

DEPARTMENT OF INDUSTRIAL RELATIONS

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Carole D'Elia
Executive Director
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Ms. D'Elia,

Thank you for the opportunity to provide an update on our state's progress in combatting the underground economy. Across California, we share a commitment to helping workers, reducing unfair burdens on taxpayers, and leveling the playing field for small business. Many agencies have engaged in close collaboration over the years to address the cross-jurisdictional components of underground economic activity. These joint operations leverage existing resources within agencies, promote increased information sharing (as permitted by law) to identify scofflaw employers, and support enforcement that is targeted at businesses known to be out of compliance. Key partnerships with industry and labor groups have been critical to our continued success in reaching the right audiences and ensuring that we focus on the topics of greatest concern.

The Department of Industrial Relations (DIR) protects and improves the health, safety, and economic well-being of over 18 million wage earners and helps their employers comply with state labor laws. As the department's Director, I have promoted the use of technology to identify patterns of noncompliant behavior using our own databases. Enforcement teams have benefitted from this practice through investigations that target noncompliant businesses. This maximizes our impact and saves time and resources. Many other California agencies have also bolstered efforts to use information to improve the effectiveness of their operations. In recent years, collaboration among these agencies has increased the reach of education and the enforcement of labor law compliance.

I am pleased to detail the impact of ongoing collaboration, list the challenges that remain, outline current funding, provide a summary of outreach and education efforts, and highlight recent initiatives.

Impact of Ongoing Collaboration

The Labor Enforcement Task Force (LETF), administered by DIR, is a coalition of California State government enforcement agencies that work together and in partnership with local agencies to combat the underground economy. In this joint effort, information and resources are shared to ensure that employees are paid properly and have safe work conditions and honest, law-abiding businesses have an opportunity for healthy competition. The agency partners include: DIR's Division of Occupational Safety and Health (commonly known as Cal/OSHA) and Division of Labor Standards and Enforcement (DLSE, commonly known as the Labor Commissioner's Office), the Employment Development Department (EDD), the Contractors State License Board, the California Department of Insurance, the Board of Equalization, the Bureau of Automotive Repair, the Department of Alcoholic Beverage Control, the state Attorney General, and district attorneys throughout California.

The LETF focuses on targeting underground employers in high-risk industries known to be frequently abusing the rights of low-wage workers, rather than making random, routine sweeps that prove ineffective because they burden compliant businesses. As documented in the LETF Five-Year Report (2012-16) to the Legislature, over 90 percent of businesses inspected each month in 2016 were found to be out of compliance by at least one LETF partner agency, showing the effectiveness of joint targeted enforcement. Enforcement outcomes of businesses that were inspected jointly by the DLSE, EDD, and Cal/OSHA were examined for two purposes: (1) to assess the effectiveness of the LETF targeting methodology and (2) to test the underlying assumption that businesses operating in the underground economy are likely to have violations in multiple areas of the law. The vast majority of inspected businesses were found to be in violation by at least two agencies. In fact, 44 percent of joint LETF inspections have resulted in violations with every agency participating in the inspection. LETF enforcement activity has successfully targeted businesses operating in the underground economy, corroborating the notion that operators in the underground economy are often out of compliance with the law in more than one area. Acting on its commitment to ensuring that California's workers receive their fair wages, the LETF has assessed over \$6.8 million in wages due to workers from the task force's inception in 2012 through 2016.

Another successful effort involves DIR and EDD through the LETF and Joint Enforcement Strike Force (JESF) Collaborative Enforcement Partnership. At the direction of Governor Brown in 2012, DIR and EDD increased collaboration among their respective enforcement programs to coordinate enforcement operations and maximize the use of resources. In 2016 DIR hosted the third annual LETF/JESF joint training session, in which investigators and supervisors from around the state came together to share best practices on joint enforcement operations. Additionally, in 2016 DIR hosted a series of webinar training sessions for LETF and JESF staff from five partner agencies on pertinent topics, including best practices when communicating with vulnerable workers and in overcoming language barriers.

In May 2016, the LETF and the JESF participated in "Operation Underground," a statewide outreach and enforcement effort led by the California Department of Insurance (CDI) to target the underground economy. The multi-agency team, which also included the Contractors' License State Board, EDD, the Franchise Tax Board (FTB), and local district attorneys, visited dozens of locations across the state to educate business owners about their obligation to comply with insurance, licensing, workplace safety, labor laws, and tax codes. The results of this day of inspections underscore the value of careful planning and strategic use of data to conduct enforcement. The DLSE, within DIR, issued stop orders to four employers for having inadequate workers' compensation insurance coverage and a total of \$18,177 in initial assessments. Cal/OSHA, also within DIR, issued an order prohibiting use for a tree trimming operation with an unguarded cutting/grinding machine, which created a significant risk of severe injury. Cal/OSHA also assessed over \$69,000 in initial penalties for the 56 health and safety violations discovered during inspections.

In an effort to thwart underground economic activity in the area of workers' compensation coverage, DIR has engaged in strategic partnerships to use information technology to target noncompliance. DIR's Division of Workers' Compensation (DWC) monitors the administration of workers' compensation claims and provides administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. The high-profile provider fraud prosecutions by local district attorneys that were publicized in the past year involved investigative and funding support from the CDI and the expertise and data analysis provided by DIR and the DWC. The CDI and the DWC chose not to publicize their involvement to preserve the integrity of the prosecutions by refraining from revealing investigative methods and techniques. However, these efforts were key in ascertaining patterns of fraud, relationships among participants, the extent of fraudulent treatment and billing schemes, and how the schemes were perpetrated within the context of the workers' compensation system. Similar efforts are ongoing to ensure that these practices do not undermine the state's efforts to increase payments and improve services to injured workers and to reduce costs for employers.

Additionally, DIR has strengthened partnerships with various district attorney offices to expand the impact of enforcement on the underground economy. The Labor Commissioner's Office, within DIR, frequently works with various local district attorney's offices on egregious cases of wage theft and other labor law violations. An example of the success of this collaboration involved a case citing tax and insurance fraud and failure to pay employees prevailing wages on Public Works contracts.

Assembly Bill (AB) 576 passed the Legislature on September 12, 2013, and was signed by the Governor on October 7, 2013. The bill establishes the Revenue Recovery and Collaborative Enforcement Team (RRACE) Act: a pilot program to combat criminal tax evasion in the underground economy. The passage of RRACE created an umbrella for multi-agency collaboration focused on criminal enforcement, tax evasion of all kinds, counterfeiting, piracy, human trafficking, and money laundering. The California Board of Equalization (BOE) created a new task force to implement enforcement, called TRaCE (Tax Recovery and Criminal Enforcement).

A key element of the RRACE Act is authorizing and facilitating the sharing of data and intelligence among the core RRACE agencies. To clarify the process, a governance framework was formalized among all participating agencies to outline the objectives, requirements, roles, and metrics. A detailed schematic was developed to clarify the flow of information, leads, and cross-referrals among multiple task forces.

The TRaCE Task Force was formed in conjunction with RRACE to conduct investigations and operationalize enforcement for leads generated through as a result of the legislation. The TRaCE Task Force was created by a memorandum of understanding, initially among the four core RRACE agencies—EDD, FTB, BOE, and Department of Justice—and was adopted by RRACE as the enforcement model. To create greater transparency and engage the general public, business, and other agencies, a TRaCE website was launched in October 2014. It provides information about the underground economy and how it affects all Californians, explains the enforcement role of the TRaCE Task Force, and provides the public with a way (website or a mobile application) to report crimes related to labor violations, criminal tax evasion, human trafficking, counterfeiting, piracy, and other economic crimes.

According to the legislation, the agencies participating in RRACE were charged with evaluating the benefits of a processing center to receive and analyze data, share complaints, and research leads. After a feasibility study was conducted, an online central intake system was established in December 2014 to evaluate incoming leads and referrals. This central intake system enables the task force to receive and distribute leads/complaints electronically, in a more efficient and rapid manner. DIR and the RRACE partner agencies continue to collaborate, share information and referrals, and pursue the recovery of revenue for the state of California.

We are very pleased with the successes to date and look forward to continuing the important collaborative work of curbing all areas of activity in the underground economy.

Challenges

In my testimony before the Commission in 2014, I outlined the following four suggestions to improve collaborative joint enforcement and combat the underground economy:

1. Remove barriers to interagency information sharing.
2. Improve coordination with local and state criminal prosecutors.
3. Improve collection of unpaid wages and penalties.
4. Improve payroll reporting and insurance classification reporting.

DIR continues to address these primary challenges and has made progress in these areas by strengthening existing partnerships and generating new ones. Innovative uses of data and technology have allowed greater information

sharing while respecting the limits of the law. As a result of the ability and value of information sharing, coordination across levels of government has increased. This is exemplified by collaborative efforts to address costly and damaging fraud in the workers' compensation insurance industry. Technology that helps agencies follow the dollar across systems is facilitating greater identification of unpaid wages and penalties to aid in collection. Finally, we are identifying potential changes to aid enforcement of accurate payroll reporting and insurance classification to protect workers and support a level playing field for employers.

Funding

We have enclosed a [summary](#) of all DIR budget actions taken subsequent to the Commission's report on the underground economy in March 2015. Notably, the Car Wash Targeted Enforcement proposal expanded enforcement without increasing the registration fee. It is anticipated that this enforcement expansion will reduce the fund balance over time. Also, the Elevator and Conveyance Fee was suspended for two fiscal years (2015/16 and 2016/17) along with an across-the-board reduction of the fee for all elevator and conveyance inspections. These actions, in particular, demonstrate DIR's ongoing commitment to properly aligning fees with resource support needs.

Outreach and Education

DIR is committed to ensuring that workers have access to information about their rights and employers are aware of their responsibilities. We have produced a variety of media campaigns, webinar series, multilingual materials, and other resources to inform the public about labor laws in California. These formats are continually updated and supplemented to ensure accuracy and completeness. The following examples provide insight into key outreach efforts to date.

The LETF initiated a statewide education and outreach program in collaboration with UC Berkeley. The LETF has produced educational materials to inform workers about their rights and to help employers understand their responsibilities. The booklet "All Workers Have Rights in California" is available in English, Spanish, Chinese, Korean, and Vietnamese and covers topics such as minimum wages and overtime, rest and meal breaks, workplace safety and health, and benefits for those injured or unemployed. In partnership with UC Berkeley and community-based organizations, we hold regular workshops and training sessions to educate unrepresented workers in the underground economy about their rights.

The LETF has also produced fact sheets to help employers understand and follow labor, licensing, and payroll tax laws. The fact sheets have been designed for employers in specific industries in which underground economic activity is prevalent, including agriculture, automotive, construction, garment, landscaping, and restaurants. Printable and mobile versions of these materials for workers and employers are now available. The mobile versions are readable on smartphones and other mobile devices. All the LETF educational materials are available at the LETF [website](#).

DIR has developed various partnerships in order to promote compliance within the business community and to educate the public on the widespread impact of the underground economy. In 2016 LETF representatives from multiple partner agencies participated in 16 events hosted by industry associations and employer groups. At these events, LETF representatives spoke with business owners to explain the harmful effects of the underground economy and provided guidance on how business owners can comply with labor, health and safety, licensing, and tax laws.

In 2016 DIR developed a partnership with the California Governor's Office of Business and Economic Development (GO-Biz). LETF representatives attended a series of GO-Biz Small Business Roundtables to discuss the underground economy and explain how DIR is working to level the playing field for law-abiding business owners. These Small Business Roundtables were held in various locations statewide, including Eureka, San Diego, and Los Angeles. DIR has

also partnered with GO-Biz on the California Business Portal. This online portal is a “one-stop shop” for those looking to start or expand a business in California. DIR provides information and website links on the portal to help business owners navigate permit and license requirements, locate consultation services, and learn how to comply with labor, health and safety, and workers’ compensation laws.

DIR continues to promote the award-winning “Wage Theft Is a Crime” campaign. DIR and its Labor Commissioner’s Office launched this public-awareness campaign in 2014. By strategically targeting the most underserved population of low-wage workers, the campaign addresses how to identify wage theft, workers’ rights and employers’ responsibilities, and how to report labor law violations. The campaign is publicized through various media, including worker pocket guides, campaign posters, social media posts, and radio spots in multiple languages.

Recent Initiatives

Senate Bill 863, the landmark workers’ compensation reform in 2012, addressed the needs of injured workers and employers—the primary stakeholders in the system—by increasing benefits while lowering premiums through the elimination of frictional costs. In particular, Senate Bill 863 took medical treatment and billing disputes out of the litigation system and redirected them to the evidenced-based, more timely, more transparent, and less costly Independent Medical Review and Independent Bill Review systems. While these reforms met the primary objectives of increasing benefits and reducing costs, they also generated new data on liens, which aided in exposing fraud schemes and fraudulent practices among providers. These practices have become prevalent in the underground economy, and DIR has taken significant steps to confront them.

To date, DIR has stayed more than 235,000 liens worth a combined claim value of more than \$1 billion. The liens are associated with 79 medical providers facing criminal fraud charges. Around 100,000 liens are associated with initial suspensions for 15 providers.

DIR’s efforts to eliminate medical provider fraud and illegitimate liens were bolstered by two new laws effective January 1, 2017:

- SB 1160 (Mendoza) requires DIR to automatically stay liens for providers who have been indicted or charged with crimes until after the disposition of criminal proceedings.
- AB 1244 requires the DWC Administrative Director to suspend any medical provider, physician, or practitioner from participating in the workers’ compensation system after being convicted of fraud. The DWC has adopted provider suspension regulations and is now issuing notices of suspension to convicted providers.

DIR is leading an effort to identify and address strategies for improved anti-fraud efforts in the workers’ compensation system. DIR and the CDI convened working groups in June 2016 to gather stakeholder input and evidence of fraudulent activity. DIR has posted information on its fraud prevention efforts [online](#), including [information on indicted medical providers](#). To obtain an independent evaluation of the issues and options available, DIR contracted with the RAND Corporation. The study, which includes a review of fraud detection in other federal and state health-care programs, is currently in peer review and is slated for release this spring.

DIR’s ongoing work to combat workers’ compensation fraud includes the creation of an Anti-Fraud Support Unit to share and track data from system participants. In February, [DIR and its DWC announced](#) that seven medical providers have been suspended from participating in California’s workers’ compensation system. The providers have been convicted of workers’ compensation fraud or have been suspended from the Medicare or Medicaid programs for medical fraud. The suspended providers have filed more than 8,500 liens in California’s workers’ compensation system, with a total of claim value of at least \$59 million.

Thank you for the opportunity to provide an update on the significant efforts undertaken by the state to combat the underground economy. We appreciate the interest the Commission has shown in this issue and look forward to continued cooperation among all those committed to this effort.

Respectfully submitted,

A handwritten signature in black ink that reads "Christine Baker". The signature is written in a cursive, flowing style.

Christine Baker
Director

Enclosure: DIR Budget Act Summary

Department of Industrial Relations Budget Actions Taken Subsequent to Little Hoover Commission March 2015 Report: *Level the Playing Field: Put California's Underground Economy out of Business*

Actions taken in the 2016 Budget Act¹

7350-012-BCP-DP-2016-GB - DLSE Resources - This proposal included an increase of 28.5 positions and \$4.988 million in Fiscal Year (FY) 2016/17, 28.5 positions and \$4.756 million in FY 2017/18 with an on-going need of 26.5 positions and \$3.7 million from the Labor Enforcement and Compliance Fund (LECF) for the Division of Labor Standards Enforcement (DLSE). The 28.5 positions include 19.0 positions (17.0 ongoing) for the Retaliation Complaint Investigation (RCI) unit; 9.0 positions for the Wage Claim Adjudication (WCA) unit; and 0.5 of a position for the Judgement Enforcement Unit (JEU). The goal of this proposal is to address the backlog that has accumulated due to an increase in caseload and the increase in complexity associated with evolving labor law requirements and to provide sufficient supervisory oversight to help ensure uniform performance throughout the state.

7350-003-BCP-DP-2016-GB - PAGA Enforcement Resources - This proposal included 9.0 positions for the Department of Industrial Relations (DIR) and \$1.4 million from the Labor Workforce and Development Fund (LWDF) for FY 2016/17 and \$1.3 million ongoing to stabilize and improve the handling of Private Attorneys General Act (PAGA) cases, largely to the benefit of workers, employers, and the state.

7350-013-BCP-DP-2016-GB - Revenue & Expenditure Alignment for Various Special Funds - The purpose of this proposal was to correctly align expenditure authority and special fund revenue from various fees and permits to the appropriate program; increase resources for labor law enforcement in the car wash program to bring its special funds into balance; delete decades-old statutory caps on certain fees to allow for proper cost recovery; and clean up and standardize language for various fees and permits. In the context of this proposal, additional resources were provided to DLSE as follows:

Car Wash Targeted Enforcement – DLSE received 4.0 positions and \$513,000 in FY 2016/17 and \$491,000 ongoing from the Car Wash Worker Fund to enable DLSE's Bureau of Field Enforcement (BOFE) to conduct targeted field inspections on car wash businesses throughout the state. This proposal had broad support from the Car Wash industry and was accomplished without increasing the car wash registration fee. This proposal also included Trailer Bill Language allowing the Labor Commissioner, Chief of DLSE, to periodically adjust the Car Wash registration fees, to ensure that the fee is sufficient to fund all direct and indirect costs to administer and enforce the Car Wash program.

This proposal also included statutory changes to various sections of the Labor Code for the Division of Occupational Safety and Health and the Division of Labor Standards Enforcement as follows:

¹ With the exception of proposal # 7350-004 - *Revenue & Expenditure Alignment for Various Special Funds*, which denotes statutory changes for both DLSE and DOSH, only proposals affecting DLSE related activity are listed.

Temporary Work Permit for Minors:

1308.10 – Eliminated the authority for the Entertainment Work Permit Fund (TEWP).

1308.11 – Authorized all Entertainment Work Permit Fees to be deposited in the LECF.

Farm Labor Contractor Licenses:

1684 – Eliminated reference to the General Fund.

1698 – Authorized Farm Labor Contractor fees to be deposited into the LECF.

Talent Agency License Fee:

1700.18 – Authorized Talent Agency License fees to be deposited into the LECF.

Child Performer Services Permits:

1706 – Eliminated the Child Performer Services Permit Fund as well as authorized all Child Performer Services Permit fees to be deposited into the LECF.

Car Wash Worker Fund:

2059 - Clarified and standardized language for the purposes for which the fees may be collected, including indirect costs, and deletes current caps on registration fees.

2065 - Changed the portion of each registration fee deposited into the Car Wash Worker Restitution Fund from fifty dollars to twenty percent of the initial registration fee required pursuant to section 2059.

Industrial Homework License and Permit Fees:

2658 - Authorized all Industrial Homework License and Permit Fees to be deposited into the LECF.

Construction, Demolition, and Asbestos-Related Work Permits and Registrations:

6507 – Authorized associated fees to be deposited into the Occupational Safety and Health (OSH) Fund.

Elevators, etc. Permit and Inspector Certifications:

7311.4 & 7314 - Clarified and standardized language for the purposes for which the associated fees may be collected, including indirect costs.

7315 - Clarified that permit issuance fees are still applicable when an inspection is conducted by an insurance company.

Aerial Passenger Tramways:

7350 - Clarified and standardized language for the purposes for which inspection fees may be collected and deletes a \$10 cap on the fee for processing a permit.

7352 – Transferred all revenues and liabilities from the Elevator fund to the OSH Fund.

Tower Crane Permit and Inspector Certification Fees:

7373 & 7380 - Clarified and standardized language for purposes for which permit issuance, examination, and licensing fees may be collected.

7380 - Changed the depository for associated fees from the General Fund to the OSH Fund.

Pressure Vessel Certifications of Inspectors, Permits, Inspections and Related:

7720 - Clarified that only inspection fees are prohibited when the inspection is conducted by a certified inspector.

7721 - Clarified and standardized language for the purposes for which inspection, permit issuance, and field consultation fees may be collected. Also, it deleted the \$15 cap on the permit processing fee.

7722 - Clarified that revenue from permit issuance and field consultation fees are also to be deposited into the Pressure Vessel Account.

Portable Amusement Ride Inspections:

7904 - Clarified and standardized language for the purposes for which fees may be collected; eliminates a \$10 cap for processing a permit; changed the depository for the fees from the Elevator Fund to the OSH Fund; provided temporary authority for emergency regulations to adjust fees; and allowed the division to post its annual report on the website, rather than "submit" it to the Department of Food and Agriculture.

Permanent Amusement Ride Safety Inspection Program:

7929 - Clarified and standardized language for the purposes for which fees may be collected; changed the depository for the fees from the Elevator Fund to the OSH Fund and added authority for a penalty fee that mirrors the authority already in existing law for the Passenger Tramway unit.

Tunnels & Mines Blasters' Licenses and Certifications of Gas Testers and Safety Representatives:

7991 - Clarified and standardized language for the purposes for which blasters' fees may be collected; deleted a \$15 cap on blasters' license fees; added authority for setting application processing and examination fees for blasters; and changed the depository for the fees from the General Fund to the OSH Fund.

8001 - Clarified and standardized language for the purposes for which the gas tester examination and certification fees may be collected and deleted a \$15 cap for the application fee.

8002 - Changed the depository of the gas testers' fees from the General Fund to the OSH Fund.

Certifications of Asbestos Consultants and Training Programs:

9021.6 - Clarified and standardized language for the purposes for which certification fees may be collected; changed the depository for these fees from the Asbestos Consultant Certification Account to the OSH Fund; as well as all revenues and liabilities in the Asbestos Training and Consultant Certification Fund to the OSH Fund.

9021.7 - Eliminated the authority for the Asbestos Training and Consultant Certification Fund.

9021.9 - Clarified and standardized language for the purposes for which asbestos training entity approval fees may be charged and changed the depository for the fees from the Asbestos Training Approval Account to the OSH Fund.

7350-009–BCP-DP-2016-GB - Enhanced Enforcement & Compliance (2015 Legislation) – This proposal added an additional 33.5 positions and \$5.970 million in FY 2016/17, 28.5 positions and \$4.494 million in FY 2017/18, with 22.5 positions and \$3.475 million ongoing to fulfill the provisions set forth in the following chaptered 2015 legislation²:

Public Works Ready-Mixed Concrete Delivery (AB 219, Chapter 739/2015) – DLSE’s Public Works (PW) unit received 1.0 position and \$133,000 in FY 2016/17 and \$125,000 ongoing from the State Public Works Enforcement Fund (SPWEF) to implement the requirements of Assembly Bill (AB) 219, which expanded the definition of “Public Works” under the California Prevailing Wage Law (CPWL) to include “the hauling and delivery of ready-mixed concrete” for/to Public Works projects.

Motor Carrier Amnesty Program (AB 621, Chapter 741/2015) – DLSE’s WCA unit received 5.5 positions (4.0 one-year limited-term) and \$960,000 in FY 2016/17 and \$170,000 ongoing from the LECF to implement the provisions in AB 621, which includes the review of all program applications and amnesty self-audits, as well as the monitoring and enforcement of the industry to ensure continuing compliance.

Reimbursable Expenses Enforcement (AB 970, Chapter 783/2015) – DLSE’s BOFE unit received 1.0 position and \$127,000 in FY 2016/17 and \$119,000 ongoing from the LECF to implement the requirements of AB 970, which gives the Labor Commissioner the authority to cite for local wage law violations as well as for failure to reimburse or indemnify employees for business expenses—enhancing the Labor Commissioner’s ability to enforce wage and hour laws to the fullest extent for all California workers.

Piece-Rate Compensation (AB 1513, Chapter 754/2015) – DIR received 1.0 position and \$117,000 in one-year limited-term funding from the LECF for FY 2016/17 to implement the requirements of AB 1513, which requires DIR to develop/disseminate outreach materials, set up an online portal, establish an amnesty program as well as an analysis of the effectiveness of its prescribed amnesty plan.

The Clean Energy and Pollution Reduction Act of 2015 (SB 350, Chapter 547/2015) – DLSE’s PW unit received 5.5 positions (2.0 two-year limited-term) and \$816,000 in FY 2016/17, \$773,000 in FY 2017/18 and \$434,000 ongoing from the LECF to implement the requirements of Senate Bill (SB) 350, which expanded the definition of “public works” for prevailing wage determination purposes to include the installation work on the “electric transmission system” (i.e. solar panel installation).

Retaliation Complaints (SB 358, Chapter 546/2015 and AB 1509, Chapter 792/2015) – DLSE’s RCI unit received 1.0 position and \$132,000 in FY 2016/17 and \$124,000 ongoing from the LECF to implement the requirements of SB 358 and AB 1509. SB 358 strengthened protections for workers enabling them to share pay information with each other without the fear of retaliation. AB 1509 codifies DLSE and federal appellate court interpretation guaranteeing anti-retaliation protections applies toward certain types of employers and family members, ensuring consistency in the application of the law throughout the state.

Nonpayment of Wages and Judgment Enforcement (SB 588, Chapter 803/2015) – DLSE’s JEU received 13.0 positions (4.0 positions 2-year limited-term) and \$1.865 million in FY 2016/17, \$1.750 million in FY 2017/18 and \$1.070 million ongoing from the LECF to implement SB 588’s provisions. SB

² Only DLSE related proposals are reflected.

588 was comprehensive legislation intended to enhance DLSE's ability to recover unpaid wage through a variety of methods, such as: the issuance of levies, stop orders, bond penalty citations, as well as employer liens.

Additional fee related action taken

1. *Elevator & Conveyance Inspection Fees – annual inspections fees only*

In FY 2015/16 the Division of Occupational Safety and Health (DOSH) submitted an Elevator Public Safety Unit (#7350-001-BCP-2015-GB) proposal which included Trailer Bill Language to suspend conveyance fees for annual inspections in FY 2015/16, and to allow for the fee for annual inspections to also be suspended in future years, if necessary, to reduce any surplus fund balance. The conveyance fee for annual inspections was also suspended for the FY 2016/17.

2. *Elevator & Conveyance Inspection Fees – an across the board fee reduction for all conveyances*

Emergency regulations to reduce all conveyances fees (ongoing) to reduce the surplus fund balance were submitted to the Office of Administrative Law, and approved on Feb. 2, 2017.

Governor's 2017/18 Budget – Actions Proposed

7350-102-BCP-2017-GB - Strategic Enforcement of Labor Standards - This proposal requests a three-year phase-in and an increase of 31.0 positions and an augmentation of \$4.6 million from the LECF in FY 2017/18, 58.5 positions and \$8.6 million in FY 2018/19, 82.5 positions and \$11.6 million in FY 2019/20 with an ongoing need of \$11.4 million to implement a more strategic approach to enforcement efforts to combat wage theft and other labor law violations in specified industries known to have significant non-compliance with the State's labor laws.

7350-106-BCP-2017-GB - Public Works Education and Enforcement - This proposal requests an augmentation of 6.0 positions and \$805,000 in FY 2017/18 and \$759,000 in FY 2018/19, from the LWDF to educate awarding bodies of their requirements under public works law in order to maximize compliance with registration requirements and increase revenue into the SPWEF. This includes proposed Trailer Bill Language to enhance the overall effectiveness of public works labor law enforcement and compliance with registration requirements. Additionally, this proposal includes 1.0 attorney position and \$212,000 in FY 2017/18 and \$204,000 ongoing from the SPWEF to adequately address debarment workload. To address solvency concerns in the SPWEF, this proposal also includes a funding shift of \$2.2 million from the SPWEF to the LECF for activities related to prevailing wage determinations.

7350-104-BCP-2017-GB – Enhanced Enforcement Compliance and Apprenticeship Services (2016 Legislation) – This proposal requests 11.0 positions and \$1.7 million in FY 2017/18, 25.0 positions and \$3.4 million in FY 2018/19 and 19.0 positions and \$2.6 million ongoing to fulfill all the provisions set forth in the following 2016 legislation:

Phase-in Overtime for Agricultural Workers Act of 2016 (AB 1066, Chapter 313/2016) - This proposal requests an increase of \$40,000 for outreach in FY 2017/18, 2.0 positions and \$308,000 in FY 2018/19 with an on-going need of 2.0 positions and \$267,000 from the LECF to address

increased workload created by the passage of AB 1066 which implements new wage overtime requirements for agricultural workers incrementally over a 7-year period.

Property Service Workers Protection Act (AB 1978, Chapter 373/2016) - This proposal requests 3.0 positions for DLSE and \$442,000 for the FY 2017/18, 9.0 positions and \$1.0 million for FY 2018/19 with 9.0 positions and \$967,000 on-going to implement the requirements of AB 1978 which establishes specific standards and protections for property service workers.

Skilled and Trained Workforce Requirements Expansion (SB 693, Chapter 774/2016) - This proposal requests 1.0 position for the Division of Apprenticeship Standards (DAS) and \$123,000 for FY 2017/18, 1.0 position and \$116,000 for FY 2018/19 and on-going for increased workload as a result of SB 693 which establishes one uniform set of provisions defining what constitutes a “skilled and trained workforce” and authorizes a public entity to require the use of a skilled and trained workforce.

Document Abuse Protections for Immigrant Workers (SB 1001, Chapter 782/2016) - This proposal requests 3.0 positions and \$437,000 in FY 2017/18 for a two-year limited-term basis, to support the DLSE for increased workload created by the passage of SB 1001 which creates employment protections against unfair immigration-related practices for any applicant for employment in the state.

Equal Pay Protection for Race and Ethnicity (SB 1063, Chapter 866/2016) - This proposal requests 3.0 positions and limited-term augmentation of \$415,000 in FY 2017/18 and \$392,000 in FY 2018/19, to implement the requirements of SB 1063 that expands equal pay protections to include a prohibition against paying a lesser wage to an employee based on race or ethnicity.