

Before the Calendar Turns: California Employers' 2027 Compliance Checklist

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California employers heading into 2027 face a mix of new requirements and continuing compliance concerns involving wages, repayment agreements, pay data reporting, workplace artificial intelligence (AI), the Private Attorneys General Act (PAGA), menopause-related protections, and bereavement leave. This article examines seven areas employers should review, explaining the developments and identifying key, practical takeaways for California employers.

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PAGA: Preparation can preserve opportunities to cure

- California's Labor and Workforce Development Agency (LWDA) published a notice of proposed rulemaking on February 6, 2026, to implement portions of the 2024 PAGA reforms. Notice of modifications to the proposed regulatory text was provided on August 3, 2026, and the public written comment period closed on August 18, 2026. The regulations remain proposed, and employers should monitor the rulemaking for final adoption and an effective date.
- The 2024 reforms generally require plaintiffs to have personally suffered each alleged violation within the applicable one-year limitations period; the proposed regulations address the administrative framework implementing those reforms.
- The proposed notice framework also includes additional attorney certification requirements for high-frequency filers and potential screening of repeat non-compliant filers. The proposed definition of "high-frequency filer" includes any attorney who has filed 100 or more PAGA notices in the preceding 12 months, or a law firm that has filed 200 or more PAGA notices in the same time frame. The proposed "non-compliant filer" designation would apply to a person or attorney who files three or more noncompliant PAGA notices within the preceding 12 months, or files notices where the violations alleged appear frivolous or intended to harass, and continues to file noncompliant notices after an LWDA warning. As a result of these developments, boilerplate notices would be easier to challenge.
- The 2024 PAGA reforms already provide qualifying employers with fewer than 100 employees an administrative opportunity to cure certain alleged violations, including overtime, meal and rest period, and necessary business expense violations. The proposed regulations would further specify the procedures governing that process. A separate cure process is available for qualifying wage-statement-only claims regardless of employer size.

- Further, the regulations would require plaintiffs to file the settlement, approval motion, and declarations with the LWDA, and provide notice to plaintiffs in other pending civil PAGA actions against the same employer. These developments may result in increased scrutiny and longer approval timelines for PAGA settlements.
- **Employer recommendations:** Act early and document everything. In the short term, ensure that human resources (HR) and payroll are trained to respond to PAGA notices immediately, establish evidence-hold and early-investigation protocols, and update settlement workflows with counsel. Further, regularly audit meal and rest breaks, overtime, expense reimbursement, and wage statements, and document corrections so the employer can demonstrate a cure. Incorporate the evolving requirements into litigation risk planning.

Wage increases: Location and industry still matter

- California's statewide minimum wage increases to \$17.40 per hour on January 1, 2027, with a corresponding increase in the general executive, administrative, and professional exemption salary threshold to \$72,384 annually, or \$6,032 monthly.
- In addition, higher local minimum wages or industry-specific requirements may control. Covered fast-food employees have a separate \$20 hourly floor, while covered health care rates vary by facility type and applicable schedule. AB 2646 adds a \$19.75 hourly minimum, subject to statutory adjustment, for specified approved agricultural employees and corresponding employees beginning January 1, 2027. Its coverage focuses on qualifying temporary or seasonal workers from outside California and corresponding California employees performing the same or substantially similar work under the specified conditions, rather than agricultural workers generally.
- **Employer recommendations:** Map employees by work location and industry coverage to identify the applicable wage floor and review exempt employees earning below or near \$72,384 annually to determine whether salary increases or nonexempt reclassification are appropriate. Test payroll rates and effective dates, including overtime calculations and timekeeping for reclassified employees, and coordinate HR, payroll, and managers on employee communications, pay notices, and workplace postings. Assign responsibility for a wage-rate calendar, budget for increases and pay compression, and periodically audit rates, exemption duties, and timekeeping.

Stay-or-pay agreements: A revised deadline and conditional exceptions

- AB 692 broadly restricts provisions requiring workers to repay employment-related debts or incur penalties, fees, or costs when their employment or work relationship ends, subject to specified exceptions. Potential remedies include minimum damages of \$5,000 per worker, injunctive relief, and attorneys' fees and costs.
- AB 1697 changes the applicable contract date to January 1, 2027, and makes pending claims under these restrictions based on alleged violations during 2026 moot. It also expands the discretionary-payment exception to reach qualifying payments made during employment, including retention bonuses, rather than only payments made at the outset.
- Additional exceptions address specified financial-services arrangements, advanced paid time off (PTO), and government grant-funded recruitment or retention programs. The PTO exception, for example, allows qualifying repayment when an employee voluntarily leaves, requires separate disclosure, caps repayment at the value of 40 hours of advanced, unaccrued PTO, and prohibits interest. Other exceptions carry their own conditions, so employers should evaluate the particular arrangement rather than assume a payment's label makes it permissible.

- **Employer recommendations:** Inventory all agreements containing repayment obligations, identify provisions that qualify for AB 692's and AB 1697's exceptions, and remove provisions that do not. Coordinate with HR to stop using noncompliant templates. Develop retention alternatives that do not rely on repayment obligations, conduct periodic compliance audits, and review and redesign agreements before enforcement risks arise.

Pay data reporting: More detailed categories and higher penalties

- California's pay data reporting framework generally requires covered private employers with 100 or more employees to submit annual reports to the Civil Rights Department (CRD) addressing workforce demographics and compensation.
- SB 464 already requires employers to store demographic data collected for reporting separately from personnel records. Beginning with the 2027 filing cycle covering 2026 pay data, reporting shifts from 10 EEO-1 categories to 23 categories aligned with the Standard Occupational Classification (SOC) system.
- SB 1237 increases the maximum penalty for subsequent failures to file from \$200 to \$1,000 per employee, operative January 1, 2027, while the first-failure maximum remains \$100 per employee. Although SB 464 makes penalties mandatory when CRD requests them, the enforcement process still requires a court order, rather than allowing CRD to impose penalties without judicial involvement.
- **Employer recommendations:** Prepare for the May 12, 2027 filing deadline by reassessing employee and labor-contractor counts, including whether any entity crossed the 100-employee threshold during the reporting year. Map roles to the 23 SOC-based categories, audit reporting processes, and confirm that systems can support the new classifications. Resolve prior filing gaps and document corrections. Conduct regular compensation and job-description audits, and train managers and recruiters on permissible pay discussions, pay-range disclosures, and consistent application of compensation criteria.

Workplace AI: Human review and new notice requirements

- This article focuses on two workplace AI laws with different compliance dates: SB 947, governing AI-assisted discipline and termination beginning July 1, 2027, and SB 951, adding technology-displacement disclosures to covered California WARN notices beginning January 1, 2027.
- Under SB 947, employers may not rely solely on an automated decision system to discipline or terminate an employee. When an employer primarily relies on such a system, a human reviewer must review the recommendation, independently corroborate the result, and consider supporting evidence. The law also prohibits specified uses of AI involving protected characteristics or protected employee activity.
- Employers must provide a written notice when communicating a disciplinary or termination decision that primarily relied on an automated decision system. The notice must address the system's use, human review, a human contact for further information, employee rights, and anti-retaliation protections.
- SB 951 separately requires additional disclosures when a covered mass layoff, relocation, or termination is caused in whole or substantial part by AI or other automated technology replacing or automating employment positions. Required information includes the number of layoffs substantially attributable to the technology, affected classifications or occupations and work locations, automated job functions, and the category or type of technology involved. Each covered notice must state at the top: "This notice is for a technology displacement."
- **Employer recommendations:** AI can inform the decision, but a person must own it,

and employers must be able to prove it. Identify where AI influences discipline, termination, or deactivation decisions, including through vendor tools, and implement documented human-review procedures. Train HR and managers on appropriate AI use and meaningful oversight, and establish audit, monitoring, and recordkeeping processes for AI-assisted decisions. Prepare employee notice templates and data-request response procedures and develop a formal AI governance framework.

Menopause: Existing protections remain relevant after the veto

- Governor Newsom vetoed AB 1940 on September 30, 2026. The bill would have expressly included perimenopause, menopause, postmenopause, and related medical conditions within the Fair Employment and Housing Act's (FEHA's) definition of sex.
- The veto does not resolve whether an individual employee has protections under existing law. Menopause-related symptoms may qualify as a physical or mental disability or otherwise implicate an existing protected category, depending on their nature and effect.
- **Employer recommendations:** Confirm that accommodation procedures cover all qualifying physical and mental conditions, even when a policy does not expressly name a particular condition. Ensure HR personnel understand that menopause-related symptoms may trigger the interactive process, and incorporate menopause-related scenarios into accommodation procedures. Periodically review policies as legislative proposals develop and evaluate flexible accommodation practices where operationally appropriate.

Bereavement leave: Expanded family coverage, unchanged duration

- Effective January 1, 2027, SB 1149 expands bereavement leave coverage to include a "designated person," defined as someone related by blood or whose association with the employee is equivalent to a family relationship. The employee identifies the designated person when requesting leave, and employers may limit employees to one designated person during a 12-month period for bereavement leave purposes.
- The expansion does not increase the leave entitlement beyond five days per qualifying death. Existing eligibility requirements remain, including employment for at least 30 days and coverage of employers with five or more employees. Leave must be completed within three months of the death but need not be consecutive. Confidentiality and anti-retaliation protections also continue to apply.
- **Employer recommendations:** Review bereavement policies against SB 1149's requirements and update employee handbooks, leave forms, and related documentation as needed. Brief HR, managers, and leave administrators, and provide clear training materials for supervisors and employees. Establish tracking procedures for designated-person requests, protect the confidentiality of supporting documentation, and review anti-retaliation practices. Periodically audit leave administration and documentation, and refresh training on employee rights and employer responsibilities.