the Rutgers School of Management and Labor Relations found that California workers lose more than \$2.3 billion to \$4.6 billion 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.

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 requires an employer with an unsatisfied final judgment for non-payment of wages to provide documentation to the LC, within 60 days of a final judgment being entered against an employer, that the judgment is fully satisfied or the employer has posted a bond or entered into a payment plan as required by Labor Code Section 238. This bill also imposes an additional \$2,500 penalty on an employer that fails to provide such documentation to the LC and requires the LC to notify EDD that the employer may be committing tax fraud. EDD administers state payroll taxes, including an employer's obligation to pay Unemployment Insurance Tax and Employment Training Tax.

- 3) **Related Legislation.** SB 261 (Wahab) requires the LC to post information on its website about an employer with an unsatisfied order, decision, or award and subjects an employer with an unsatisfied final judgement to a civil penalty. SB 261 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.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081