

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: SB 657
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 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.

COMMENTS

Finance is opposed to this bill for the following reasons:

- 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.

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.

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0230) A. Jarvis Todd Jerue

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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

D. Steinberg

Original

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**COMMENTS** (continued)

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. 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:

- 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.
- 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:

- 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.
- The ability to develop educational and training programs to help retailers and manufacturers comply with the bill's provisions.
- The ability to review company policies to certify they comply with unspecified best practices.
- 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 provisions of this bill would take effect January 1, 2011.

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