



State of California

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Milton Marks Commission on California State Government  
Organization and Economy

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March 9, 2021

The Honorable Lorena Gonzalez  
Chair, Assembly Appropriations Committee  
State Capitol, Room 2114  
Sacramento, CA 95814

**RE: SUPPORT FOR ASSEMBLY BILL 1003**

Dear Assemblymember Gonzalez,

The Little Hoover Commission supports AB 1003, the measure you authored that would make an employer's intentional theft of wages punishable as grand theft when collectively greater than \$950. In its 2015 report, *Level the Playing Field: Put California's Underground Economy Out of Business*, the Commission found that the consequences for Labor Code violations did not incentivize voluntary compliance: The rewards of breaking the law outweigh the risk, it learned. Prosecutors explained that, "White collar crimes are treated as a nuisance," and stakeholders from multiple industries and levels of government told the Commission that the penalties "are meaningless and unenforced."

Though the Commission encouraged the state to work with business owners to correct honest mistakes, and conduct outreach and education to prevent them in the first place, it also found that a small minority of business owners intentionally build their profit model off of the underground economy, viewing fees and penalties as the cost of doing business. This profit model comes at the expense of the people in their employ and law-abiding business owners who are unable to compete with the cost savings of breaking the law. To incentivize compliance with its laws, the Commission urged the Legislature to assess existing penalties for white collar crimes and, where appropriate, make adjustments to ensure that rewards of breaking the law do not outweigh the risk or the penalties imposed if caught breaking the law.

AB 1003 would carry out this recommendation. For this reason, the Little Hoover Commission supports this bill. If I, the Commission, or our staff can provide any further assistance as this proposal moves through the legislative process, please do not hesitate to ask.

Sincerely,

Pedro Nava, Chairman

C: Commissioners, Little Hoover Commission

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