

ASSEMBLY THIRD READING

AB 1245 (Stefani)

As Amended January 22, 2026

Majority vote

SUMMARY

This bill revises, for a contract entered into or renewed on or after January 1, 2027, specified state contracting requirements to require contractors and subcontractors to certify that contracts comply with specified human trafficking prohibitions and a detailed series of labor standards; creates a new requirement for contractors and subcontractors to develop and implement compliance plans, as specified; and expands the list of potential sanctions for violations of these provisions. This bill shall apply only to those contracts that have an estimated value that exceeds \$550,000, as specified.

Major Provisions

- 1) Requires, for a contract entered into or renewed on or after January 1, 2027, every contractor working with a state agency for the procurement or laundering of apparel, garments, or corresponding accessories, or the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, to certify that the contract, among other things, complies with the requirement that contractors, contractor employees, subcontractors, subcontractor employees, and their agents are prohibited from all of the following:
 - a. Engaging in severe forms of trafficking in persons during the performance period of the contract.
 - b. Using forced labor in the performance of the contract.
 - c. Destroying, concealing, confiscating, or otherwise denying access by an employee to the employee's identity or immigration documents, regardless of the issuing authority.
 - d. Using misleading or fraudulent practices during the recruitment or hiring of employees, including failing to disclose, in a format and language understood by the employee or potential employee, basic information or making material misrepresentations regarding the key terms and conditions of employment, as specified.
 - e. Using recruiters that do not comply with state labor laws and the laws of the country that the recruiting takes place.
 - f. Charging employees or potential employees recruitment fees.
 - g. Failing to provide or pay for the cost of required return transportation upon the end of employment, as specified.
 - h. Providing or arranging housing that fails to meet housing and safety standards of the county where the work is performed.
 - i. If required by law or contract, failing to provide an employment contract, recruitment agreement, or other required work document in writing, as specified.

- 2) Requires contractors and subcontractors to notify employees of the prohibited activities described above and the actions that may be taken against them for violations.
- 3) Provides that the contractor is ineligible for, and shall not bid on, or submit a proposal for, a contract described above if that contractor has failed to certify compliance, as specified.
- 4) Requires a contractor to exercise due diligence in ensuring that its subcontractors comply with the provisions in 1), above, including requiring each subcontractor to sign a certification.
- 5) Provides that the provisions, as described, only to contracts with an estimated value exceeding \$550,000, as specified.
- 6) Requires a contractor, before a contract or subcontract is awarded, to provide or obtain from the proposed subcontractor and then provide to the contracting officer a certification that states both of the following: the contractor and/or subcontractor has implemented a compliance plan, as specified; and the contractor and/or subcontractor has conducted due diligence, as specified.
- 7) Requires the compliance plan to comply with all of the following criteria:
 - a. The compliance plan shall be appropriate to the size and complexity of the contract and the nature and scope of its activities, as specified.
 - b. The compliance plan shall include, at a minimum, the following:
 - i. An awareness program to inform employees about the prohibited activities described above and the actions that will be taken against them for violations.
 - ii. A process for employees to report activity inconsistent with the above provisions, as specified.
 - iii. A recruitment and wage plan, as specified.
 - iv. If the contractor or subcontractor intends to provide or arrange housing, a housing plan that ensures that the housing meets the housing and safety standards of the country where the work is performed.
 - v. Procedures to prevent subcontractors and agents at any tier and at any dollar value from engaging in trafficking in persons, including the prohibited activities described above and to monitor, detect, and terminate any agents, subcontracts, or subcontractor employees that have engaged in the prohibited activities.
- 8) Requires a contractor and subcontractor to comply with all of the following:
 - a. Disclose to the contracting officer and the state agency with oversight information sufficient to identify the nature and extent of a violation of a prohibited activity described above and the individuals responsible for the conduct.

- b. Provide timely and complete responses to state auditors' and investigators' requests for documents.
 - c. Cooperate fully in providing reasonable access to their facilities and staff, inside and outside the state, to allow contracting agencies and other responsible government agencies to conduct audits, investigations, or other actions to ascertain compliance with this section and other anti-human trafficking laws.
 - d. Protect all employees suspected of being victims of or witnesses to prohibited activities before returning to the country from which the employee was recruited.
 - e. Not prevent or hinder an employee from cooperating fully with government authorities.
- 9) Requires contracts to provide suitable remedies, including termination, to be imposed on contractors and subcontractors that fail to comply with these provisions.
- 10) Provides, for a contract entered into or renewed on or after January 1, 2027, authorizes additional sanctions, including, among others, requiring a contractor to remove a contractor employee from the performance of the contract, requiring the contractor to terminate a subcontractor, and suspending contract payments until the contractor has taken appropriate remedial action. The bill would also specify that these requirements govern contracts and subcontracts entered into by a state agency, regardless of place of performance.
- 11) Provides that if a contractor, contractor employee, subcontractor, subcontractor employee, or agent violates specified provisions of the Penal Code, the federal Trafficking Victims Protection Act of 2000, Federal Executive Order 13627, or this bill the contractor must complete specified notification and other requirements, as defined.
- 12) Specifies that requirements set forth in this bill shall govern contracts and subcontracts entered into by a state agency, regardless of place of performance.

COMMENTS

Background.

Labor Trafficking. According to the Attorney General's Website: "Labor trafficking involves the recruitment, harboring, or transportation of a person for labor services, through the use of force, fraud, or coercion. It is modern day slavery. Labor trafficking arises in many situations, including domestic servitude, restaurant work, janitorial work, factory work, migrant agricultural work, and construction. It is often marked by unsanitary and overcrowded living and working conditions, nominal or no pay for work that is done, debt bondage, and document servitude. It occurs in homes and workplaces, and is often perpetrated by traffickers who are the same cultural origin and ethnicity as the victims, which allows the traffickers to use class hierarchy and cultural power to ensure the compliance of their victims. Labor traffickers often tell their victims that they will not be believed if they go to the authorities, that they will be deported from the United States, and that they have nowhere to run. Traffickers teach their victims to trust no one but the traffickers, so victims are often suspicious of genuine offers to help; they often expect that they will have to give something in return."

The intent of AB 1245 is to strengthen efforts to combat human trafficking by ensuring that public funds are not awarded to contractors involved in severe forms of trafficking. The bill aims to protect workers by mandating that contractors, subcontractors, and their agents certify they are not engaging in prohibited actions relating to human trafficking and have implemented a compliance plan. Beyond the compliance plan, this certification simply requires contractors to confirm their adherence to existing laws and does not introduce new obligations beyond what is already illegal. Regardless of certification status, state contractors found violating the specified prohibitions may be subject to defined sanctions.

The bill requires the contracts to provide suitable remedies, including termination, to be imposed on contractors and subcontractors that fail to comply with the requirements of this bill.

State Procurement and Sweatfree Code of Conduct. 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.

Existing Federal Contracting Requirements. 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

According to the Author

According to the author, "Forced labor and human trafficking remain pervasive in global supply chains, with millions of workers trapped in exploitative conditions. As the world's fifth-largest economy, California has the power and the responsibility to lead in the fight against human trafficking. By ensuring that no taxpayer money contributes to forced labor, we take a stand for human dignity and justice—not just here in California, but across the globe. 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 legislation uses our economic strength to protect the most vulnerable, reinforcing our commitment to human rights and ensuring taxpayer dollars do not support exploitation."

The author states that the bill includes an amendment limiting plan certification requirements to contracts valued at \$550,000 or more, addressing concerns about imposing undue burdens on small businesses.

Arguments in Support

The sponsors of the measure, the Sunita Jain Anti-Trafficking Initiative, write: "This bill is not only good policy—it is also a cost-efficient measure with far-reaching implications for preventing human trafficking, both within California's supply chains and globally, given the immense size and influence of California's economy. The evidence supporting this legislation is

rooted in publicly available data and findings from federal procurement experts, as well as reports like the Department of State's Trafficking in Persons Report (TIP Report), published annually.

California, with its nearly \$300 billion budget, is uniquely positioned to lead the fight against forced labor, human trafficking, and child labor. By updating its government procurement policies, the state can ensure that goods purchased by its agencies are free from exploitation. Public procurement accounts for 13–20% of global GDP, and from 2022-23 alone, California spent \$18.98 billion on contracts and purchases. California's immense purchasing power provides an unparalleled opportunity to set global standards, compelling companies to scrutinize their supply chains and eliminate exploitative practices. Businesses, both within the United States and abroad, should not have to compete with unethical producers who undermine working families through the use of forced and trafficked labor.

AB 1245 represents a unique opportunity for California to address labor exploitation, protect vulnerable workers, and establish its global leadership in combating trafficking— all while incurring minimal fiscal impact."

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Assembly Committee on Appropriations analysis:

- 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.

VOTES

ASM GOVERNMENTAL ORGANIZATION: 17-0-5

YES: Blanca Rubio, Davies, Bryan, Carrillo, Dixon, Fong, Gabriel, Gipson, Macedo, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Solache, Ta, Wallis

ABS, ABST OR NV: Alvarez, Berman, Sanchez, Soria, Valencia

ASM LABOR AND EMPLOYMENT: 7-0-0

YES: Ortega, Alanis, Chen, Elhawary, Kalra, Lee, Ward

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache

ABS, ABST OR NV: Hoover, Dixon, Ta, Tangipa

UPDATED

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