SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 1237 (Blakespear)
Version: February 19, 2026
Hearing Date: April 7, 2026
Fiscal: Yes
Urgency: No
ME

SUBJECT

Civil Rights Department

DIGEST

This bill strengthens the Equal Pay Act by increasing penalties for employer noncompliance and increasing public reporting of penalties by the Civil Rights Department.

EXECUTIVE SUMMARY

Because of occupational segregation and disparities in pay, it is well documented that white men regularly receive greater compensation than their counterparts who are not white men. Recent California initiatives have sought to reduce that pay gap by increasing transparency around employee pay and requiring equal pay for equal work. Despite California's Equal Pay Act (Lab. Code §1197.5) and private employer pay data reporting law (Gov. Code §12999), data continues to demonstrate persistent inequities in income for Black people, people who are not men, and people of color in California.[1]

Under current law, if the California Civil Rights Department (CRD) does not receive the required pay data report from an employer, the CRD may seek an order requiring the employer to comply with the pay data reporting requirements and shall be entitled to recover the costs associated with seeking the order for compliance. Upon request by the CRD, a court shall impose a civil penalty not to exceed $100 per employee upon any employer who fails to file the required report and not to exceed $200 per employee upon any employer for a subsequent failure to file the required report. These penalties are payable to the Civil Rights Enforcement and Litigation Fund. This bill increases the civil penalty a court shall impose upon the employer for the subsequent failure to file the required report from $200 to $1000 per employee. Additionally, the bill requires the

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[1] Kelly Lu, "New pay data shows ongoing gender, racial pay gaps in California," Davis Vanguard (April 5, 2025), https://davisvanguard.org/2025/04/new-pay-data-shows-ongoing-gender-racial-pay-gaps-in-california/.

CRD to annually publish a report of the aggregate budgetary and enforcement information for the Civil Rights Enforcement and Litigation Fund, including, but not limited to, the total amount of civil penalties assessed and collected; the total amount of civil penalties outstanding to be collected; and the allocation or use of collected penalty revenues. This bill permits the CRD to publish or combine the new required report with any other annual report the CRD is authorized or required to publish by law.

The bill is sponsored by Power California Action. No timely opposition was received by the Committee. Should the bill pass out of this Committee it will then be referred to the Senate Appropriations Committee.

PROPOSED CHANGES TO THE LAW

Existing law:

1) Requires that on or before the second Wednesday of May 2023, and on or before the second Wednesday of May of each year thereafter, a private employer that has 100 or more employees shall submit a pay data report to the CRD covering the prior calendar year, which, for purposes of this section, shall be referred to as the "Reporting Year." (Gov. Code §12999 (a)(1).)

2) Requires that on or before the second Wednesday of May 2023, and on or before the second Wednesday of May of each year thereafter, a private employer that has 100 or more employees hired through labor contractors within the prior calendar year shall submit a separate pay data report to the CRD covering the employees hired through labor contractors in the prior calendar year. The private employer shall also disclose on the pay data report the ownership names of all labor contractors used to supply employees. A labor contractor shall supply all necessary pay data to the private employer. (Gov. Code §12999 (a)(2).)

3) Specifies that the pay data report shall include the number of employees by race, ethnicity, and sex in each of the following job categories: executive or senior level officials and managers; first or mid-level officials and managers; professionals; technicians; sales workers; administrative support workers; craft workers; operatives; laborers and helpers; and service workers. (Gov. Code §12999 (b)(1)(A)-(J).)

4) Specifies that the pay data report shall include the number of employees by race, ethnicity, and sex whose annual earnings fall within each of the pay bands used by the United States Bureau of Labor Statistics in the Occupational Employment Statistics survey. (Gov. Code §12999 (b)(2).)

5) Specifies that the pay data report shall include the median and mean hourly rate within each job category, for each combination of race, ethnicity, and sex. (Gov. Code §12999 (b)(3).)
6) Specifies that the pay data report shall include, for purposes of establishing the numbers required to be reported, a "snapshot" created by an employer that counts all of the individuals in each job category by race, ethnicity, and sex employed during a single pay period of the employer's choice between October 1 and December 31 of the "Reporting Year." (Gov. Code §12999 (b)(4).)

7) Specifies that the employer shall calculate the total earnings, as shown on the Internal Revenue Service Form W-2, for each employee in the "snapshot," for the entire "Reporting Year," regardless of whether or not an employee worked for the full calendar year. The employer shall tabulate and report the number of employees whose W-2 earnings during the "Reporting Year" fell within each pay band. (Gov. Code §12999 (b)(5).)

8) Specifies that the pay data report shall include the total number of hours worked by each employee counted in each pay band during the "Reporting Year." (Gov. Code §12999 (b)(6).)

9) Specifies that the pay data report shall include the employer's North American Industry Classification System (NAICS) code. (Gov. Code §12999 (b)(7).)

10) Specifies that employers with multiple establishments must submit a report covering each establishment. (Gov. Code §12999 (c).)

11) Requires the report to include a section for employers to provide clarifying remarks regarding any of the information provided. An employer is not required to provide clarifying remarks. (Gov. Code §12999 (d).)

12) Requires the information submitted as required to be made available in a format that allows the CRD to search and sort the information using readily available software. (Gov. Code §12999 (e).)

13) Requires the CRD to maintain pay data reports for at least 10 years. (Gov. Code §12999 (j).)

14) Provides that if the CRD does not receive the required report from an employer, the CRD may seek an order requiring the employer to comply with the pay data reporting requirements and shall be entitled to recover the costs associated with seeking the order for compliance. (Gov. Code §12999 (f).)

15) Provides that upon request by the CRD, a court shall impose a civil penalty not to exceed $100 per employee upon any employer who fails to file the required

report and not to exceed $200 per employee upon any employer for a subsequent failure to file the required report. (Gov. Code §12999 (f).)

16) Provides that these penalties shall be payable to the Civil Rights Enforcement and Litigation Fund. (Gov. Code §12999 (f).)

This bill:

1) Increases the civil penalty a court shall impose upon the employer for a subsequent failure to file the required report from $200 to $1000 per employee.

2) Requires the CRD to annually publish a report of the aggregate budgetary and enforcement information for the Civil Rights Enforcement and Litigation Fund, including, but not limited to, all of the following:
   a) the total amount of civil penalties assessed;
   b) the total amount of civil penalties collected;
   c) the total amount of civil penalties outstanding to be collected; and
   d) the allocation or use of collected penalty revenues.

3) Permits the CRD to publish or combine the new required report with any other annual report the CRD is authorized or required to publish by law.

COMMENTS

1. Author statement

According to the author:

> SB 1237, a Legislative Women's Caucus Priority Bill, will strengthen enforcement of California's pay equity reporting law to ensure the Civil Rights Department (CRD) can effectively combat wage discrimination. California has led the nation on equal pay, but our laws are only as strong as their enforcement. Wage disparities persist; for every dollar a man earns, women earn only $0.81 with larger gaps for women of color. For every $1 a white man makes, Black women earn 58 cents and Latina women earn 44 cents.
> To better identify and address these inequities, California requires companies with 100 or more employees to report annual pay data to CRD, disaggregated by race, ethnicity, sex, and job category. However, CRD is missing pay data for at least 400,000 workers.
>
> SB 1237 will strengthen enforcement by increasing the penalty for repeated noncompliance from $200 to $1,000 per employee. Increased penalties will serve as a meaningful deterrent against noncompliance and generate additional resources for more proactive enforcement. This bill ensures employers can't

treat pay data reporting as optional and gives CRD the tools it needs to effectively combat wage discrimination. It is a critical step toward ending persistent wage disparities and delivering real pay equity for women.

2. Pay data reporting

In 2020, California enacted SB 973 (Jackson, Ch. 363, Stats. 2020) in an effort to better understand and help close the pay gaps. In broad strokes, SB 973 required California employers with 100 or more employees to compile data showing how much they pay their employees, broken down by rough category of work performed and cross-referenced by race, ethnicity, and gender. (Gov. Code §12999(b).) Under SB 973, the covered employers have to submit this pay equity data to the CRD annually by March 31. (Gov. Code §12999(a).) The CRD must keep each individual employer's data confidential (Gov. Code §12999(i)), but it has the authority to develop and publish a yearly report based on the aggregate data. (Gov. Code §12999(k).)

Employers submitted their first SB 973 pay equity data reports in 2021 and, on March 15 of 2022, the CRD published its inaugural report on the overall results. As summarized in its press release about the report, the CRD concluded the following based on the data provided:

[T]he statewide findings related to sex include:

- Among workers in the lowest pay bands (earning $30,679 or less in 2020), women were overrepresented. Women made up 55% of workers in the lowest pay bands, compared to 48% of the total reported worker population.
- Among workers in the highest pay bands (earning $128,960 or more in 2020), women were underrepresented. Women made up 36% of workers in the highest pay bands.
- Among executives or senior level officials or managers, 34% were women.
- Among administrative support workers, 70% were women.

The findings related to race/ethnicity include:

- Among workers in the lowest pay bands (earning $30,679 or less in 2020), Hispanic/Latino and Black/African American workers were overrepresented. Hispanic/Latino workers made up 50% of workers in the lowest pay bands, compared to 37% of total reported workers. Black/African American workers made up 8% of workers in the lowest pay bands, compared to 6% of total reported workers. The lowest pay bands also included 25% Whites, 10% Asians, 5% two or more races, 1% Native Hawaiian or Other Pacific Islander, and 1% American Indian or Alaskan Native
- Among workers in the highest pay bands (earning $128,960 or more in 2020), Hispanic/Latino and Black/African American workers were underrepresented.
- Hispanic/Latino workers made up 9% of workers in the highest pay band, compared to 37% of total reported workers. Black/African American workers made up 3% of workers in the highest pay bands, compared to 6% of total

reported workers. The highest pay bands also included 3% two or more races, 1% Native Hawaiian or Other Pacific Islander, and 0.3% American Indian or Alaskan Native.
- White and Asian workers were overrepresented in the highest pay bands (earning $128,960 or more in 2020). White workers made up 51% of workers in the highest pay bands, compared to 34% of total reported workers. Asian workers made up 33% of workers in the highest pay bands, compared to 18% of total reported workers.[2]

In 2022, California updated the pay equity data program through SB 1162 (Limón, Ch. 559, Stats. 2022). SB 1162 modified the pay equity data reporting program by authorizing the CRD to seek penalties in court against employers who fail to submit their data and required employers of 100 or more workers hired through labor contractors to provide the CRD with certain specified information, including pay data, about their workers. Reporting requirements were further strengthened through SB 642 (Limon, Ch. 468, Stats. 2025) by, among other things, (1) revising the definition of "pay scale" for purposes of existing job posting requirements; (2) increasing the statute of limitations on civil actions for employer violations; and (3) specifying what constitutes a cause of action for violations.

3. <u>Amends the private employer pay data reporting law</u>

Despite California's Equal Pay Act (Labor Code §1197.5) and private employer pay data reporting law (Gov. Code §12999), data continues to demonstrate persistent inequities in income for Black people, people who are not men, and people of color in California.[3] Under current law, if the CRD does not receive the required report from an employer, the CRD may seek an order requiring the employer to comply with the pay data reporting requirements and shall be entitled to recover the costs associated with seeking the order for compliance. Upon request by the CRD, a court shall impose a civil penalty not to exceed $100 per employee upon any employer who fails to file the required report and not to exceed $200 per employee upon any employer for a subsequent failure to file the required report. These penalties are payable to the Civil Rights Enforcement and Litigation Fund. This bill increases the civil penalty a court shall impose upon the employer for the subsequent failure to file the required report from $200 to $1000 per employee. Additionally, the bill requires the CRD to annually publish a report of the aggregate budgetary and enforcement information for the Civil Rights Enforcement and Litigation Fund, including, but not limited to, the total amount of civil penalties

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[2] *California Pay Data Reports Show Women, Latinos, and Other Groups Overrepresented Among Low-Wage Workers* (Mar. 15, 2022) California Department of Fair Employment and Housing https://www.dfeh.ca.gov/wp-content/uploads/sites/32/2022/03/DFEH-Pay-Data-Results-Press-Release-2022-03-15-1.pdf (as of Apr. 1, 2026).
[3] Kelly Lu, "New pay data shows ongoing gender, racial pay gaps in California," Davis Vanguard (April 5, 2025), https://davisvanguard.org/2025/04/new-pay-data-shows-ongoing-gender-racial-pay-gaps-in-california/.

assessed and collected; the total amount of civil penalties outstanding to be collected; and the allocation or use of collected penalty revenues. This bill permits the CRD to publish or combine the new required report with any other annual report the CRD is authorized or required to publish by law.

According to Power California Action, the sponsors of the bill:

> [. . .] California's pay data reporting system is only as strong as its compliance. In 2023, the most recent year for which data are available, pay data for approximately 7.9 million workers were reported to CRD. Yet according to California's Employment Development Department, around 8.3 million people were employed by businesses subject to the law, excluding contract workers. This means CRD is missing pay data for at least 400,000 employees.
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> The primary reason for this gap in pay data is weak enforcement mechanisms. Penalties for noncompliance are too low to incentivize full participation. Currently, employers can be fined up to $100 per employee for a first violation and up to $200 per employee for subsequent violations, amounts so small that large employers may view these penalties as simply the cost of doing business. Enforcement of existing law is also inefficient. Currently, CRD must pursue penalties through court action, which is more expensive and time-consuming than administrative enforcement. Further, CRD can recover court fees, but not attorneys' fees. Courts also retain discretion over whether to impose penalties and in what amount, up to the statutory limits. While SB 464 (2025, Smallwood-Cuevas) will require courts to impose penalties starting in 2027, low penalty amounts will continue to undermine compliance.
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> SB 1237 strengthens enforcement by raising the maximum penalty for repeated noncompliance from $200 to $1,000 per employee, aligning with the penalty for repeated failure to provide paystubs. Increased penalties will either serve as a meaningful deterrent against noncompliance or generate additional resources for CRD, potentially up to $320M. In either case, CRD will have more tools to enforce pay discrimination laws. The bill would also promote transparency and accountability by requiring CRD to publicly report the penalties assessed, collected, and outstanding, as well as how those funds are spent.

SUPPORT

Power California Action (sponsor)

OPPOSITION

None known

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

SB 464 (Smallwood-Cuevas, Ch. 760, Stats. 2025), for existing pay data reporting requirements of private employers, required employers to collect and store demographic information gathered separately from employees' personnel records; and beginning January 1, 2027, increased the number of job categories that employers must report on.

SB 642 (Limón, Ch. 468, Stats. 2025) strengthened California's Equal Pay Act by, among other things, (1) revising the definition of "pay scale" for purposes of existing job posting requirements; (2) increasing the statute of limitations on civil actions for employer violations; and (3) specifying what constitutes a cause of action for violations.

SB 1162 (Limón, Ch. 559, Stats. 2022) required employers of 100 or more workers hired through labor contractors to provide the CRD with certain specified information, including pay data, about their workers. The bill also requires employers to provide the pay scale for a position to an applicant for employment and include it in job postings

AB 1192 (Kalra, 2021) would have required the report and publication of a series of metrics for large California employers about the nature of their workforce, pay, benefits, and conditions including, among others, disparities in pay based on race and gender. AB 1192 died on the Assembly inactive file.

SB 973 (Jackson, Ch. 363, Stats. 2020) See Comment 2, above.

SB 171 (Jackson, 2019) was substantially similar to SB 973. SB 171 died in the Assembly Appropriations Committee.

SB 1284 (Jackson, 2018) was substantially similar to SB 973. SB 1284 died in the Assembly Appropriations Committee.

AB 2282 (Eggman, Ch. 127, Stats. 2018) clarified that, while prior salary information cannot justify disparities in compensation, an employer may make a compensation decision based on an applicant's current salary as long as any wage differential resulting from that compensation decision is justified by: (a) a seniority system; (b) a merit system; (c) a system that measures earnings by quantity or quality of production; or (d) a bona fide factor other than sex, such as education, training, or experience.

AB 46 (Cooper, Ch. 776, Stats. 2017) clarified that the California Equal Pay Act applies to public as well as private sector employers.
AB 168 (Eggman, Ch. 688, Stats. 2017) prohibited an employer from seeking or relying on the salary history information of an applicant as a factor in determining whether to offer an applicant employment or what salary to offer an applicant. The bill also required an employer, upon reasonable request, to provide the pay scale for a position to an applicant.

AB 1209 (Gonzalez-Fletcher, 2017) would have required employers with 500 or more employees in California to provide the Secretary of State with specific information regarding gender wage differentials for exempt employees and board members every two years as part of their corporate filings. In his message vetoing AB 1209, then Governor Brown wrote that "ambiguous" language in the bill "could be exploited to encourage more litigation than pay equity." In addition, he wrote that "[w]hile transparency is often the first step to addressing an identified problem, it is unclear that the bill… will provide data that will meaningfully contribute to efforts to close the gender wage gap."

SB 1063 (Hall, Ch. 866, Stats. 2016) expanded the prohibitions in the California Equal Pay Act regarding gender to include discrimination based on race or ethnicity.

AB 1676 (Campos, Ch. 856, Stats. 2016) required that prior salary shall not, by itself, justify any disparity in compensation.

SB 358 (Jackson, Ch. 546, Stats. 2015) amended the Equal Pay Act to require employers to justify any gender pay differential with a legitimate non-sex-based factor. The bill also prohibited retaliation against employees for disclosing or discussing their wages with co-workers.

AB 160 (Grunsky, Ch. 804, Stats. 1949) enacted California's original Equal Pay Act.

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