

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT

Liz Ortega, Chair

AB 2653 (Lee) – As Amended March 19, 2026

**SUBJECT:** State contracts: certification process: Sweatfree AI Code of Conduct

**SUMMARY:** Adds contracts for artificial intelligence (AI) products that require data enrichment services in their production to the types of contracts for which a contractor must certify that nothing furnished to the state pursuant to the contract has been produced by certain types of labor, including sweatshop labor and forced labor; and requires the Department of Industrial Relations (DIR) to update its contractor responsibility program to include a Sweatfree AI Code of Conduct, as specified. Specifically, **this bill:**

- 1) Adds contracts for AI products that require data enrichment services in their production to the types of contracts for which a contractor must certify that nothing furnished to the state pursuant to the contract has been laundered or produced by certain types of labor, including sweatshop labor and forced labor, and makes conforming changes.
- 2) Requires the DIR to, on or before July 1, 2027, update its contractor responsibility program to include a Sweatfree AI Code of Conduct to be signed by all bidders on state contracts and subcontracts, similar to the Sweatfree Code of Conduct, and solicit input from an advisory panel, as provided, for that purpose.
- 3) Requires the advisory panel to have as a majority of its members experts from trade unions and civil society organizations who shall volunteer their time.
- 4) Requires the updated contractor responsibility program and Sweatfree AI Code of Conduct to, at a minimum, list the requirements set forth in the current Sweatfree Code of Conduct, and establish a process for independent monitoring or inspections for complaints against contractors and subcontractors.
- 5) Revises the requirements for the contractor responsibility program and Sweatfree Code of Conduct, and the new Sweatfree AI Code of Conduct, in the following ways:
  - a) Adds the requirement, for AI products that require data enrichment services in their production, where national, federal, state, or local law either does not regulate the conduct at issue or falls below the Sweatfree AI Code of Conduct, that contractors ensure their subcontractors adhere to the requirements of the Sweatfree AI Code of Conduct.
  - b) Revises the requirement that contractors and subcontractors maintain a policy of not terminating any employee except for just cause, to instead require that contractors and subcontractors maintain a policy of not terminating any *worker* except for just cause. (Emphasis added for clarity.)
  - c) Revises the requirement that employees have access to a mediator or a mediation process to resolve certain workplace disputes that are not regulated by the National Labor Relations Board (NLRB), to instead require that *workers* have access to a mediator or a mediation process to resolve certain workplace disputes that are not regulated by the

NLRB or other state or local agencies, or other governmental agencies. (Emphasis added for clarity.)

- d) Adds the requirement that contractors and subcontractors classify workers' employment status consistent with state and local laws.
  - e) Adds the requirement, for AI products that require data enrichment services in their production, that contractors and subcontractors compensate workers, at a minimum, with wages and benefits consistent with a living wage.
  - f) Revises the requirement that workers be compensated for overtime at the greater of either the rate of compensation for regular hours of work or as legally required in the country of manufacture, to instead specify that workers be compensated for overtime at the greater of either the rate of regular hours of work or as legally required in the country of manufacture or country of development or provision of data enrichment services. (Emphasis added for clarity.)
  - g) Adds to the requirement that the work environment be free from psychological harms.
  - h) Expands the list of activities for which a worker must not be retaliated against to include exercising their right to free association and assembly, and to organizing and collective bargaining. Requires that contractors and subcontractors affirmatively and routinely share a statement with their workers affirming these rights and freedoms.
  - i) Revises the requirement that contractors and bidders keep an updated list with contact information for each subcontractor to be utilized in the performance of the contract, as well as each manufacturing or other facility or operation of the contractor or subcontractor for the performance of the contract, to also require that the list include any data enrichment facility or operation used in the performance of the contract, and require that the list be made publicly available.
  - j) Requires that the list in (i) above additionally include a description of the types of production or services provided by the workforce location and the numbers of workers providing these services, and an indication of whether the entity, or its contractors and its subcontractors, have signed on to any international agreements related to labor standards or any other agreements, including with local government or educational institutions located in California.
- 6) Defines "data enrichment services" to mean services, including, but not limited to, content moderation, data labeling, model training and evaluation, AI Fauxtomation, and data annotation services, obtained as part of the deployment, creation, and testing of AI models in order to secure reliable and safe data.
- 7) Redefines "sweatshop labor" for the purposes of AI products that require data enrichment in their production, to mean all work or service extracted from or performed by any person contrary to the conditions outlined in the Sweatfree AI Code of Conduct.
- 8) Defines "independent monitoring or inspections for complaints" to mean monitoring of a contractor or subcontractor's compliance with, or investigation of a complaint of a contractor

or subcontractor's violation of, the "Sweatfree AI Code of Conduct," by any of the following:

- a) The DIR.
  - b) A bona fide labor organization.
  - c) A bona fide nonprofit organization, no less than half of whose governing board, not including its chair, is comprised of members appointed by labor organizations.
  - d) A bona fide nonprofit organization that does not accept funding or fees from, or perform services for, any state vendor, contractor, or subcontractor.
- 9) Provides that the contractor responsibility program, Sweatfree Code of Conduct and Sweatfree AI Code of Conduct do not limit compliance with any other law or contractual agreement related to labor standards, wages, or benefits consistent with a living wage or other health and safety standards of the entity, or its contractors or subcontractors.
- 10) Provides that no reimbursement is required by this act, as specified.
- 11) Makes technical and conforming changes.

**EXISTING LAW:**

- 1) Establishes the DIR within the Labor and Workforce Development Agency to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. Labor Code § 50 et seq.
- 2) Requires 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 forced labor, as specified. Public Contract Code § 6108.
- 3) Specifies that a contractor is required to cooperate fully in providing reasonable access to the contractor's records, documents, agents, employees, or premises if reasonably required by authorized officials of the contracting agency, the DIR, or the Department of Justice to determine the contractor's compliance, as specified. Public Contract Code § 6108(a).
- 4) 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 including, among others, voiding the contract under which the items were laundered or provided at the option of the state agency and removing the contractor from the bidder's list for a period not to exceed 360 days. Public Contract Code § 6108(b).
- 5) Requires the DIR to establish a contractor responsibility program, including a Sweatfree Code of Conduct, to be signed by all bidders on state contracts and subcontracts, as specified. Public Contract Code § 6108(f).

- 6) Prohibits any state agency from entering into a contract with any contractor unless the contractor meets the specified requirements related to compliance with labor laws and human trafficking prohibitions. Public Contract Code §6108(g).
- 7) Specifies that any person who certifies as true any material matter pursuant to the above provisions that he or she knows to be false is guilty of a misdemeanor. Public Contract Code § 6108(h).

**FISCAL EFFECT:** Unknown

**COMMENTS:** Note: this bill is triple referred to the Assembly Committees on Privacy and Consumer Protection, and Governmental Organization, upon passage out of this Committee.

State Procurement Policies:

Current law prohibits state agencies from entering into contracts for apparel, garments, or corresponding accessories, or equipment, materials, or supplies with contractors or subcontractors unless they meet certain requirements, including, among other things:

- Not using forced labor of any kind, including slave labor, prison labor, indentured labor, or bonded labor, including forced overtime hours.
- Compliance with applicable state and federal laws.
- Ensuring that workers are paid, at a minimum, wages and benefits in compliance with applicable local, state, and national laws of the jurisdiction in which the labor is performed.
- Ensuring all overtime hours are worked voluntarily and workers properly compensated.
- Not employing any person who is younger than the legal age for children to work in the country in which the facility is located, and in no case employing children under the age of 15 years in the manufacturing process.

The DIR enforces these requirements through its contractor responsibility program. All contractors and subcontractors must sign the Sweatfree Code of Conduct, and certify under penalty of perjury that they comply with the foregoing requirements, among others.

California has not updated its procurement policies since 2007. A Loyola Law School study<sup>1</sup> found that California's current procurement practices could expose the state to forced labor risks. Between 2022-2023, the State awarded 3,879 contracts for commodities commonly associated with exploited labor, including, but not limited to garments, electronics, and agricultural products.

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<sup>1</sup> Loyola Law School, Loyola Marymount University. (2024) "Goods At High Risk For Forced Labor That Are Procured Through California Public Contract."  
<https://www.lls.edu/media/loyolalawschool/academics/clinicsexperientiallearning/sji/publicationsandreports/FACTSHEET%20-%20Goods%20at%20High%20Risk%20for%20Forced%20Labor%20in%20CA%20State%20Contracts.pdf>

*Governor's Executive Order N-5-26*

In March 2026, Governor Newsom issued an executive order directing the Government Operations Agency to develop a plan for new state contracting certifications for Generative AI products. Entities wishing to do business with the state will have to show that they have policies and safeguards to protect the public from the following with regard to their technology:

- Exploitation or distribution of illegal content
- Models that display bias or lack technology to prevent such bias
- Violations of civil rights and free speech

Working conditions in the global AI industry:

Although AI models are presented as fully automated, behind the scenes there are human workers who train, test, and maintain the models and act as the first line of defense against failures. For example, workers remotely ensure the checkout process goes smoothly for Amazon Go stores, and content moderators make social media platforms safer by reviewing images and posts for unauthorized content.

These global data workers often face precarious and exploitative working conditions, characterized by low wages, high-stress environments, and minimal job security. Most of these workers are located in the Global South and frequently deal with traumatic content, with limited or no mental health support.

For example, a 2024 lawsuit filed against Meta and outsourcing firm Samasource in Kenya revealed that more than 140 Facebook content moderators were reportedly diagnosed with severe post-traumatic stress disorder, caused by exposure to graphic social media content including murders, suicides, child sexual abuse and terrorism. The legal filing alleged that “images and videos including necrophilia, bestiality and self-harm caused some moderators to faint, vomit, scream and run away from their desks.”<sup>2</sup>

In addition to being exposed to graphic content, global data workers often receive low wages, undergo limited training and work under tight deadlines. There are numerous reports of unpaid salaries and contracts unilaterally terminated without explanation.

Similar circumstances can be found for data workers in the United States. The author points to a recent report from the Communication Workers of America, which found that data workers in the US struggle to make ends meet, have limited or no access to mental health benefits, and frequently face impractical quotas and deadlines.

The author argues that California should use its procurement power to influence working conditions for this sector. According to the author, “the AI industry is an exciting emerging industry with the potential to change how we work and live, and this industry’s growth is another opportunity for the California technology incubator to show our state’s exceptionalism. However, there are increasing reports that the labor standards for the workers that build AI

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<sup>2</sup> “More than 140 Kenya Facebook moderators diagnosed with severe PTSD.” The Guardian. (2024)  
<https://www.theguardian.com/media/2024/dec/18/kenya-facebook-moderators-sue-after-diagnoses-of-severe-ptsd>

products do not meet the basic standards the state requires for other products purchased by state agencies. This bill continues the state's commitment to both innovation and maintaining basic supply chain standards for the AI products state agencies will use to improve efficiency and service.”

### **Arguments in Support**

The Communication Workers of America (CWA), District 9, and Alphabet Workers Union (CWA Local 9009), co-sponsors of this measure, state that “the California state procurement process results in hundreds of millions of dollars, if not billions, of taxpayer money being paid to a wide variety of corporations to provide an array of services and products in California. The State has long demonstrated a responsibility to ensure companies receiving lucrative compensation via state contracts are not reliant on exploitive practices to carry out these contracts and are not providing services in a manner that are harmful to Californians.

The use and reliance on Generative AI and its related products and services has increased exponentially and is quickly becoming omnipresent across all sectors of life. This boom, however, is only made possible through the contributions of the workers behind the scenes. This includes not only the engineers but the diverse workforce providing services such as. GenAI is powered by a human workforce in California, across the United States and around the world. Our public policy must recognize this extensive network of workers and ensure that the benefit of GenAI does not blind us to the needs of the workforce.”

### **Arguments in Opposition**

None on file.

### **Prior and Related Legislation**

AB 1245 (Stefani) of 2026 would revise, for contracts entered into or renewed on or after January 1, 2027, 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; would expand the list of potential sanctions for violations of these provisions; and would create a new requirement, for contracts with an estimated value of \$550,000 or more, that contractors and subcontractors develop and implement compliance plans, as specified. Pending in the Assembly Appropriations Committee.

AB 381 (Stefani) of 2025 was similar to AB 1245 (Stefani, 2026) but applied its provisions to all contracts rather than those with an estimated value of \$550,000 or more. Held in the Senate Appropriations Committee.

SB 1157 (Hurtado) of 2024 was nearly identical to AB 381 (Stefani, 2025). Held in the Senate Appropriations Committee.

AB 964 (Ortega) of 2023 was nearly identical to AB 381 (Stefani, 2025). Held in the Assembly Appropriations Committee.

SB 657 (Steinberg), Chapter 556, Statutes of 2010 enacted the California Transparency in Supply Chains Act to provide consumers with new and easily accessible information made available by specified large retailers and manufacturers about these businesses' voluntary efforts

to try to eradicate slavery and human trafficking that could inadvertently be in their product supply chains.

SB 1231 (Corbett) of 2010 would have made various substantive and clarifying changes to existing provisions of the Public Contract Code related to “sweatfree” procurement policy and code of conduct. Vetoed by Governor Schwarzenegger.

SB 578 (Alcaron), Chapter 711, Statutes of 2003 enacted non-sweatshop labor guidelines to state procurement policies that ensure that goods and services purchased by the State be produced in workplaces that adhere to minimum standards for protecting workers.

SB 1888 (Hayden), Chapter 891, Statutes of 2000 extended the existing law prohibiting state agencies from procuring foreign goods made by forced labor, convict labor, of indentured labor to include goods made by abusive forms of child labor or exploitation of children in sweatshop labor.

AB 2457 (Figueroa), Chapter 1149, Statutes of 1996 required every contract entered into by a state agency for the procurement of equipment, materials or supplies to specify that no foreign-made equipment, materials or supplies furnished to the state may be produced by forced labor, convict labor or indentured labor under penal

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Communication Workers of America, District 9 (Co-Sponsor)  
TechEquity Action (Co-Sponsor)  
Kapor Center Advocacy

##### **Opposition**

None on File.

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