



## **EXCLUSIVE: California Budgets Over \$17M To Enforce Misclassification Law**

Insights

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In a budget deal finalized today and expected to be approved by state lawmakers in a matter of days, the California state legislature has reached an agreement that will see \$17.5 million allocated toward enforcement of AB-5 in the 2020-2021 budget year. Unless the state law is radically revamped by voters through a November ballot measure, gig economy businesses can expect to be under the regulatory microscope by state enforcement officials for the foreseeable future. What can gig economy businesses expect given this development?

### **Financial Piece Of The Puzzle**

According to the deal, the budget will see the Department of Industrial Relations receive \$17.5 million to fund over 100 positions in the coming year, all singularly focused on ensuring compliance with the misclassification law that codifies the stringent ABC test. The deal also calls for \$16 million to be devoted to the same area for the following two budget cycles. That is slightly less than the \$20 million that Democratic leaders had originally sought as had been reported as recently as several days ago.

### **What Will The Money Be Used For?**

The funds will primarily be used to conduct audits, carry out prosecutions, and charge penalties on employers. Over 26 full-time positions will be allocated to the Division of Labor Standards Enforcement to investigate alleged violations and conduct outreach with businesses. The bulk of the new hires will adjudicate and manage workers' compensation claims, which are expected to continue to rise given the likelihood of a finding that workers are actually employees entitled to on-the-job injury protection and coverage.

### **What's Next?**

Once approved by the legislature, Governor Newsom will have until June 30 to approve the state budget. All indications are that this is done deal, so we can expect it to be approved and signed in quick measure. Businesses have even more of an incentive now to ensure their workforces are properly classified. If you haven't conducted a self-audit yet (hopefully with the guidance of counsel), now is the time to do so – before you find a state regulator on your doorstep demanding to do one of their own.

### ***Related People***

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