

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 847 (Reyes) – As Introduced February 21, 2025

Policy Committee:	Judiciary	Vote:	12 - 0
	Insurance		17 - 0

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

SUMMARY:

This bill authorizes the Department of Industrial Relations (DIR) director to make a prima facie finding that a transfer of property by an uninsured employer was made to avoid the lawful imposition of a lien on the property.

Specifically, this bill:

- 1) Allows the DIR director, when the director determines there is sufficient evidence to show one of two circumstances is present, to make a prima facie finding that an uninsured employer (or substantial shareholder) transferred real property with intent to retain a beneficial interest in the property, thus creating a resulting trust for the benefit of the uninsured employer.
- 2) Provides that a certificate of lien previously recorded on the transferred property by the director attaches to the resulting trust in the property, constituting a valid lien against the property in favor of the director in the same manner as if the transfer had not occurred.
- 3) Requires the director to mail written notices of the prima facie determination to the transferor. The notice must advise the transferor of their right to appeal the finding and that a lien may record and attach against the property.
- 4) Authorizes a person aggrieved by the prima facie finding to request a hearing on the director's finding, and authorizes a party aggrieved by the findings of the hearing officer to apply for a writ of mandate in superior court.

FISCAL EFFECT:

- 1) Negligible costs to DIR. DIR notes that this bill's provision of authority to the director does not substantially change the duties already performed by investigators, attorneys, and Uninsured Employers Benefits Trust Fund (UEBTF) collection specialists. DIR further notes the potential for cost savings to the extent this bill deters litigation when the director establishes an equitable trust against real property fraudulently transferred by an uninsured employer and collects reimbursement.
- 2) Costs of an unknown, but likely minor and absorbable, amount to the courts by authorizing a party aggrieved by a hearing officer's findings to apply for a writ of mandate.

COMMENTS:

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

SB 847 ensures that an employer who illegally does not carry [workers' compensation] insurance, does not use loop holes to avoid punishment. By allowing [DIR] to administratively identify when property is being illegally shielded, SB 847 guarantees justice is served and protects the financial stability of the UEBTF while also providing long term, timely relief for injured workers.

This bill is sponsored by the California Applicant Attorneys' Association, and supported by a labor organization and a coalition of employer and insurer associations.

2) **UEBTF.** An employee of an employer that does not have valid workers' compensation insurance at the time of an employee's work-related injury is still entitled to medical treatment and other workers' compensation benefits. If the illegally "uninsured employer" fails to pay for the benefits awarded to the injured employee by the Workers' Compensation Appeals Board, the claim is paid from the UEBTF. The DIR director has the right to recover all benefits paid from the UEBTF, such as through recording a certificate of lien against the uninsured employer's real property.

As part of the UEBTF collection process, the director has the authority to make a prima facie determination relating to two issues: (a) whether the employer was illegally operating without workers' compensation insurance, and (b) if an individual who holds a 15% interest in the employer entity qualifies as a "substantial shareholder" of the entity. This bill provides a similar framework to allow the director to make a prima facie determination when an illegally insured employer or substantial shareholder transfers real property under certain circumstances to avoid the imposition of a lien on the property.

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