
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1245 (Stefani) - State contracts: certification process: forced labor and human trafficking

Version: June 9, 2026

Policy Vote: G.O. 13 - 0, L., P.E. & R. 5 - 0

Urgency: No

Mandate: Yes

Hearing Date: August 3, 2026

Consultant: Janelle Miyashiro

Bill Summary: AB 1245 revises state contracting requirements by mandating that contractors and subcontractors certify compliance with specified human trafficking prohibitions and a detailed series of labor standards. AB 1245 also requires these entities to develop and implement compliance plans, and expand the list of potential sanctions for violations of these provisions.

Fiscal Impact: The Department of General Services reports total annual costs of approximately \$1 million for the first three years of implementation, with ongoing operational costs of \$898,000 annually thereafter. This estimate includes:

- A one-time cost of approximately \$174,000 for a limited term analyst (24-month duration) to create, update, and manage initial revisions of state contracting regulations and process Budget Change Proposals.
- An ongoing cost of approximately \$174,000 for an additional analyst within compliance section of the Office of Small Business and Disabled Veteran Business Enterprise Services branch to handle increased inquiries, complaints, investigations, and referrals.
- An ongoing cost of approximately \$724,000 for four additional staff positions within the Acquisitions branch to manage expanded contract workload, handle compliance and complaints, support certification intake, and coordinate investigations.
- Unknown, potentially significant increase in state costs for goods and services. Contractors generally pass any increased costs for certifications and compliance checks onto the state through higher bids and quoted prices. DGS notes the bill may have a cooling effect on competition to the extent contractors choose not to compete for business in California, potentially leading to increased bid costs or more complex contracting processes, negotiations, legal review, and oversight.
- Unknown, potentially significant fiscal impact across all affected state agencies that utilize garment and equipment procurement or laundering services to comply with new contracting mandates (General Fund and various special funds).

Background: Existing law requires state contractors procuring equipment, materials, supplies, and garments to comply with a Department of Industrial Relations (DIR) responsibility program, which most notably includes a "Sweat Free Code of Conduct." This code is designed to ensure that public contracts respect human rights and dignity by mandating that contractors and their subcontractors certify, under penalty of perjury, that their products are not produced using sweatshop labor or other abusive practices.

This certification applies to most state purchases, though it exempts credit card transactions of \$2,500 or less (capped at \$7,500 annually per company). Any person who knowingly provides a false certification is guilty of a misdemeanor.

To enforce these high labor standards and deter worker exploitation, contractors must ensure subcontractor compliance and cooperate fully with the DIR and other state agencies by granting access to their records and premises for compliance checks. If a contractor is found to have violated these conditions, the Sweat Free Code of Conduct outlines severe sanctions. These can include voiding active contracts, barring the contractor from participating in future state bids, and imposing financial fines of up to \$1,000 or 20 percent of the products' value. However, the law grants contractors the due process to appeal these sanctions, including the right to a hearing before an administrative law judge (ALJ).

Proposed Law:

- Revises contracting requirements, for contracts entered into or renewed on or after January 1, 2027, with an estimated value of \$550,000 or more, to require a contractor to certify that the contract complies with specified human trafficking prohibitions. These prohibitions apply to contractors, contractor employees, subcontractors, subcontractor employees, and their agents, as specified.
- Requires contractors and subcontractors to notify employees of these prohibited activities and the disciplinary actions that may be taken against them for violations.
- Requires a contractor to exercise due diligence in ensuring that its subcontractors comply with these requirements, including requiring each subcontractor to sign a compliance certification.
- Requires a proposed contractor, before a contract or subcontract is awarded, to provide the required certification to appropriate contracting officers.
- Requires a contractor or subcontractor to take specified actions to ensure compliance with the law, including disclosing information to the contracting officer and the overseeing state agency sufficient to identify the nature and extent of any violation.
- Specifies certain actions a contractor must take if a contractor, contractor employee, subcontractor, subcontractor employee, or agent violates these provisions.
- Authorizes additional sanctions against non-compliant contractors, including requiring the removal of an employee from the performance of the contract, requiring the termination of a subcontractor, or suspending contract payments until the contractor has taken appropriate remedial action.
- Authorizes an ALJ, during a sanctions hearing, to consider both mitigating and aggravating factors, as specified.

- Requires a contracting officer, upon receipt of credible information regarding a violation, to promptly notify oversight agencies and authorized officials, and allows them to direct the contractor to take specific remedial steps.
- Specifies that requirements set forth in this bill shall govern contracts and subcontracts entered into by a state agency, regardless of place of performance.
- Provides definitions.
- Makes technical and conforming changes.

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. AB 381 was held on the Suspense File in this committee.

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. SB 1157 was held on the Suspense File in this committee.

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. AB 964 was held on the Suspense File in the Assembly Appropriations Committee.

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