

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 7 (McNerney) – As Amended July 9, 2025

Policy Committee:	Labor and Employment	Vote:	5 - 0
	Privacy and Consumer Protection		9 - 4

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill imposes notice, use, and appeal requirements on an employer that uses an automated decision system (ADS) that affects workers.

Specifically, among other provisions, this bill:

- 1) Requires an employer to provide written notice, as specified, to workers who will foreseeably be directly affected by an ADS used in the workplace for employment-related decisions other than hiring.
- 1) Prohibits an employer from using an ADS with certain data inputs and for certain uses, including an ADS that infers certain protected characteristics about a worker, conducts predictive behavior analysis, or identifies, profiles, predicts, or takes adverse action against a worker for exercising their legal rights, including rights guaranteed by state and federal employment and labor law, among others.
- 2) Requires an employer to allow a worker to access their own worker data collected or used by an ADS and correct errors in any input or output data used by or produced by the ADS or used as corroborating evidence by a human reviewer if the data is the worker's own data.
- 3) Prohibits an employer from relying primarily on an ADS to make a discipline, termination, or deactivation decision.
- 4) Requires an employer to use a human reviewer to conduct its own investigation and compile corroborating or supporting information about a discipline, termination, or deactivation decision made with an ADS.
- 5) Requires an employer to allow a worker to appeal a discipline, termination, or deactivation decision for which an ADS was used, and establishes an appeal process that, among other elements:
 - a) Requires the employer to provide notice to the affected worker that the decision was made with an ADS.
 - b) Requires the employer to provide an appeal form to the affected worker, which includes information about the worker's option to request the input or output data from the ADS decision and the worker's option to request access to the corroborating or supporting information from the human reviewer who reviewed the ADS decision.

- c) Provides timelines in which the worker may appeal the decision or request additional information.
 - d) Requires an employer to designate a human reviewer to objectively evaluate all evidence and determine whether to overturn the decision on appeal. Specifies the employer may not designate a person who was involved in the original decision.
- 6) Establishes anti-retaliation protections for a worker who attempt to exercise their rights under the bill.
 - 7) Authorizes civil enforcement by the Labor Commissioner, specified public prosecutors, or through a private right of action by a worker who suffers a violation of the bill's provisions, with specified remedies.
 - 8) Provides that it does not preempt any city, county, or city and county ordinance that provides equal or greater protection to workers who are covered by the bill.
 - 9) Specifies that an employer who complies with the requirements related to notice and appeal under the bill is not required to comply with any substantially similar notice and appeal provisions related to ADS used in employment-related decisions required under any other state law.

FISCAL EFFECT:

- 1) Costs (General Fund, special funds) of an unknown but likely significant amount to each state entity that uses ADS for employment decisions and must comply with the bill's requirements as an employer. Each affected agency will face significant workload costs to provide the required notices, ensure its use of ADS complies with the bill's use requirements, and fulfill the bill's appeal requirements. Incidence of these systems in state agencies is unknown; actual costs will depend on the number of affected agencies, the number of workers in each affected agency, and the number of appeals. By way of illustration, if 10 state entities must each hire two additional employees to fulfill these requirements, at a cost of approximately \$150,000 per employee for salary and benefits, the resulting cost would be \$3 million annually ongoing.
- 2) Likely significant, non-reimbursable costs to local entities that use ADS for employment decisions and must comply with the bill's requirements as employers.
- 3) Costs to the Labor Commissioner's Office (LCO) (Labor and Enforcement Compliance Fund) to enforce the bill's requirements, possibly in the hundreds of thousands to millions of dollars annually. LCO anticipates minimum costs of approximately \$603,000 in the first year of implementation and \$570,000 ongoing annually thereafter. However, if LCO must handle "more than a few dozen" complaints each year, or needs additional technical expertise related to ADS, LCO reports it will need additional funding. The actual number of workers affected by this bill is unknown, but there are nearly 17 million Californians who work for wages or salaries in the state – a few dozen complaints per year is likely a low estimate. If so, the LCO will need additional resources above this minimum estimate.
- 4) Possible costs (General Fund, special funds) to the Department of Justice (DOJ) of an unknown amount. Actual costs will depend on whether the Attorney General pursues

enforcement actions, and, if so, the level of additional staffing DOJ needs to handle the related workload. If DOJ hires staff to handle enforcement actions authorized by this bill, the department would incur significant costs, likely in the low hundreds of thousands of dollars annually at a minimum. If DOJ does not pursue enforcement as authorized by this bill, the department would likely not incur any costs.

- 5) Cost pressures (Trial Court Trust Fund, General Fund) of an unknown but potentially significant amount to the courts to adjudicate enforcement actions. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The fiscal year 2025-26 state budget provides \$82 million ongoing General Fund to the Trial Court Trust Fund for court operations.

COMMENTS:

- 1) **Background.** ADS, and artificial intelligence more generally, are widely used in increasingly sophisticated ways to help companies and government agencies make decisions. For example, in the employment context, ADS is used to help screen resumes for job openings, detect patterns that indicate fraud by employees, and set workers' hours and pay rates. However, as detailed in the policy committee analyses of this bill, research shows these systems can reproduce historical patterns of discrimination, stereotype, and bias.

This bill is sponsored by the California Federation of Labor Unions and supported by a number of labor organizations. According to the author:

Businesses are increasingly using AI to boost efficiency and productivity in the workplace. But there are currently no safeguards to prevent machines from unjustly or illegally impacting workers' livelihoods and working conditions. SB 7 does not prohibit ADS in the workplace, rather it will establish guardrails to ensure that California businesses are not operated by robo bosses, because there will be a human in the loop. AI must remain a tool controlled by humans, not the other way around.

This bill establishes notice, use, and appeal requirements for any employer that uses ADS when making specified employment-related decisions. These requirements are imposed on both private and public employers. Under this bill, "worker" means an employee or independent contractor.

- 2) **Related Legislation.** AB 1018 (Bauer-Kahan) establishes requirements for the developer and deployer of an ADS used to make or facilitate a consequential decision, including a decision relating to employment. AB 1018 is pending in the Senate Appropriations Committee.

Analysis Prepared by: Annika Carlson / APPR. / (916) 319-2081