ENGAGE PEO

Client Alert

California Year-End Legislative Updates

Ban on Stay or Pay Provisions (SB 692)

WHAT'S NEW: There are new prohibitions for certain contracts entered into with employees on or after **January 1, 2026**.

WHAT IT MEANS: The new law deems any agreement entered into on or after January 1, 2026 unlawful if it:

- Requires a worker to pay an employer for a debt if the work relationship ends;
- Authorizes the employer to resume or initiate collection on a worker's debt; or
- Imposes a penalty, fee or cost on a worker when employment ends.

This law would prohibit certain agreements that require an employee to pay back the employer the cost of training or the cost of relocation. There are a handful of narrow exceptions that require employers to adhere to certain requirements to take advantage of those exceptions.

This law can subject employers to the greater of $5,000 or the employee's damages.

WHAT EMPLOYERS SHOULD DO: Employers should review agreements with repayment provisions for compliance before deploying them in the new year.

Workplace Know Your Rights Act (SB 294)

WHAT'S NEW: California added a new notice that must be provided to employees on or before **February 1, 2026**.

WHAT IT MEANS: Employers are required to provide a stand-alone written notice to current employees and new hires regarding employment rights under state and federal law. The notice must be provided annually thereafter. Electronic delivery is acceptable if it is reasonably anticipated that it will be received by the employee within one (1) day of sending. Employers shall keep records of compliance with the requirements for three years, including the date that each written notice is provided or sent.

The notice must contain:

- Information pertaining to workers' compensation and unionization rights, immigration related protections and constitutional rights when interacting with law enforcement at the workplace.
- A description of the new legal developments pertaining to laws that are enforced by the Labor and Workforce Development Agency and the Labor Commissioner.

The Labor Commissioner will develop a template notice and post on its website on or before January 1, 2026.

In addition, under the new law, employers will have until **March 30, 2026**, to allow employees to **designate an emergency contact**. In designating the emergency contact, the employee should be presented with the option to authorize the employer to reach out to the emergency contact if the employee is detained or arrested at or away from the worksite during work hours or during performance of job duties.

WHAT EMPLOYERS SHOULD DO: Employers should begin setting up a system and process for delivering these notices to existing employees and tracking distribution. Employers should check the state Labor Commissioner's website for the template and be prepared to distribute the model notice once it becomes available.

Pay Data Reporting (SB 464)

WHAT'S NEW: California made changes to the existing pay data report requirements for certain California employers.

WHAT IT MEANS: Existing law requires California employers to submit an annual pay data report to the California Civil Rights Department (CRD). **On January 1, 2026**, the following changes to the pay data reporting law become effective:

- Any demographic information gathered by an employer for the pay data report shall be collected and stored **separately** from the employees' personnel records.
- Upon request from the CRD, a court **shall** impose a civil penalty not to exceed one hundred dollars ($100) per employee upon any employer who fails to file the required report and not to exceed two hundred dollars ($200) per employee upon any employer for a subsequent failure to file the required report. Previously, the court had discretion as to whether to issue a penalty. Now a penalty is guaranteed if the CRD seeks an order from the court.

Effective **January 1, 2027**, the job categories that must be covered in pay data reports will increase from 10 to 23.

WHAT EMPLOYERS SHOULD DO: Employers should review existing policies and processes for pay data reporting to ensure timely filing. Employers should also review standards for maintaining employee demographic information.

Amendments to Paid Family Leave (SB 590)

WHAT'S NEW: California amended the paid family leave program.

WHAT IT MEANS: Effective **January 1, 2028**, California will allow eligible individuals to receive paid family leave benefits to care for a seriously ill "designated person." A designated person means any care recipient related by blood or whose association with the individual is the equivalent of a family relationship.

WHAT EMPLOYERS SHOULD DO: Employers should review existing policies pertaining to California's Family Temporary Disability Insurance Program and update as necessary. A sample policy is forthcoming.

Automated Decision-System Regulations

WHAT'S NEW: On **October 1, 2025**, California's Civil Rights Council issued new regulations clarifying how the state's civil rights law applies to employers' use of artificial intelligence (AI) and automated decision-systems (ADS) in employment processes.

WHAT IT MEANS: The regulations make clear that an employer may be liable for discrimination if an ADS causes adverse impact on applicants or employees in protected classes, even if the employer did not intend to discriminate or a third-party vendor designed or operated the system. Employers are expected to conduct proactive "anti-bias" testing before deploying an ADS and periodically thereafter, and to meaningfully address any disparate-impact findings. They must also retain ADS-related records, including input data, scoring criteria, and outputs, for at least four years. The regulations further clarify that certain ADS tools may be considered medical or psychological inquiries if they assess traits related to disability.

WHAT EMPLOYERS SHOULD DO: Employers should take an inventory of all AI-based or automated tools used in hiring, promotion, screening, evaluation, and other personnel decisions. They should conduct and document anti-bias testing, modify or discontinue tools that present disparate-impact concerns, and update data-retention policies to preserve ADS-related records. Employers should also consider reviewing their vendor agreements with third parties who operate their systems and understand the risks and responsibilities.

Access to Personnel Records (SB 513)

WHAT'S NEW: California amended its law pertaining to an employee's right to review personnel records.

WHAT IT MEANS: California employees have an existing right to review personnel records relating to performance or to any grievance concerning the employee. Under the new law, effective **January 1, 2026**, education or training records will be included as part of performance records.

An employer who maintains education or training records shall ensure that the records include the name of the employee, the name of the training provider, the duration and date of training, the core competencies of the training (including skills in equipment or software), and the resulting certification or qualification.

WHAT EMPLOYERS SHOULD DO: Employers should begin updating internal processes and procedures as it pertains to storing and providing access to personnel records.

COVID 19 Protections for Hospitality Workers Extended (SB 858)

WHAT'S NEW: California extended re-employment protections for hospitality workers.

WHAT IT MEANS: In 2021, California enacted a law that requires hospitality employers (to include hotels, private clubs, event centers, airport hospitality operations, airport service providers, janitorial, building maintenance, or security services) to notify certain employees of open positions and to offer reemployment in order of seniority. Notification should be provided within 5 days of establishing a position and should be provided to those employees who were employed for 6 months or more and laid off after March 2020 due to COVID-19 pandemic-related reasons.

This law was initially set to expire at the end of 2025, but has been extended to remain in effect until **January 1, 2027**.

WHAT EMPLOYERS SHOULD DO: California employers who are subject to this requirement, should continue complying with the requirements until the new expiration date.

Expanded Use of Paid Sick Leave (AB 406)

WHAT'S NEW: California expanded the reasons employees can take leave under CA Healthy Workplaces Health Families Act, California's paid sick and safe time law.

WHAT IT MEANS: California employees can now use leave if they or a family member are a victim of certain crimes and are attending judicial proceedings related to that crime, including but not limited to, any delinquency proceeding, a post-arrest release decision, plea, sentencing, postconviction release decision, or any proceeding where a right of that person is at issue.

This law also revises the paid leave law to incorporate court appearances required by subpoena and jury duty.

WHAT EMPLOYERS SHOULD DO: Employers should review their leave policies and update as necessary to include these additional covered leave uses and be aware of these uses for future employee requests.

Tip-Theft Protections Strengthened (SB 648)

WHAT'S NEW: California strengthened protections against tip theft and expanding enforcement options for employees.

WHAT IT MEANS: The law allows employees to directly sue for violations of Labor Code section 351, which governs gratuities and prohibits employers from taking or misallocating tips. The law authorizes civil penalties and the recovery of the employee's legal fees and costs. These expanded enforcement provisions take effect **January 1, 2026**.

Additionally, an employer that allows patrons to pay gratuities by credit card must pay employees the full amount of the gratuity indicated on the credit card slip, without deducting any credit card payment processing fees or other costs charged by the credit card company. Payments for credit card tips must be made no later than the next regular payday.

WHAT EMPLOYERS SHOULD DO: Employers should review their tip-pooling and tip-distribution practices, train managers and payroll personnel on proper handling of gratuities, and ensure timely payment of gratuities paid by credit card.

Enhanced Penalties for Unpaid Wage Judgments (SB 261)

WHAT'S NEW: Increased penalties for employers that fail to satisfy final wage judgments.

WHAT IT MEANS: If an employer fails to satisfy a final judgment for unpaid wages within 180 days after the appeal period ends, there is a possible penalty of up to **three times** the amount of the outstanding judgment, including post-judgment interest. Courts must impose the full penalty unless the employer demonstrates clear and convincing evidence of good cause for a reduction.

WHAT EMPLOYERS SHOULD DO: Employers should audit any outstanding wage judgments and take steps to resolve or satisfy them promptly to avoid penalties.

Minimum Wage and Exempt Salary Threshold Increases

WHAT'S NEW: As of January 1, 2026, California's statewide general minimum wage and the related exempt-employee salary threshold will increase. The general minimum wage is separate from the state minimum wages for the healthcare and fast-food industries, which are higher.

WHAT IT MEANS: On **January 1, 2026**, the state's general minimum hourly wage rises from $16.50 to **$16.90**. As a result, the state's general minimum annual salary for exempt roles increases to **$70,304 per year**, which is equivalent to $5,858.67 per month.

The minimum salaries for exempt employees in the fast food and healthcare industries will be higher. The state's fast food minimum wage remains $20.00 per hour, and healthcare minimum wages largely change in July for the next several year, and can be accessed here. Health Care Worker Minimum Wage Frequently Asked Questions

WHAT EMPLOYERS SHOULD DO: Employers should review their employees' hourly wages and salaries to ensure compliance with.

Los Angeles Citywide Hotel Worker Protections and Minimum Wage

WHAT'S NEW: After a proposed ballot initiative failed to qualify for a citywide vote, the Los Angeles City Hotel Worker Minimum Wage increased on **September 8, 2025**, to $22.50 per hour. The minimum wage law includes mandatory paid time off and unpaid time off rights. Also, there are new housekeeping staff training requirements.

WHAT IT MEANS: For covered hotel employers, the city minimum wage will gradually increase until it reaches $30.00 per hour in July 2028. An upcoming increase, effective July 1, 2026, will increase hotel worker minimum wage to $25.00 per hour.

In addition, covered employers must provide full-time hotel workers at least 96 compensated hours off per year and allow at least 80 additional hours per year of uncompensated time off. A part time hotel worker shall accrue compensated time off in increments proportional to that accrued by someone who works 40 hours a week.

Also, beginning **December 1, 2025**, covered hotel employers are required to provide public housekeeping training to room attendants by contracting with a certified provider. The training must be at least five and a half (5.5) hours long and cover a variety of topics designated by the law. Employers are responsible for paying the cost of the training and of their employees' time to take the training.

For more information about Los Angeles's city laws applying to hotel workers and a list of certified training providers, go here: Hotel Worker Ordinances | Wages LA

WHAT EMPLOYERS SHOULD DO: Employers should review their employees' hourly wages and contact a certified training provider to schedule the required training.

Los Angeles County Fair Workweek Ordinance

WHAT'S NEW: Los Angeles County's Fair Workweek Ordinance took effect on July 1, 2025, and will apply only to retail businesses with 300 or more employees that operate in the unincorporated areas of Los Angeles County, meaning areas that lie outside the boundaries of any incorporated city.

WHAT IT MEANS: Covered retail employers will be required to comply with new scheduling obligations. These include providing new hires with a written good-faith estimate of expected hours, issuing finalized work schedules at least fourteen days in advance, and providing predictability pay when the employer makes schedule changes after that deadline. Importantly, the ordinance's jurisdiction is limited. It does not apply in any incorporated city within Los Angeles County.

WHAT EMPLOYERS SHOULD DO: Retail employers should first confirm whether any of their operations are located in unincorporated Los Angeles County and whether the business meets the 300-employee global count. Employers that fall under both criteria should review and revise their scheduling systems, communications, and recordkeeping to ensure compliance.

If you have any questions, please contact your HR Consultant/Business Partner.