

5 WAYS CALIFORNIA EMPLOYERS CAN PREPARE AS NEW LAW EXPANDS WAGE JUDGMENT ENFORCEMENT

Insights

Oct 14, 2025

California employers that fail to pay final wage judgments will face a host of new of potential ramifications thanks to new law just signed into effect by Governor Newsom. SB 261, signed yesterday and taking effect on January 1, 2026, significantly increases the risks for employers with unpaid wage judgments by introducing triple penalties, mandatory attorneys' fees, and broader prosecutorial authority for the Labor Commissioner's Office. Employers should adopt a proactive compliance strategy as the best defense against escalating liability – here are five ways you can prepare.

5 Things To Know About SB 261

- 1. Triple Penalties for Delay.** Courts may now impose a penalty up to 3× the unpaid judgment (plus interest) if it remains unsatisfied 180 days after the appeal period has lapsed.
- 2. Mandatory Attorneys' Fees.** Employees, the Labor Commissioner, and public prosecutors are automatically entitled to attorneys' fees and costs in wage judgment enforcement actions where the plaintiff prevails.
- 3. Expanded Enforcement Power.** Public prosecutors can now step in as assignees of employees to enforce unpaid judgments, adding significant enforcement capacity.
- 4. Penalty Distribution.** 50% of penalties go directly to affected employees; the other half funds DLSE enforcement and education.

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5. Successor Liability. Business reorganizations or transfers may not shield companies as successors may be jointly and severally liable for unpaid judgments.

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5 Ways You Can Prepare

1. Audit for Outstanding Judgments

Identify and resolve any DLSE orders, decisions, or wage judgments before penalties accrue.

2. Prioritize Timely Settlement

Enter and comply with a payment plan or settlement before the 180-day deadline to avoid triple damages.

3. Strengthen Compliance Programs

Conduct wage-hour audits, train managers, and ensure payroll systems prevent violations.

4. Plan for Transaction Risk

Expand due diligence in M&A transactions to ensure you identify wage judgments, given potential for successor liability.

5. Engage Counsel Early

Seek legal guidance as soon as a DLSE claim arises to assess exposure and develop settlement or defense strategies.

Conclusion

We will continue to monitor California legislative activity, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information directly to your inbox. If you have questions, feel free to contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [California offices](#).