

Date of Hearing: January 22, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1245 (Stefani) – As Amended January 5, 2026

Policy Committee: Governmental Organization
Labor and Employment

Vote: 17 - 0
7 - 0

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

SUMMARY:

This bill requires certain contractors to certify to a state agency that the contract being entered into complies with specified prohibitions to combat human trafficking.

Specifically, this bill:

- 1) Expands existing state contracting requirements for: (a) procurement or laundering of apparel, garments, or corresponding accessories, or (b) procurement of non-public works related equipment, materials, or supplies, to additionally require a contractor to certify the contract complies with specified prohibitions to combat human trafficking. The contractor must exercise due diligence to ensure subcontractors also comply with these prohibitions. For contracts with an estimated value over \$550,000, the contractor must also certify implementation of a compliance plan with procedures to: (a) prevent prohibited activities, and (b) monitor, detect, and terminate a contract with a subcontractor or agent in violation.
- 2) Adds to the list of sanctions that may be imposed on a contractor that violates the above-described requirements, including suspension of contract payments and loss of award fee.
- 3) Requires a contractor to make certain disclosures and take certain corrective actions if the contractor or a contractor employee, subcontractor, subcontractor employee, or agent violates the above-described requirements or specified state and federal laws.
- 4) Applies to contracts entered into or renewed on or after January 1, 2027.

FISCAL EFFECT:

- 1) Costs likely in the mid-to-high hundreds of thousands of dollars in the first years, but less in subsequent years, to the Department of General Services (DGS) to update the State Contract Manual and related documents and regulations, assist with compliance workload, and address potential increases in contract disputes and lawsuits (General Fund). For its part, DGS anticipates needing six permanent staff positions and one limited-term position, with total costs estimated at over \$1 million annually. DGS notes there were more than 9,000 state contracts valued over \$550,000 in the 2024-25 fiscal year.
- 2) Costs of an unknown, but potentially significant, amount across state agencies to administer new contracting practices. Additionally, the new compliance requirements for contractors

and subcontractors may result in various state agencies paying more for specified goods (General Fund or special fund).

Generally, contractors are likely to attempt to recover the increased cost of preparing a more complicated bid through the bid price. The new requirement may also deter some contractors from bidding on state contracts. Businesses that regularly bid on state contracts are more likely to comply and try to pass along costs to the state, but new entrants and less frequent bidders are more likely to be deterred from the process. In cases where a foregone contractor would have been the low bidder, the state will pay more, and remaining contractors may face less competitive pressure when bidding on contracts, thus increasing contract costs.

Additionally, to the extent this bill slows down the contract and procurement process, thereby jeopardizing time-sensitive funding sources or the use of low-dollar expeditious acquisition methods, there may be a corresponding fiscal impact to state agencies' procurement activities.

COMMENTS:

- 1) **Purpose.** According to the author:

Every dollar our state spends should uphold our values, not enable exploitation. AB 1245 strengthens California's procurement policies by aligning them with federal standards, requiring companies to take proactive steps to prevent trafficking and forced labor in their supply chains.

This bill is sponsored by the Sunita Jain Anti-Trafficking Initiative and supported by various civil rights and workers' rights groups.

- 2) **Certification Against Human Trafficking.** Existing state law requires a contractor to certify that procured apparel, garments, corresponding accessories, equipment, materials, or supplies are not laundered or produced by sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor, or exploitation of children in sweatshop labor. Existing state law also requires the Department of Industrial Relations to establish a contractor responsibility program, including a Sweatfree Code of Conduct all bidders on state contracts and subcontracts must sign. This bill adds another, more detailed certification against forced labor into the state contracting process. If the contract has an estimated value over \$550,000, this bill also requires proposed contractors to implement a compliance plan and conduct due diligence to avoid prohibited activities.

In 2012, President Obama signed Executive Order (EO) 13627 directing the administration to adopt regulations strengthening the federal government's zero-tolerance policy on human trafficking by federal contractors and subcontractors in solicitations, contracts, and subcontracts for supplies and services. The EO was ultimately codified in Title 48, Code of Federal Regulations, Subpart 22.17 – Combatting Trafficking in Persons. This bill adds similar provisions to state law, prescribing specific anti-trafficking certification requirements more akin to regulation than statute.

- 3) **Related Legislation.** AB 381 (Stefani) was similar to this bill, except AB 381 would have applied compliance plan provisions to all contracts, not just contracts with an estimated value over \$550,000. AB 381 was held on the Senate Appropriations Committee's suspense file.

4) **Prior Legislation.** AB 1888 (Arambula), Chapter 614, Statutes of 2024, established, upon appropriation, the Labor Trafficking Unit within the Department of Justice to receive labor trafficking reports from law enforcement agencies and other entities and refer these reports to appropriate agencies for investigation, prosecution, or other remedies.

SB 1157 (Hurtado), of the 2023-24 Legislative Session, was similar to AB 381. SB 1157 was held on the Senate Appropriations Committee's suspense file.

AB 964 (Ortega), of the 2023-24 Legislative Session, was similar to AB 381. AB 964 was held on this committee's suspense file.

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