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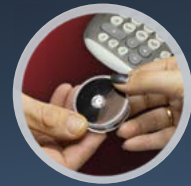
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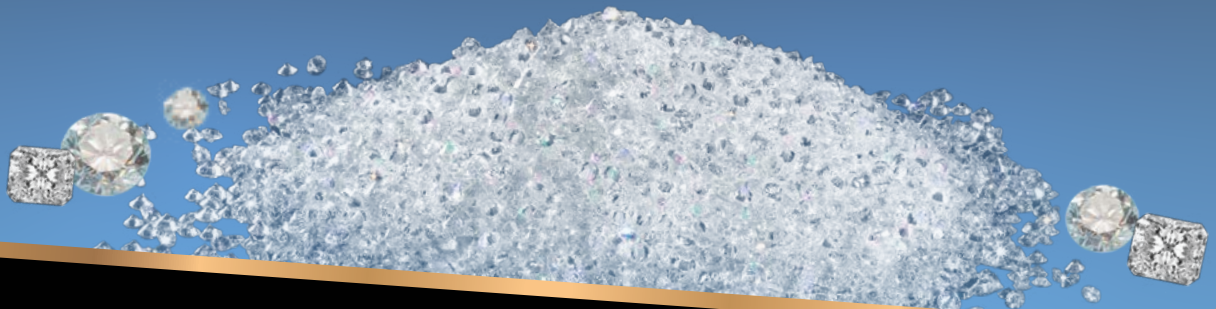
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Jan Schneider

It was a Very Good Year

Happy New Year CAPA Family! I hope your holiday season was profitable and that you all had time to enjoy with your families and friends.

2024 was a banner year for CAPA. We grew our membership to new levels and our October convention in Indian Wells was the most successful and had the highest attendance since pre COVID years. Legislatively, we passed two huge bills. The Continuing Education (CE) bill and our fee modernization bill. The CE bill will ensure that CAPA and our industry enjoy a bright future with continued growth and professionalism. Our fee bill will allow all of us to hedge the ever-rising costs of doing business in California.

Your CAPA Board of Directors worked tirelessly throughout the year to make these efforts successful. We also created a streamlined CAPA contract that incorporates the new rate structure, decreases the number of

signatures and initials needed thus making the process faster and easier for our customers, increasing productivity by our pawn associates, while affording increased protection for our members. This was a very time-consuming task requiring weeks of work for our legislative committee and attorneys. But the finished product was well worth the time and energy invested.

January 2025, the Board of Directors is putting all of their energy into the successful roll out of the CE program. We hope to be ready to offer courses by mid-year 2025. Stay tuned for that.

As everyone starts a new year in your shops, remember to change your Notice To The Public posters and update your software to take advantage of the new fees. Make sure to get your new contracts and start the new year in compliance. As always, the members of the CAPA staff, legal team and Board of Directors are available to help with any questions or concerns you may have.

Here's to an even better 2025!

Jan Schneider
President ■

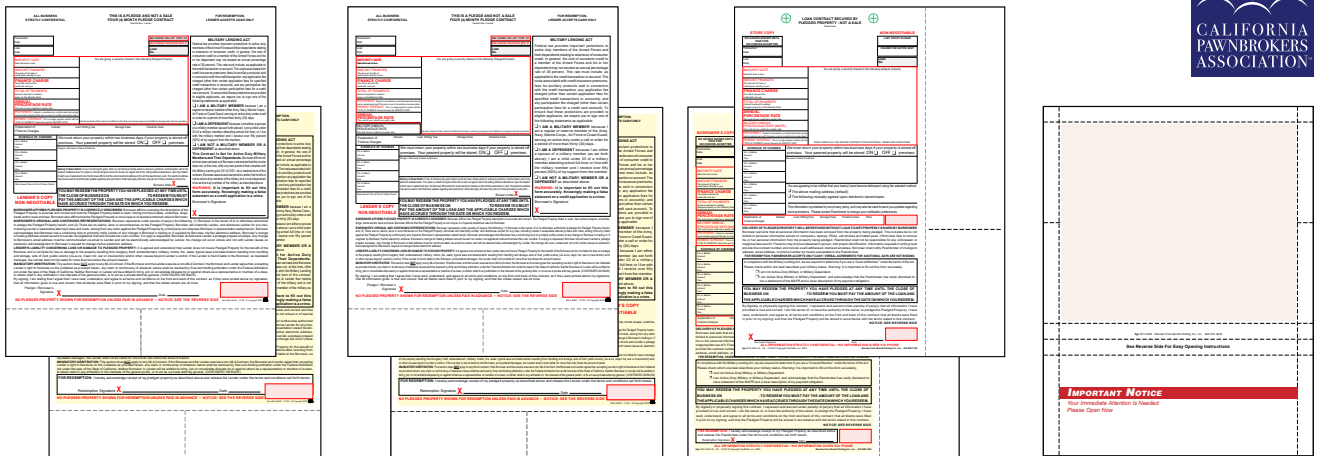
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Alberto Torrico



Cathleen Galgiani

Capitol Report

our “fee modernization” bill in 2024 respectively. Those who are leaving also include former Speaker of the Assembly and Pro Tem of the Senate, Toni Atkins, a San Diego Democrat, and first woman to lead both

of 2022 which saw the loss of 26 Assemblymembers and 9 Senators. The mass turnover in 2022 was largely attributed to several factors: the culmination of terms pursuant to the new 12-year term limits passed by voters in 2012; re-districting which forced sitting legislators to move and campaign in new districts; retirements early from public life; or to step aside in order to avoid contentious election battles with colleagues redrawn into the same district.

So where are we now in comparison to 2020? 31 of the 80 Assemblymembers, and 19 of the 40 Senators who were sworn into office in December 2020 remain as we enter the 2025-2026 Legislative Session.

Saying Goodbye to Friends in the Legislature 2024

The new year promises many changes as we say goodbye to long-time friends and welcome new ones in the first year of the 2025-26 legislative session. We will say goodbye to long-time CAPA champions Steve Bradford (D) – SD 35 and Richard Roth (D) – SD 31 who successfully carried our “item only” legislation in 2023, and

chambers, as well as former Speaker Anthony Rendon, a Lakewood Democrat who served in that role for seven years, and Senator Anthony Portantino, a strong advocate for CAPA who led the powerful Appropriations Committee.

With 23 members of the Assembly and 12 members of the Senate leaving the Legislature, this turnover rivals the “Great Resignation”



CAPA wishes to thank the following Members who are departing from the Legislature for their many years of public service:

Senators

- Toni Atkins (D) – SD 39
- Dave Min (D) – SD 37
- Steve Bradford (D) – SD 35
- Janet Nguyen (R) – SD 36
- Brian Dahle (R) – SD 1
- Anthony Portantino (D)
- Bill Dodd (D) – SD 3
- Richard Roth (D) – SD 31
- Susan Talamantes Eggman (D)– SD 5
- Nancy Skinner (D) – SD 9
- Steve Glazer (D) – SD 7
- Scott Wilk (R) – SD 21

Assemblymembers

- Wendy Carrillo (D) – AD 52
- Anthony Rendon (D) – AD 62
- Eduardo Garcia (D) – AD 36

- Freddie Rodriguez (D) – AD 55
- Chris Holden (D) – AD 41
- Miguel Santiago (D) – AD 54
- Reggie Jones-Sawyer (D) – AD 57
- Phil Ting (D) – AD 19
- Evan Low (D) – AD 26
- Carlos Villapudua (D) – AD 13
- Brian Maienschein (D) – AD 76
- Marie Waldron (R) – AD 75
- Devon Mathis (R) – AD 33
- Jim Wood (D) – AD 2
- Jim Patterson (R) – AD 8

We also wish to congratulate Assemblymembers Vince Fong (R) AD 32, Laura Friedman (D) AD 44, and Luz Rivas (D) AD 43, for their election to Congress, and Assemblymember Kevin McCarty (D) AD 6 who was elected as Mayor for the City of Sacramento.

New Legislators 2024

December 2, 2024, was a day of

celebration as newly elected and returning members were sworn into office in both the Assembly and Senate. While nearly a third of the Assembly will not be returning, these 23 newly elected Members bring a wealth of local government and small business experience to the lower house:

- Assembly District 1: Heather Hadwick (R) – small business owner, County Office of Education.
- Assembly District 2: Chris Rogers (D) – Santa Rosa City Councilmember and Mayor,
- Assembly District 6: Maggy Krell (D) – Deputy Attorney General,
- Assembly District 8: David Tangipa (R) – Field Representative, Fresno County Board of Supervisors
- Assembly District 13: Rhodesia Ransom (D) – Tracy City Councilmember

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- Assembly District 15: Anamarie Avila Farias (D) – Martinez City Councilmember, Contra Costa County Board of Education Member.
- Assembly District 19: Catherine Stefani (D) – San Francisco County Supervisor,
- Assembly District 26: Patrick Ahrens (D) – Trustee, Foothill-De Anza Community College District Board
- Assembly District 33: Alexandra Macedo (R) – Small Business Owner, Engineering & Consulting
- Assembly District 36: Jeff Gonzalez (R) – small business owner, retired Marine
- Assembly District 41: John Harabedian (D) – Former Mayor & Councilmember, City of Sierra Madre
- Assembly District 43: Celeste Rodriguez (D) – San Fernando Mayor & City Councilmember
- Assembly District 44: Nick Schultz (D) – Burbank Mayor & City Councilmember
- Assembly District 50: Robert Garcia (D) – Trustee & Board President, Etiwanda School District
- Assembly District 52: Jessica Caloza (D) – President Barack Obama’s Administration, Los Angeles Mayor’s Office, Los Angeles Mayor’s Office, AG Bonta’s office.
- Assembly District 53: Michelle Rodriguez (D) – Healthcare Administration
- Assembly District 54: Mark Gonzalez (D) – Chair, Los Angeles County Democratic Party
- Assembly District 57: Sade Elhawary (D) – Educator & Counselor
- Assembly District 58: Leticia Castillo (R) – Clinical Psychotherapist
- Assembly District 62: Jose Luis Solache (D) – Mayor, Mayor Pro-Tem, Councilmember, City of Lynwood
- Assembly District 75: Carl DeMaio (R) – Businessman, Podcaster
- Assembly District 76: Darshana Patel (D) – Research Scientist, Trustee of Poway Unified School District
- Assembly District 79: LaShae Sharp-Collins (D) – San Diego County Office of Education.

While the 2024 election saw the departure of 12 members of the 40 member Senate, some of these names are familiar because 7 Assemblymembers have moved from the “green-carpet” to the “red-carpet” following their elections to the Senate. Newly elected Senators also include two former Mayors and two former Congressmembers.

- Senate District 1: Megan Dahle (R) – former Assemblymember.
- Senate District 3: Christopher Cabaldon (D) – Mayor, City of West Sacramento.
- Senate District 5: Jerry McNerney (D) –

Congressmember, Central Valley and Bay Area.

- Senate District 7: Jesse Arreguin (D) – Mayor, City of Berkeley.
- Senate District 9: Tim Grayson (D) – former Assemblymember.
- Senate District 23: Suzette Valladares (R) – former Assemblymember.
- Senate District 25: Sasha Renee Perez (D) – Alhambra City Councilmember & Mayor.
- Senate District 29: Eloise Gomez Reyes (D) – former Assemblymember.
- Senate District 31: Sabrina Cervantes (D) – former Assemblymember.
- Senate District 35: Laura Richardson (D) – served a short stint in the Assembly before being elected to Congress in a special election.
- Senate District 37: Steven Choi (R) – former Assemblymember.
- Senate District 39: Akilah Weber (D) – former Assemblymember.

New Bill Limits for 2025

December 2nd was a day of celebration for newly elected and returning Legislators. It also brought the introduction of more than 100 new bills with hundreds more anticipated before the February 21st deadline.

On average, 2200 – 2300 new bills are introduced in any given year, with approximately 1000 making it to the Governor, and 85% being signed into law. This year these numbers will be dramatically reduced unless Legislators can find their way around the new bill limitations adopted on swearing-in day.

In one of their first official acts, Members in each chamber voted to adopt a proposal by California’s legislative leaders that will reduce the number of bills Legislators can introduce during each two-year session. Assemblymembers will be limited to the introduction of 35 bills, down from 50, and Senators will be limited to carrying 35, down from 40.

Legislative Priorities – 2025

CAPA’s Executive Board, the Continuing Education Committee and our lobbyists look forward to initiating the creation of the Pawnbroker Education Council established last year by Assembly Bill 2231 (Gipson). We have already started outlining the curriculum to meet the Legislature’s goal of establishing the course content by January 1, 2026 so that new pawnbrokers and existing licensees can begin taking courses.

CAPA is pleased that the Pawnbroker Education Council will now be one of only four privately run continuing education entities in California that are not administered or overseen by a state department or agency. It should also be noted that continuing education

for our counterparts in Ohio is overseen by the State Superintendent of Financial Institutions, and in Mississippi it is overseen by the State Department of Banking & Consumer Finance.

With so many new Legislators coming to the Capitol, CAPA leaders will focus on building friendships with new members, educating them about our industry, and discussing issues that are important to Pawnbrokers and the small business community in general. If you need help identifying your new legislators, you can find them here at <https://findyourrep.legislature.ca.gov/>.

Special Elections 2025

With the election of Assemblymember Vince Fong to Congress, the Assembly is now operating with 79 Members. Senator Janet Nguyen has resigned as she was elected to the Orange County Board of Supervisors, leaving the Senate with 39 Members.

The Governor has now ordered a special primary election for Feb. 25, 2025 to elect successors to both Assembly District 32 (Vince Fong) and Senate District 36 (Janet Nguyen). The general election has been called for April 29th. ■

CAPA Fundraising

The fundraising team I've had the pleasure to work with this past year and the years in the past did an amazing job. The "Steves", Chandler and Jacobson were incredible in preparing for the event and during. It simply could not have been done without both of them and I thank them both from the bottom of my heart!

As for the others that stepped in and either offered amazing items for us to auction or raffle off or after my "staged" fall during the live auction took the microphone (Moris Adato) and raised an incredible amount of money for our great organization! I also want to add that Moris and Jagi Labs offered a Lab grown Diamond training course, that got so much interest that he offered two more for a total of three that raised us \$9000! That's not to mention the incredible pieces Sam Shocket donated. The two hats from Ronald Regan were incredible pieces. Thank you to Dan Lukowicz for his generosity in his winning bid for the cowboy hat. Dan bought that as a birthday present for his brother Stan Jr. to as he said "repay his brother for all of the amazing gifts he gets him!" Aw brotherly love!

There are so many people to thank for their help and generosity that this article could go on forever!

I will just say this, We have an incredible group of people in our CAPA family! They continue to give and support our organization and industry year in and year out! It's humbling sometimes to see it from a fundraising standpoint just how much it truly happens.

I thank you all for the support and generosity. We experimented with a Vendor competition Saturday night that I believe all that participated in it enjoyed. It was fun and I think it might become a yearly event! We'll see I guess.

Again thank you to everyone for the help, in the end it all comes back to each of us in one way or another!!!

Keven "The Talent" Pedersen
 CAPA Fundraising Chair and Board Member ■

Name	Item
Mike Herda	5 nights big bear cabin x2
Scott Streitfield	CPA first free month accounting
Steve Jacobson (Mr. Steve's)	Fishing Trip, Fishing Trip, Wake board day
Sam Shocket	RR hats
Stan Lukowicz	Many Liquor and chest
Art (Watch G&A)	Watch overhaul Rolex
Smoking Barrel	One year membership indoor shooting range
Roberto (Eyeson)	
Inglewood Jewelry	
Scott Tiemann (Central Mega Pawn)	Gucci bag
Foster/Klass	Tequila
Dave Lisso (AJ's superpawn)	Comics
Johnathan Mitchum (Newport Watch & jewelry)	Watch overhaul Rolex
Watch CSA	one year gold membership
Moris Adato (Jagi Lab)	10 certs
Moris Adato (Jagi Lab)	Presentation on lab diamonds
Moris Adato	Art
Abby (Abby's Pawn)	sculpture
David Mueller	USA guild guitar
Mark Schechter (Ideal Luxury)	Whiskey
Neighborhood Pawn	Magic Castle tickets 2x 12-31-24 2x12-31-25
Fancy Jewelry Loan	Tequila
So Cal Safes	6x gun safes
Jesse Farmer	Lakers posters
Elliot Salter	Booze
Steve Chandler (Jewelry-N-Loan)	Princess Diana Stamps
Entrupy	1 year subsection
Lucio Aguilar	Tequila
Dustin (Jum-it-pawn)	
David Allen (Kassoy)	
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— Jan Schneider, CAPA President

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THE MILITARY LENDING ACT AND PAWN CONTRACTS IN CALIFORNIA

The Military Lending Act, 10 U.S.C. § 987 (the “MLA”) dictates the terms of consumer credit extended to members of the U.S. military and their qualified dependents. The relevant CAPA form contracts, 403 Non-MLA and 409 MLA, include provisions disclosing the existence and general terms of the MLA and ask pledgors to check boxes stating whether they are military members, dependents of military members, or neither. The pledgor’s answer to this section is then attested to by a signature. The 403 Non-MLA contract has a further provision advising the pledgor that the lender is not offering a loan that complies with the MLA and that the pledgor warrants to the lender that they are not active duty military members or dependents of such. This warrant is made by way of the pledgor initialing the loan contract.

Questions have arisen on whether these self-certification clauses are sufficient to shield a pawnbroker from liability under the MLA in the case of the pawnbroker making a non-MLA compliant loan to an active duty member of the military or their dependent. These questions are of significant concern in light of the gravity of the MLA penalties. A lender who violates the MLA is subject to civil liability, including actual damages, punitive damages and costs. *Id.* at § 987(f)(5). Violations are also punishable as misdemeanors, but only if a creditor “knowingly violates” the statute. *Id.* at § 987(f)(1). Ultimately, each broker must make their own risk-management decisions and determine their business practices, taking into account the costs of complying

with the “safe harbor” provisions weighed against the liability risks of using other verification methods. As discussed herein, the threshold decision of whether to offer MLA loans will likely weigh heavily on the necessity of a covered borrower check.

Regulation 32 C.F.R. § 232.1(a) allows a broker to use their own method to determine whether a pledgor is a covered borrower; such methods could include inspection of a military ID, other documents reflecting coverage or even self-certification. However, to achieve certainty of compliance with MLA and “safe harbor” from liability for violating the Act, a broker must either use the MLA database at <https://mla.dmdc.osd.mil> or determine a borrower’s MLA status from a consumer credit report obtained from a consumer credit reporting agency, such as Experian, Equifax, or Transunion. The MLA database requires a broker to enter the borrower’s name, date of birth, and social security number. It should be noted that, contrary to what some think, it is entirely legal to ask for your customers’ social security number. See e.g. *California Pawnbrokers Association, Inc. v. Carter* (E.D. Cal., Nov. 8, 2016, No. 2016-CV-02141-JAM-KJN) 2016 WL 6599819.

Many CAPA members have expressed frustration that the safe harbor mechanisms are not compatible with the practical realities of their businesses. Members expressed concerns that many customers refuse to provide social security numbers, that requesting social security numbers subjects members to liability, and that checking every customer



places too great a strain on time and staff. Thus, our office was asked to provide practical advice on best practices, including whether self-certification clauses are sufficient.

As an initial matter, Courts have consistently rejected the claim that the MLA requires brokers to search the MLA database, or that the safe harbor procedure is effectively “mandatory,” because of “the severe civil and criminal penalties from noncompliance with the MLA cap for covered borrowers. *Huntco Pawn Holders, LLC v. U.S. Department of Defense*, 240 F.Supp.3d 206, 236 (D.D.C. 2016); *California Pawnbrokers Association, Inc. (“CAPA”)*, 2016 WL 6599819 at *6. The *Huntco* court labeled it a “false premise that the Final Rule requires creditors to search the MLA Database. It does not. As the Department stated when issuing the Final Rule, “nothing in the Department’s final rule requires a creditor to conduct a covered-borrower check.” Indeed, the Final Rule itself states that “[a] creditor is permitted to apply its own method to assess whether a consumer is a covered borrower.” *Huntco* at 236. The courts have further suggested that self-certification clauses may still provide CAPA members with enough “cover” in the case of accidentally charging an MLA covered borrower non-MLA compliant rates. “CAPA members are still able to minimize their risk of liability by continuing to use a self-certification or other method to verify covered borrower status. See 32 C.F.R. § 232.5(a). While they may choose not to use the legally conclusive safe harbor...they are still authorized to use other means of verification to all but ensure compliance with the MLA.” *CAPA* at *6. In a published decision the United States District Court for the District of Columbia stated that pawnbrokers can continue to use the “self-certification” method of determining a customer’s MLA status and that such a use would be “reasonable” and likely sufficient to avoid criminal or civil liability under the MLA if a pawnbroker accidentally loaned to an MLA covered borrower at non-MLA complaint rates. *Huntco Pawn Holders, LLC v. U.S. Department of Defense*, 240 F.Supp.3d 206, 236 (D.D.C. 2016).

If a CAPA member decides to rely on self-certification or another non-safe harbor verification procedure, there are additional considerations. Up until 2015 self-certifications were considered “safe harbors” under Department of Defense regulations. However, they were removed from being considered “safe harbors” in significant part because people tended to lie on their certifications in order to be given credit by financial institutions that did not extend MLA compliant loans. See e.g. *Huntco* 240 F.Supp.3d at 225. Nevertheless, the *Huntco* court stated, “there are a number of other ways to lessen that risk, if not eliminate it altogether, without using a covered-borrower check, such as continuing to use self-certifications.” (*Huntco*, at 236.) The *CAPA* court agreed. Moreover, brokers not utilizing the safe-harbor provisions should consider drafting policies and procedures which would establish a defense under 10 U.S.C. § 987(f)(5) (D).¹

Significantly, the *CAPA* court recognized that it is an open legal question as to whether the “bona fide error” defense will actually protect pawnbrokers from civil liability where they use their own method to determine covered bor-

rower status. (*CAPA* at 11.) That being the case, self-certification is likely a far stronger defense for a CAPA member offering MLA compliant loans than for member who does not. If MLA complaint loans are offered, then inducement for false self-certification has been eliminated (although the regulatory changes were also concerned with unintentional or mistaken misrepresentations). On the other hand, if a broker only offers non-MLA loans then the broker has placed themselves in the circumstance the 2015 regulatory amendments were targeting, i.e. a situation where an MLA covered person is forced to lie to access the loan. The latter circumstance is obviously more difficult to defend and could even give rise to claims the violations were knowingly committed. Thus, brokers refusing to lend to active duty members of the U.S. military and their dependents should utilize the safe harbor provisions.

The approach of refusing to lend to active duty members of the U.S. military and their dependents has several other drawbacks.² First, such brokers are turning away potential business. This could be a particular issue for members whose shops are near military bases. Secondly, the position of “We refuse to do business with U.S. Armed Service Members” is bad public relations. But while such a policy is bad from a public relations perspective, it is not illegal. Finally, these policies create such an inducement for covered individuals to lie that brokers are severely hampering their ability to defend against a claimed violation of the MLA unless they utilize one of the safe harbor methods.

In conclusion, the only two absolutely safe ways of avoiding any risk from the Military Lending Act are either to comply with the “safe harbors” or to only issue MLA compliant loans, regardless of the identity of the customer. The use of the “safe harbors” is highly recommended for all transactions as it eliminates the risk. While some CAPA members have expressed concern that asking for social security numbers is illegal, the courts have expressly stated otherwise.³ If a broker chooses not to use the safe harbor provisions and instead relies upon self-certification, it is strongly recommended that the broker offer MLA compliant loans in order to reduce potential liability and maximize their defenses in the event of an unintentional violation. Ultimately, CAPA members must determine their own best practices based on what makes sense for their business, balancing potential liability under the MLA with what types of loans they wish to offer and how much information they wish to obtain from their customers.

1. “A person may not be held liable for civil liability under this paragraph if the person shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. Examples of a bona fide error include clerical, calculation, computer malfunction and programming, and printing errors, except that an error of legal judgment with respect to a person’s obligations under this section is not a bona fide error.”
2. While it is illegal under California Military and Veterans Code § 394(f) for lenders to discriminate against members of the military, there is an express exception in the Code for lenders who do not extend MLA compliant loans.
3. In *CAPA*, the court held the Privacy Act of 1974 does not prevent brokers from requesting SSN. (*CAPA*, at 7.) Act states: “It shall be unlawful for any Federal, State or Local Government Agency to deny to any individual any right, benefit, or privilege provided by law because of such individual’s refusal to disclose his social security account number.” 5 U.S.C. § 552a. *CAPA* argued SSN collection is essentially mandatory due to the safe harbor provision, thus “deputiz[ing]” pawnbrokers as government agents. The court rejected this argument because the collection of SSN is optional and noting that pawnbrokers are free to reduce their risk of liability via the safe harbor or choose not to do so.

NEW CALIFORNIA EMPLOYMENT LAWS FOR 2025

California has several new employment laws that take effect on January 1, 2025, including bills signed by Governor Newsom. Below is an overview. We recommend that you take note of these new laws and get ahead of the game by reviewing and updating your employee handbooks and personnel policies and procedures before the end of the year.

Wage and Hour

Minimum Wage Increase

Effective January 1, 2025, California's minimum wage will increase from \$16 per hour to \$16.50 per hour for all employees, regardless of employer size. Please note, local minimum wage ordinances may require a higher minimum wage than the state. Employers must pay the proper applicable state or local minimum wage (whichever is higher) for all time worked.

Exempt Employees – Minimum Salary Threshold Increase

The increase in California's minimum wage requires a corresponding increase in the minimum salaries for exempt employees (i.e., professional, administrative, executive exemptions) to \$68,640 per year.

Voters Rejected a Higher Minimum Wage

California voters narrowly rejected Proposition 32, which would have raised minimum wage to \$18 an hour for employers with more than 25 employees and \$17 an hour for employers with 25 or fewer employees.

Anti-Discrimination Laws

SB 110: Restrictions on Requiring Driver's Licenses When Hiring

SB 110 will amend the Fair Employment and Housing Act (FEHA) to make it an unlawful employment practice to include statements about the need for a driver's license in a job advertisement, posting, application, or similar material. The law is intended to combat discrimination against applicants who do not drive. Employers may only include such statements if they reasonably expect driv-

ing to be one of the job functions and believe that using an alternative form of transportation (e.g., carpooling, bicycling, walking, ride-hailing services, taxis or public transportation) would not be comparable in travel time or cost to the employer.

SB 1137: Protection for "Intersectionality" of Protected Classes

SB 1137 bans discrimination under FEHA based on the combination, or "intersectionality," of two or more protected classes. While California laws have long prohibited discrimination and harassment based on an individual protected class, or characteristics, such as race, sex, national origin, age, etc., they now also apply where two or more of the protected characteristics result in a unique form of discrimination. This law affirms a court ruling involving a female Asian professor that found that discrimination may be directed at a combination of protected classes beyond a single category.

AB 1815: Revisions to CROWN Act

AB 1815 amends the definition of "race" in the anti-discrimination provisions of the Government Code. Race is now defined as "inclusive of traits associated with race, including but not limited to hair texture and protective hairstyles." Protective hairstyles "include but are not limited to such hairstyles as braids, locs, and twists." California was the first state, in 2019, to clarify that the definition of race discrimination included hairstyles under the CROWN Act.

SB 1340: Local Enforcement of Civil Rights

SB 1340 mandates the Civil Rights Department (CRD) to collaborate with local agencies to enforce unlawful employment practice violations. Any city, county, or locality can enforce any local law that prohibits discrimination on the basis of race, religion, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, age, reproductive health decision making or sexual orientation, if certain requirements are met, including a requirement that local enforcement is pursuant to a local law that is at least protective as FEHA. The law tolls the one-year statute of limitations for filing a complaint in court for as long as the

local entity enforcement proceedings continue.

Leave and Benefit Laws

AB 2499: Expansion of Workplace Protections for Employee Crime Victims

Existing law provides crime victims with employment protections, including safety accommodations and leave, to allow them to recover and appear in court, and is enforced by the Department of Labor Standards Enforcement (DLSE), through the Labor Commissioner. AB 2499 recasts these protections under FEHA and places enforcement with the CRD. It expands the list of crimes for which employees can take time off and replaces the terms “crime or abuse” and “domestic violence, sexual assault, or stalking” with the broader term “qualifying acts of violence,” which applies regardless of an arrest, prosecution or conviction. “Qualifying acts of violence” (QAV) are defined as:

- domestic violence;
- sexual assault;
- stalking; or
- any act, conduct, or pattern of conduct that includes (i) bodily injury or death to another; (ii) brandishing, exhibiting, or drawing a firearm or other dangerous weapon; or (iii) a perceived or actual threat to use force against another to cause physical injury or death.

The new law protects not only employee victims, but also their “family members” as defined by FEHA to include an employee’s “child, parent, grandparent, grandchild, sibling, spouse, or domestic partner... or designated person.” Paid sick leave may be used to cover qualifying time off. A new notice requirement (to be developed by the CRD) must be given to employees upon hire, annually, upon request, and any time the employer becomes aware that an employee or their family member is a victim. For more information on AB 2499, please see our recent blog: California Expands Existing Protections for Employee Victims of Crime | Duggan McHugh Law Corporation.

AB 2123: Paid Family Leave – Requiring Use of Vacation No Longer Allowed

AB 2123 eliminates the ability of employers to require employees to use up to two weeks of accrued vacation time before they may access California’s Paid Family Leave Program (PFL) benefits. California’s PFL, administered through the Employment Development Department (EDD), provides wage replacement benefits to workers who take time off to care for seriously ill family members, bond with a minor child, or help family members called to active duty.

General Employment Laws

SB 988: Expanded Protections for Freelance Workers

With the growth of the gig economy, SB 988, the Freelance Worker Protection Act (FWPA), will provide basic labor protections for freelance workers, including mandatory

contracts for and the right to be paid on time and in full. Under the new law, a “freelance worker” is defined as:

1. An individual worker (i.e., not part of a company or collective entity) whether or not incorporated or employing a trade name
2. Hired or retained as a bona fide independent contractor by a hiring party to provide “professional services”
3. For \$250 or more, whether for a single project or for all work engaged during the immediately preceding 120 days

“Professional services” includes multiple categories of freelance style work such as marketing, human resources, graphic design, grant writing, photography, estheticians, and others, as set forth in Labor Code section 2778(b)(2). Once a freelancer has started providing services, the hiring entity cannot require the freelancer to accept less compensation or provide more services than agreed upon to receive timely payment. The law also prohibits retaliation against freelancers who pursue their rights under their contract.

SB 399: Ban of “Captive Audience” Meetings

SB 399 enacts the union-backed bill, the California Worker Freedom from Employer Intimidation Act, which prohibits employers from requiring employees to attend mandatory meetings on religious or political matters, including anti-unionization. Employers may not terminate, discriminate, retaliate, or take any other adverse action against employees who refuse to attend these meetings. “Political matters” are defined as any matter “relating to elections for political office, political parties, legislation, regulation, and the decision to join or support any political party or political or labor organization.”

Employees who are scheduled to work during these meetings must be paid for their time, regardless of whether they attend the meeting. Employers can still hold meetings to share legally required and job-related information and certain exceptions apply to religious and political organizations.

AB 3234: Voluntary Social Compliance Audits

AB 3234 requires employers to make certain disclosures if they voluntarily audit their operations for the involvement of child labor. Such employers who conduct “social compliance audits” will have new reporting obligations including posting a link on their website to a report detailing the audit findings.

Industry Specific Laws

AB 1228: Fast Food Workers Minimum Wage

AB 1228 requires that certain fast-food workers must be paid at least \$20.00 per hour as of April 1, 2024. For more information, see our blog: The In’s N Out’s of California’s New Statewide Minimum Wage Increase for Fast Food Workers | Duggan McHugh Law Corporation.

SB 525: Health Care Minimum Wage

Effective October 16, 2024, SB 525 created various mini-

minimum wages for “covered healthcare employees,” based on the classification of the employer’s facility:

- Large employers and integrated health care systems: \$23/hour
- Hospitals: \$18/hour
- Clinics: \$21/hour
- All other health facilities: \$21/hour

Exempt covered health care employees must be paid a monthly minimum salary of 1.5 times the applicable health-care minimum wage, or 2 times California’s minimum wage, whichever is greater.

AB 1034: PAGA Exemption Extended for Certain Construction Industry Employees Covered By Collective Bargaining Agreements

Under existing law, an exemption from the Private Attorneys General Act (PAGA) is available for employees in the construction industry if they are covered under a collective bargaining agreement (CBA) that meets certain requirements. The law defines an employee in the construction industry as an “employee performing work associated with construction, including work involving alteration, demolition, building, excavation, renovation, remodeling, maintenance, improvement, repair work, and other work.” AB 1034 extends this exemption for a CBA that does all the following:

- Explicitly covers wages, hours of work, and working conditions;
- Provides premium wage rates for all overtime hours worked;
- Ensures employees receive a regular hourly pay rate of at least 30% more than the state minimum wage; and
- Contains a grievance and binding arbitration procedure to address Labor Code violations.

The exemption was temporary and only applied to CBAs in effect before January 1, 2025 or that expired by January 1, 2028. AB 1034 extends the exemption another 13 years to January 1, 2038, at which time it will be repealed. To benefit from this exemption, construction employers must ensure that their CBA contains the information and waivers required by the new law.

SB 1089: New Obligations for Grocery Stores and Pharmacies That Plan to Close

SB 1089 imposes new obligations for employers operating grocery stores and pharmacies (covered establishments) planning to close. These establishments will now be required to provide 45-day written notice to specified entities, including employees and their representatives, and the EDD. Employers with 5 or fewer employees must provide at least 30 days’ written notice before closure. Exemptions apply for businesses owning 15 or fewer pharmacies nationwide or closures due to natural disasters or acts of war. The new law imposes significant operational

and compliance duties on employers, including advanced planning and engagement with state and local agencies.

SB 1105: Sick Leave Expansion for Agricultural Employees

Covered employers must now allow agricultural workers to use paid sick leave when they 1) work outside, and 2) request sick leave to avoid smoke, heat, or flooding conditions created by a local or state emergency, including for preventive care due to their work or such conditions. The new law defines “agricultural employee” as a person employed under Wage Orders 8, 13 and 14.

New Poster Requirements

AB 2299: Updated Whistleblower Posters

Under AB 2299, the Labor Commissioner will be required to develop a model template for whistleblower protections posters. The model template will list employee rights and responsibilities under whistleblower laws.

AB 1870: Updated Workers Compensation Poster

Under AB 1870, employers will need to update their worker’s compensation poster. The poster must now inform employees that they may consult a licensed attorney to advise them of their worker’s compensation rights and that the attorney’s fees could potentially be paid for.

PAGA Reform – Reasonable Steps

As of June 19, 2024, California employers may limit any potential civil penalties under the Private Attorneys’ General Act (PAGA) by taking all “reasonable steps” to comply with the California Labor Code and applicable Wage Orders. The following are considered “reasonable steps:”

- Conducting periodic payroll audits and taking action in response to the audit results;
- Disseminating lawful written policies;
- Training supervisors on applicable Labor Code and Wage Order compliance; and
- Taking appropriate corrective action with regard to supervisors.

Employers who take these reasonable steps prior to receipt of a PAGA notice alleging Labor Code violations can reduce potential PAGA penalties by 85%. For this reason, it is vital that employers take reasonable steps as outlined above and bring any non-compliant policies and procedures into compliance before being faced with a potential lawsuit.

The host of employment law changes for 2025 are significant and affect nearly all California employers. Please contact our office for compliance assistance, including updates to employee handbooks, revision of employment agreements, and reviews of employee compensation.

DUGGAN McHUGH LAW CORPORATION

Jennifer E. Duggan

Laura C. McHugh ■

THE SUCCESS OF SB1198 (ROTH): A LIFELINE FOR PAWNBROKERS IN TODAY'S ECONOMY

In a time when inflation is squeezing businesses across every sector, California's SB1198 (Roth) stands as a critical victory for pawnbrokers across the state. This landmark bill, which increases the maximum permissible fees for storage, security and handling, is more than just a policy change—it's an essential step toward sustaining our industry and protecting the livelihoods of pawnbrokers and the communities we serve.

For decades, fee adjustments have helped pawnbrokers remain viable, but none have come at a more crucial time than SB1198. Today's economic pressures—skyrocketing inflation, rising labor costs, and increased regulatory burdens—demand bold solutions. SB1198 delivers exactly that, providing the flexibility we need to keep our businesses running, support our families, and continue serving as vital financial lifelines for our customers.

SB1198: A Historic Win for Pawnbrokers

The passage of SB1198 represents the first significant adjustment to pawn service fees in 5 years. These fees, regulated by the state, are crucial for pawnbrokers to cover operational costs while ensuring customers have access to fair and affordable short-term credit.

While previous fee increases have helped address the needs of their times, the economic conditions surrounding those adjustments pale in comparison to the challenges we face today. Inflation rates have surged to levels unseen in decades, significantly driving up the costs of doing business. Rent, utilities, insurance, compliance costs, and wages have all risen dramatically, leaving many pawnbrokers struggling to stay afloat under outdated fee structures.

Why Today's Fee Increase is Different

What sets SB1198 apart is its timing. Pawnbrokers today are operating in a vastly different economic landscape compared to previous adjustments. Here's why this increase is not just justified but absolutely necessary:

Combatting Inflation: Over the past several years, inflation has driven up the cost of nearly everything—supplies, utilities, rent, and wages. Unlike previous fee increases, which occurred during periods of economic stability or mild inflation, SB1198 comes at a time when these pressures are unprecedented.

Rising Compliance Costs: Regulatory requirements for pawnbrokers have become increasingly complex, requiring additional staff training, updated systems, and legal oversight. These compliance costs continue to grow, making it even more difficult to operate profitably under the old fee limits.

Supporting Customers in Need: While fees have increased, so have the costs of the goods and services our customers rely on. The small, short-term loans pawnbrokers provide remain one of the most affordable credit options available. SB1198 ensures that pawnbrokers can continue to offer these services without compromising quality or availability.

Preserving Jobs and Businesses: Pawnbrokers are often small, family-owned businesses that provide jobs and support local economies. Without the adjustments made by SB1198,

many of these businesses would struggle to survive, jeopardizing livelihoods and leaving customers without a trusted source of financial relief.

How SB1198 Helps Pawnbrokers Stay Viable

SB1198 is not just about keeping pace with inflation—it's about ensuring that pawnbrokers can continue to thrive in an increasingly challenging economic environment. Here's how the bill is making a difference:

- **Sustaining Operations:** The updated fee structure allows pawnbrokers to cover their rising costs, ensuring that they can keep their doors open and continue providing essential services to their communities.
- **Investing in the Future:** With additional revenue, pawnbrokers can invest in updated technology, better security systems, and enhanced customer experiences—improvements that benefit both businesses and borrowers.
- **Leveling the Playing Field:** SB1198 ensures that pawnbrokers can remain competitive with other financial services providers, many of whom have more flexibility to adjust their rates and fees in response to market conditions.

Why Pawnbrokers Need Your Support

While the passage of SB1198 is a victory, the fight to protect and strengthen our industry is far from over. The economic challenges facing pawnbrokers today are unprecedented, and we must remain united in our efforts to advocate for fair policies that allow us to serve our communities effectively.

As members of the California Pawnbrokers Association (CAPA), we have a critical role to play in ensuring that the benefits of SB1198 are understood by policymakers and the public. This fee increase is not about greed—it's about survival. It's about ensuring that pawnbrokers can continue to provide vital financial services to those who need them most, even in the face of rising costs.

Conclusion: A Call to Action

SB1198 is more than a legislative win—it's a lifeline for an industry facing historic economic pressures. It's a testament to the power of advocacy and the importance of staying engaged in shaping policies that affect our businesses.

As we move forward, let's celebrate the success of SB1198 while remaining vigilant in addressing the challenges that lie ahead. Together, we can ensure that pawnbrokers continue to play a vital role in California's economy, offering fair and affordable credit options to our customers and supporting our communities.

Let's continue to support CAPA's efforts, advocate for our industry, and use the tools provided by SB1198 to build stronger, more resilient businesses. Together, we can navigate these challenging times and secure a bright future for California's pawnbrokers.

Tony DeMarco

*Legislative Chair; Past President; Board of Directors
California Pawnbrokers Association (CAPA)* ■



FREQUENTLY ASKED QUESTIONS: THE PAWNBROKER EDUCATION ACT

1. What is the Pawnbroker Education Act?

- The Pawnbroker Education Act is new legislation aimed at elevating the standards and practices within the pawnbroker industry. It mandates comprehensive education for all licensed pawnbrokers in California.
- The Act establishes the California Pawnbroker Education Council, which approves educational courses and issues certificates of completion.

2. When does the Pawnbroker Education Act take effect?

- The Pawnbroker Education Act is set to take effect on January 1, 2026. On and after that date, licensees will have to meet the education requirements before license issuance or renewal.

3. What are the educational requirements under the Act?

- Continued education requirements must be fulfilled every two years:
 - **Pre-Licensing Education:** At least eight hours of education for applicants seeking licensure.
 - **Continuing Education:** Eight hours of ongoing education over a two-year period, coinciding with license renewal, for current licensee or their designated representatives. The representative must be an employee of the licensee.
- **Courses:** The courses will vary in subjects related to California pawnshop operations. Some will be mandatory (e.g., federal and state compliance) and others may be selected by the individual.

4. What if I own multiple shops?

- Stores that share common ownership may designate one individual as a “trainer”

for their group of stores. The “trainer” must be an employee of the group and may only serve one group of stores under common ownership.

5. Where will the courses be held?

- Courses will be available through three channels:
 - **CAPA Conventions:** In-person sessions at annual CAPA conventions. The October 2025 convention will include a minimum of four hours of education credit.
 - **Online Portal:** Convenient access to courses online. There will be a minimum of four hours of online credit available starting Fall 2025, with more courses to be added.
 - **Regular In-Person Seminars:** Flexible options to participate in seminars held at various locations, with the first likely to be in Northern California in 2026.

6. What will be the cost?

- The cost of each course will vary depending on the cost of production and method of presentation:
 - **Member Fees:** CAPA members will benefit from significantly reduced tuition fees
 - **Non-Member Fees:** Non-members will pay higher fees, highlighting the value of CAPA membership and helping fund the development and delivery of high-quality educational content.



7. How can I stay updated on course availability and new opportunities?

- Stay tuned for more updates from CAPA on course availability and how you can take advantage of these new educational opportunities.

If there’s anything else you need, just let me know!

Patrick Rogers

Continuation Education Committee ■

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NEW 2025 LAWS: A SUMMARY FROM CAPA'S ATTORNEY

The landscape for employers is changing in 2025. There are myriad new laws that will affect your pawnshop as well as all businesses and employers in California, some for better and some for worse.

As the new year approaches, California pawnshops should anticipate implementing a new minimum wage for nonexempt employees. As of January 1, 2025, the state minimum wage will rise to \$16.50 per hour. On the bright side, California voters rejected Proposition 32 which would have raised the minimum wage to at least \$18 per hour for employers with 26 or more employees. Despite the defeat of Proposition 32, wage inflation seems to be the trend in California.

There is a new discrimination law to be aware of for 2025, the California's Worker Freedom from Employer Intimidation Act (SB 399), which prohibits employers from requiring employees to attend meetings or participate in communications primarily intended to convey the employer's stance on religious or political matters. SB 399 also includes a prohibition on holding mandatory meetings concerning union organizing, commonly known as "captive audience" meetings. Employees enjoy the right to refuse participation in such meetings or communications without fear of retaliation or adverse employment actions. Employers who violate this new law may be liable for statutory penalties of \$500 per employee for each violation, and/or potential lawsuits. Although employers may still express their views on religious and political matters, they must be careful in presenting their views to avoid pressuring employees to participate.

Be careful when inquiring about a prospective employee's ability to drive, as starting January 1, 2025 it may be unlawful to require an employee to have a driver's license subject to certain exceptions. California's Fair Employment and Housing Act ("FEHA") will impose additional restrictions on the content for job listings, advertisements, or other application materials. Under SB 1100, employers will no longer be allowed to require a driver's license in job postings unless "[t]he employer reasonably expects driving to be one of the job functions for the position," and "[t]he employer reasonably believes that satisfying the job function described [above] using an alternative form of transportation would not be comparable in travel time or cost to the employer." Employers should review all active job postings and applications to ensure compliance with this new law and make sure which job positions fit the exception for requiring a driver's license.

In 2025, you will need to update your posters and Notices, specifically those concerning worker's compensation and whistle blowers. In addition to the prior requirements, **employers must provide a notice to employees that they may need to consult a licensed attorney for advice on their rights under the applicable workers' compensation laws.** Employers should contact their worker's compensation insurance carrier for updated posters. In addition, employers will be required to display an overview of employees' rights and responsibilities under California's whistleblower laws. Although AB 2299 imposes a new requirement that the California Labor Commissioner develop a model list of these rights and responsibilities, in order to comply, employers should still ensure that this model list appears in a font larger than 14 points, and contains the whistleblower hotline telephone number.

Under AB 2499, California adds a new category for leaves of absence for employers with 25 or more employees. The new category allows an employee to take a leave of absence to help a family member who was the victim of qualifying acts of violence. Further, leaves of absence for jury and witness leave, along with crime victims' leave, will be moved from the Labor Code to the Fair and Employment and Housing Act ("FEHA"). This change means that the California Civil Rights Department will now have enforcement authority over violations. Furthermore, the law enhances protections for crime victims by permitting employees of companies with 25 or more employees to take time off to assist family members who have been victims of certain qualifying acts of violence.

These are just a few of the new employment laws that are likely to affect pawnshops starting January 1, 2025. I encourage all shops to contact their HR consultants and update their employment handbooks, Posters, Notices, and job advertisements to be in compliance with these new laws.

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