
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Senator Susan Rubio

Chair

2025 - 2026 Regular

Bill No: AB 1245 **Hearing Date:** 6/9/2026
Author: Stefani
Version: 1/22/2026 Amended
Urgency: No **Fiscal:** Yes
Consultant: Brian Duke

SUBJECT: State contracts: certification process: forced labor and human trafficking

DIGEST: This bill revises state contracting certification requirements regarding specified human trafficking protections, creates new requirements for contractors to develop and implement compliance plans, and expands the list of possible sanctions for violations of these provisions, as specified.

ANALYSIS:

Existing law:

- 1) Requires, pursuant to the Sweatfree Code of Conduct, a contract entered into by any 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 require that a contractor certify that nothing furnished to the state pursuant to the contract has been laundered or produced by certain types of labor, including forced labor, as specified.
- 2) Makes any person who falsely certifies pursuant to the above provisions guilty of a misdemeanor, as specified, and authorizes certain sanctions to be imposed if a contractor knew or should have known that the apparel, garments, corresponding accessories, equipment, materials, or supplies furnished to the state were laundered or produced in violation of specified conditions.
- 3) Authorizes a state agency that investigates a complaint against a contractor for violation of the above-described provisions to limit its investigation to evaluating the information provided by the person or entity submitting the complaint and information provided by the contractor.

This bill:

- 1) Revises contracting requirements, for contracts entered into or renewed on or after January 1, 2027, and with an estimated value of \$550,000 or more, to also require a contractor to certify that the contract complies with specified requirements relating to human trafficking – including prohibitions on contractors, contractor employees, subcontractors, subcontractor employees, and their agents, as specified.
- 2) Requires contractors and subcontractors to notify employees of specified prohibited activities and the actions that may be taken against them for violations, as specified.
- 3) Requires a contractor to practice due diligence in ensuring that its subcontractors comply with specified requirements, including requiring each subcontractor to sign a certification.
- 4) Requires, before a contract or subcontract is awarded, a proposed contractor to provide certification to the contracting officers as applicable, as specified.
- 5) Requires a contractor or subcontractor to take specified actions to ensure compliance with the law, including requiring the contractor or subcontractor to 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.
- 6) Specifies certain actions a contractor can be required to take if a contractor, contractor employee, subcontractor, subcontractor employee, or agent violates those provisions, as specified.
- 7) 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, as specified.
- 8) Authorizes an administrative law judge to additionally consider mitigating factors and aggravating factors, as specified.
- 9) Authorizes a state agency to limit its investigation to credible information, as specified.

Background

Author Statement. According to the author's office, "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."

State Procurement and Sweat Free Code of Conduct. Existing law imposes a series of requirements on state contractors awarded state contracts for the procurement of equipment, material, supplies, and garments. It requires that all state contractors comply with a DIR contractor responsibility program, including a "Sweat Free Code of Conduct."

Existing law requires contractors to certify that products supplied to the state are not produced with sweatshop labor or other abusive labor practices. The law is intended to ensure that contractors engaging in public contracts with the state adhere to labor standards that respect human rights and dignity.

The certification must affirm that none of the products supplied were made in conditions that violate those principles. Any person who certifies as true any material matter pursuant to the above requirement that they know to be false is guilty of a misdemeanor. The contracting certification requirements do not apply to credit card purchases of \$2,500 or less (this exemption shall not exceed \$7,500 per year for each company from which a state agency is purchasing goods).

Further, existing law requires contractors to cooperate with state agencies by granting access to their records and premises for compliance checks by state agencies or the DIR, and outlines penalties for contractors found to be in violation, including voiding contracts, imposing fines, and banning from future contracts.

In cases where a contractor is found to have violated these conditions, the Sweat Free Code of Conduct outlines various sanctions including financial penalties of up to \$1,000 or twenty percent of the value of the products and/or the contractor or subcontractor being barred from participating in future state contracts. Existing

law grants contractors the ability to appeal sanctions, including hearings before an administrative law judge (ALJ). These sanctions are intended to serve as a deterrent against the exploitation of workers and ensure that contractors maintain high labor standards.

Contractors are required to ensure that their subcontractors are in compliance with the Sweat Free Code of Conduct, under penalty of perjury. Any person who certifies as true any material matter pursuant to the above requirements that they know to be false is guilty of a misdemeanor.

Federal Acquisition Regulations. The United States federal government has long had a policy prohibiting government employees and contractor personnel from engaging in trafficking persons. The efficacy of this policy was strengthened in 2015 when the Federal Acquisition Regulation (FAR) rule, entitled “Ending Trafficking in Persons,” implemented trafficking-related prohibitions for federal contractors and subcontractors.

The FAR requires contractors and subcontractors to notify government procurement personnel whenever they receive credible information of human trafficking or violations of the prohibited practices associated with trafficking, and puts parties on notice that federal agencies may impose remedies, up to and including suspension and debarment, for failure to comply with the requirements.

The regulations apply to all contracts and prohibit contractors and subcontractors from engaging in prohibited practices including:

- a) Engaging in severe forms of trafficking persons.
- b) Procuring commercial sex acts during the performance of the contract.
- c) Using forced labor in the performance of the contract.
- d) Destroying, concealing, confiscating, or otherwise denying access by an employee to his or her identity or immigration documents.
- e) Using misleading or fraudulent recruitment practices.
- f) Using recruiters that do not comply with local labor laws.
- g) Charging employees recruitment fees.
- h) Failing to provide return transportation for employees upon the end of the contract.
- i) Providing or arranging housing that fails to meet the host country housing and safety standards.
- j) If required by law or contract, failing to provide an employment contract in writing.

The FAR also requires that U.S. government contracting personnel check the Department of Labor's "List of Goods Produced by Forced or Indentured Child Labor" when issuing a solicitation for supplies. If the product appears on the list, the contractor is required to certify that it will not supply any end product from countries (subject to certain exceptions) that appear on the list; or to certify that it has made a good faith effort to determine whether forced or indentured labor was used to mine, produce, or manufacture any end product to be furnished under the contract.

If U.S. government personnel have reason to believe that forced or indentured child labor was used to produce an end product, they are required to contact the agency Inspector General, the Attorney General, or the Secretary of the Treasury. Noncompliance with this regulation can lead to termination of the contract, suspension of the contractor, or debarment for up to three years.

Supporters of this bill highlight that since new anti-trafficking measures in federal procurement have been enacted over the previous decade, there were over 180 investigations related to forced labor in federal contracts initiated to better protect workers. Overall, contractors took curative actions to prevent trafficking and protect workers as a result of those investigations. The federal protections resulted in one terminated federal contract over eight years. In the other 179 investigations, terminations were not mentioned, and less severe penalties were imposed, such as cure notices and/or termination of personnel.

Expanding Human Trafficking Protections. This bill, for contracts entered into or renewed after January 1, 2027, expands existing certification requirements for public contracts by requiring that contractors certify, to the existing prohibitions as well as expanding upon existing human trafficking protections. Specifically, the bill identifies severe forms of trafficking in persons, using misleading recruitment practices, charging recruitment fees, and failing to meet safety standards in housing or employment contracts. These new additions broaden the scope of labor abuses covered under law.

This new certification must be more comprehensive, affirming adherence not only to the prohibition of sweatshop labor but also to a detailed series of standards, as specified, aimed at eliminating trafficking and ensuring the fair treatment of workers. A notable aspect of this bill is the introduction of specific requirements for the treatment of workers, including prohibitions against confiscating identity documents and failing to provide or pay for return transportation at the end of employment under certain conditions.

Additionally, this bill requires contractors to implement and maintain a compliance plan to prevent and detect prohibited activities. The plan is required to outline procedures to prevent prohibited labor practices and includes requirements to monitor and remedy any such practices by subcontractors or agents. Contractors must provide annual certifications to the contracting officer, attesting to their compliance with these plans. The plan must be posted at the workplace.

This bill requires contractors to take appropriate remedial and referral actions if abuses are known, and expands the list of sanctions for noncompliance including measures such as the termination of subcontractors, suspension of contract payments, and loss of award fees. Upon receipt of credible information regarding a violation, the contracting officer is required to promptly notify the state agency with oversight, the agency debarring and suspending official, and if appropriate, law enforcement officials with jurisdiction over the alleged offense.

Déjà Vu (All Over Again). This bill is essentially identical to three bills in each of the previous legislative years. In 2023, Assemblymember Ortega introduced a version of this bill which was held in the Assembly Appropriations Committee and never reached the Senate. The following year, SB 1157 (Hurtado, 2024) was heard and approved by this Committee – that bill was ultimately held in the Senate Appropriations Committee. Last year, AB 381 (Stefani, 2025) passed off of the Assembly Floor and was approved by this Committee before ultimately being held in the Senate Appropriations Committee.

In January, this bill was gutted of its previous unrelated policy contents and amended into the current form of the bill. This bill is now substantially similar to the three most recent attempts at the same policy that have been held in the respective Appropriations Committees.

Prior/Related Legislation

AB 381 (Stefani, 2025) would have revised, for a contract entered into or renewed on or after January 1, 2026, 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. (Held in the Senate Appropriations Committee Suspend File)

SB 1157 (Hurtado, 2024) would have revised existing contracting requirements to require compliance with specified human trafficking prohibitions; required

contractors and subcontractors to certify that contracts comply with specified provisions of law under the penalty of perjury, as specified; required posted compliance plans, as specified; included due diligence and annual reporting requirements; and specified required actions for noncompliance violations, as specified. (Held in the Senate Appropriations Committee Suspense File)

AB 964 (Ortega, 2023) would have revised the current contracting requirements for any 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 also require a contractor to certify, under penalty of perjury, that the contract complies with specified requirements relating to human trafficking, including certain prohibitions on contractors, contractor employees, subcontractors, subcontractor employees, and their agents. (Held in the Assembly Appropriations Committee Suspense File)

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Sunita Jain Anti-Trafficking Initiative (Source)
Alliance for Community Transit
Alliance for Community Transformations
Alliance to End Human Trafficking
Asian Americans Advancing Justice - Southern California
Bet Tzedek
Central Valley Justice Coalition
Coalition to Abolish Slavery & Trafficking
Community Legal Services in East Palo Alto
Freedom Network USA
Freedom United
Interface Children and Family Services
International Corporate Accountability Roundtable
International Longshore & Warehouse Union
Investor Advocates for Social Justice
Jobs to Move America
Los Angeles Alliance for A New Economy
Los Angeles Black Worker Center
Los Angeles County Democratic Party
Loyola Law School, the Sunita Jain Anti-trafficking Initiative
Loyola Marymount University

Northwest Regional Relative and Kinship Providers
Praeveni U.S. INC.
Public Citizen
Southern California Coalition for Occupational Safety and Health
The Green Lining Institute
Transparentem
University of Maryland Safe Center for Human Trafficking Survivors
Verité
Waymakers
Western States Council
Worksafe

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: In support of the bill, the Sunita Jain Anti-Trafficking Initiative of Loyola Law School writes, in part, “AB 1245 presents California with a timely opportunity to prevent human trafficking, protect vulnerable workers, and reinforce the state’s global leadership in combating forced labor—while imposing minimal fiscal impact. 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.”

DUAL REFERRAL: Senate Governmental Organization Committee and Senate Labor, Public Employment & Retirement Committee