

THIRD READING

Bill No: SB 1237
Author: Blakespear (D)
Introduced: 2/19/26
Vote: 21

SENATE JUDICIARY COMMITTEE: 10-1, 4/7/26

AYES: Umberg, Allen, Ashby, Caballero, Durazo, Reyes, Stern, Wahab, Weber
Pierson, Wiener

NOES: Niello

NO VOTE RECORDED: Laird, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

SUBJECT: Civil Rights Department

SOURCE: Power California Action

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.

ANALYSIS:

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 Civil Rights Department (CRD) covering the prior calendar year, which, for purposes of this section, shall be referred to as the “Reporting Year.” (Government (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: the total amount of civil penalties assessed; the total amount of civil penalties collected; the total

amount of civil penalties outstanding to be collected; and 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.

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.

According to Power California Action, the sponsors of this 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.

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.

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.

In 2020, California enacted SB 973 (Jackson, Chapter 363, Statutes of 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. 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.

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.¹ 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 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill would require DCR to comply with new reporting requirements. DCR estimates a cost of \$150,000 (General Fund) annually for one full time position to develop accounting methods to trace these funds and to comply with the reporting requirements. In addition, the new reporting requirements may result in an increase in inquiries to DCR’s Contact Center and an increase in Public Record Act requests. If the newly reported information results in a significant increase in inquiries and requests,

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/>.

DCR may require additional resources and program staff to handle the increased workload.

The Civil Rights Enforcement and Litigation Fund is administered by DCR and is designed to support the department's efforts in enforcing civil rights laws. The fund consists of any attorney's fees and costs awarded by a court to DCR when it is the prevailing party in a civil action brought under the California Fair Employment and Housing Act. Upon appropriation by the Legislature in the annual Budget Act, moneys in the fund may be used to offset DCR costs.

SUPPORT: (Verified 5/16/26)

Power California Action (Source)
California Employment Lawyers Association
California Legislative Women's Caucus
California Teachers Association
Equal Rights Advocates
Hispanas Organized for Political Equality
Power California Action

OPPOSITION: (Verified 5/16/26)

None received

Prepared by: Margie Estrada / JUD. / (916) 651-4113
5/17/26 13:49:51

**** **END** ****