

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 18, 2008  
POSITION: Oppose

BILL NUMBER: SB 1649  
AUTHOR: D. Steinberg

**BILL SUMMARY: Human Trafficking**

This bill would require California retailers and manufacturers with over \$2 million in annual sales to promulgate policies stipulating that they, together with all suppliers in their supply chains, will comply with laws regarding slavery and human trafficking in the countries where they do business. The bill authorizes the Attorney General to bring action for violation of the bill's provisions.

The bill also would create a privately funded, nine-member Commission to Combat Slavery and Human Trafficking. The Commission would be authorized to perform specified activities.

**FISCAL SUMMARY**

The Department of Finance estimates the costs to establish the privately funded Commission would be minimal. Any costs incurred by the Office of the Attorney General would vary to an unknown extent, depending on the degree to which retailers and manufacturers may fail to abide by the bill's provisions.

According to the Board of Equalization (BOE), there are at least 60,000 in-state holders of sales permits whose annual sales exceed \$2 million. Finance estimates these entities would incur unknown, albeit potentially significant, costs to comply with the bill's provisions. The burden of complying with these provisions would make California a less desirable place to conduct business, which could decrease sales and use tax and corporation tax revenues to an unknown extent.

**COMMENTS**

Finance notes the following concerns regarding this bill:

- This bill would result in unknown, albeit potentially significant, compliance costs for California retailers and manufacturers. These costs would include retaining legal counsel to draft the required policies, developing a means to enforce the policies, uploading the policies to their websites, and providing written copies to all who request them. If a retailer or manufacturer does not have a website, this bill would apparently require that they create one.

Any decrease in business activity resulting from the burden of complying with the bill's provisions would result in unknown declines in sales and use tax and corporation tax revenues.

- This bill would place an unfair burden on retailers by requiring they ensure that manufacturers whose products they sell are in compliance with international laws regarding slavery and human trafficking. A clothing retailer in Fresno, for example, cannot realistically be expected to know whether the shoe manufacturers whose products they sell are purchasing rubber from a supplier who is violating another nation's slavery laws. If such a situation exists, it is incumbent upon the nation where the crime is being committed to take enforcement action.

**ANALYSIS**

A. Programmatic Analysis

This bill would require California retail sellers and manufacturers with over \$2 million in annual sales to promulgate policies stipulating that they, together with all suppliers in their supply chains, will comply with laws regarding slavery and human trafficking in the countries where they do business.

Analyst/Principal (0760) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

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Manufacturers and retailers would be required to post the policies on their websites, and to provide them to the public in writing, if requested. The policies would, at a minimum, be required to consist of the following elements:

- o A statement that the company, and all suppliers in its supply chain, will comply with laws regarding human trafficking and slavery in all countries where they conduct business.
- o A statement that the company will make a good-faith effort to eradicate slavery and human trafficking in its existing supply chain, rather than ceasing to do business in areas where the supply chain is tainted by these crimes.

The bill states that exclusive remedy for a violation of its provisions shall be an action brought by the Attorney General for injunctive relief.

The bill would create a nine-member Commission to Combat Slavery and Human Trafficking. The Commission would consist of the Secretary of the Business, Transportation, and Housing Agency, of four members appointed by the Governor, and of two members appointed by both the Senate and the Assembly. The Commission would be established as a non-profit public benefit corporation, and would be privately funded. The Commission would have the following powers and duties:

- o The ability to investigate complaints about slavery and human trafficking, or the failure of a retailer or manufacturer to comply with the bill's provisions.
- o The ability to develop educational and training programs to help retailers and manufacturers comply with the bill's provisions.
- o The ability to review company policies to certify they comply with unspecified best practices.
- o The requirement that it annually report to the Governor and Legislature regarding the Commission's activities, and provide any recommendations the Commission has for implementing the bill's provisions.

The bill's provisions would take effect January 1, 2010.

**B. Fiscal Analysis**

Finance estimates the costs to establish the privately funded Commission would be minimal. Any costs incurred by the Office of the Attorney General would vary to an unknown extent, depending on the degree to which retailers and manufacturers may fail to abide by the bill's provisions.

According to the BOE, there are at least 60,000 in-state holders of sales permits whose annual sales exceed \$2 million. Finance estimates these entities would incur unknown, albeit potentially significant, costs to comply with this bill's provisions. The burden of complying with these provisions would make California a less desirable place to conduct business, which could decrease sales and use tax and corporation tax revenues to an unknown extent.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)								Fund Code
	SO	(Dollars in Thousands)							
	LA	PROP	2008-2009		2009-2010		2010-2011		
CO	98	FC	FC	FC	FC				
0520/Secty BT&H	SO	No		----- No/Minor Fiscal Impact -----					0001
0820/Justice	SO	No		----- See Fiscal Analysis -----					0001
1104/Corp Tax	RV	No		----- See Fiscal Analysis -----					0001
1149/Sale Use Tax	RV	No		----- See Fiscal Analysis -----					0001