

California's New Requirement for Diversity Disclosures by Venture Capital Companies

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California's Governor signed [Senate Bill \(SB\) 54](#), which requires a venture capital company to report annually to the California Civil Rights Department (CRD) on its funding determinations related to companies primarily founded by diverse founding team members.

Under the law, a venture capital company is covered by the requirements if it meets either of the following criteria:

- Primarily engages in the business of investing in, or providing financing to, startup, early-stage, or emerging growth companies.
- Manages assets on behalf of third-party investors, including, but not limited to, investments made on behalf of a state or local retirement or pension system.

And meets any of the following criteria:

- The company is headquartered in California.
- The company has a significant presence or operational office in California.
- The company makes venture capital investments in

businesses that are located in or have significant operations, in California.

- The company solicits or receives investments from a resident of California.

Under the new law, covered venture capital companies will be required to report to the CRD on an annual basis starting **March 1, 2025**, regarding the makeup of founding teams and businesses to which funding is provided by the company.

The statute provides for enforcement by the CRD.

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