Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON PRIVACY AND CONSUMER PROTECTION
Rebecca Bauer-Kahan, Chair
AB 2653 (Lee) – As Amended March 19, 2026

PROPOSED AMENDMENTS

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

SYNOPSIS

As generative AI (GenAI) becomes cheaper and more capable, it is easy to overlook the human labor that underpins its performance. In particular, the extensive work of data labeling is critical to the modern GenAI industry – labeling gives raw datasets structure and meaning, allowing models to classify information, respond to prompts, and produce coherent outputs. This work goes largely unnoticed because it is carried out by a large, distributed workforce tasked with reviewing, categorizing, and refining data at scale. The invisibility of this workforce has enabled troubling labor practices to persist; data labeling has frequently been outsourced to workers in the Global South, where compensation is low, labor protections may be limited, and workers can be exposed to disturbing or traumatic content with minimal support.

California has primarily addressed the issue of AI procurement standards through executive action, including orders issued by Governor Newsom that emphasize potential benefits and risks for downstream users of these systems. Notably, these efforts have largely overlooked the labor conditions under which these systems are developed. As a result, while the state is beginning to set expectations for how AI systems should perform, it has yet to establish clear standards for how they are built.

The bill in print would have required the Department of Industrial Relations to create an "AI Sweatfree Code of Conduct" for state procurement of AI systems requiring "data enrichment services." As proposed to be amended, the bill would instead require that a working group be convened in the Department of Industrial Relations to study labor practices underlying modern foundation models. Upon the conclusion of the study, the working group would be required to report their findings and recommendations to the Legislature. This analysis focuses on the bill as proposed to be amended.

This bill is sponsored by the Communication Workers of America District 9, Alphabet Workers Union, and TechEquity. Because the bill will be amended in its entirety, registered support and opposition are no longer applicable. The prior version of the bill was heard by the Labor and Employment Committee, where it passed 5-0.

EXISTING LAW:

1) Defines "artificial intelligence" to mean an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments. (Gov. Code § 11546.45.5)

2) Defines "generative artificial intelligence" to mean artificial intelligence that can generate derived synthetic content, such as text, images, video, and audio, that emulates the structure and characteristics of the artificial intelligence's training data. (Civ. Code § 3110)

3) Creates the Department of Industrial Relations in the Labor and Workforce Development Agency, and designates it as the state agency responsible for administering the state plan for the development and enforcement of occupational safety and health standards relating to issues covered by corresponding standards promulgated under the federal Occupational Safety and Health Act of 1970. (Lab. Code § 50 *et seq.*)

4) Creates the Department of Technology in the Government Operations Agency, and assigns it the following duties:

    a. Advising the Governor on the strategic management and direction of the state's information technology resources.

    b. Establishing and enforcing state information technology strategic plans, policies, standards, and enterprise architecture.

    c. Minimizing overlap, redundancy, and cost in state information technology operations by promoting the efficient and effective use of information technology.

    d. Providing technology direction to agency and department chief information officers to ensure the integration of statewide technology initiatives, compliance with information technology policies and standards, and the promotion of the alignment and effective management of information technology services.

    e. Working to improve organizational maturity and capacity in the effective management of information technology.

    f. Establishing performance management and improvement processes to ensure state information technology systems and services are efficient and effective.

    g. Approving, suspending, terminating, and reinstating information technology projects.

    h. Performing enterprise information technology functions and services. (Gov. Code § 11545 *et seq.*)

5) Defines "automated decision system" to mean a computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output, including a score, classification, or recommendation, that is used to assist or replace human discretionary decisionmaking and materially impacts natural persons. "Automated decision system" does not include a spam email filter, firewall, antivirus software, identity and access management tools, calculator, database, dataset, or other compilation of data. (Gov. Code § 11546.45.5)

6) Requires the Department of Technology to conduct, in coordination with other interagency bodies as it deems appropriate, a comprehensive inventory of all high-risk automated

decision systems that have been proposed for use, development, or procurement by, or are being used, developed, or procured by, any state agency. (*Id.*)

THIS BILL:

1) Requires the California Department of Industrial Relations, in consultation with the Department of Technology, to convene a Foundation Model Labor and Procurement Working Group consisting of the following 9 members:

    a. Two experts in labor standards as appointed by the Speaker of the Assembly, including at least one representative from a labor union with relevant experience.

    b. One expert in state information technology procurement, as appointed by the Governor.

    c. One expert in state contracting for procurement of ethically-sourced goods and services, as appointed by the Governor.

    d. One expert from academia with experience researching AI, including foundation model development, training data practices, and model evaluation, as appointed by the Senate Rules Committee

    e. One expert in global labor supply chains, as appointed by the Senate Rules Committee.

    f. One expert from a small private sector entity with experience developing foundation models and associated AI systems, as appointed by the Governor.

    g. One expert from a large private sector entity with experience developing foundation models and associated AI systems, as appointed by the Senate Rules Committee.

    h. One expert in occupational health and safety, as appointed by the Governor.

2) Requires the working group to do all of the following:

    a. Assess labor practices underlying the development of modern foundation models and associated artificial intelligence systems, and explore the technical and economic viability of alternative labor practices.

    b. Evaluate which foundation models and association AI systems have been procured, licensed, or otherwise deployed by state agencies, and assess the labor practices underlying the development of those models.

    c. Assess whether and how other states, the federal government, and foreign jurisdictions have adopted or are considering procurement standards for foundation models and associated AI systems, and assess and review guidelines and best practices developed by domestic and international labor organizations, as well as any barriers to workers seeking to join a union.

    d. Analyze the likely impacts of restricting or prohibiting specified labor practices through state procurement standards.

e. Identify data haps, barriers to transparency, and challenges associated with assessing labor practices in global AI supply chains.

f. Develop recommendations regarding whether and how the state should incorporate labor standards into procurement decisions for foundation models and associated AI systems.

3) Requires the working group to submit a report to the Legislature on or before December 31, 2027.

COMMENTS:

1) **Author's statement.** 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 products do not meet the basic standards the state requires for other products purchased by state agencies. This bill will create a working group with experts to research and report on labor standards and the AI industry.

2) **Background.** *AI and GenAI.* "Artificial intelligence" refers to the mimicking of human intelligence by artificial systems, such as computers. AI uses algorithms – sets of rules – to transform inputs into outputs. Inputs and outputs can be anything a computer can process, including numbers, text, audio, video, or other data.[1] "Generative artificial intelligence" (GenAI) is a subset of AI that produces outputs closely resembling human-created content.[2]

Compared to conventional computer programs, which act according to pre-programmed rules, GenAI models "learn" from examples such as books, articles, photos, film, or music. This learning occurs within "neural networks" – massive systems of nodes linked by adjustable connections – that encode statistical patterns gleaned from data. During training, data is broken into fundamental units known as "tokens" – groups of syllables, pixels, or musical notes, for example – that can be represented numerically. A naïve neural network is exposed to an incomplete sequence of tokens and prompted to predict the next token in the sequence. If the prediction is incorrect, the network adjusts the strengths of its connections in order to minimize error and improve its next prediction. This process continues iteratively until the neural network can reliably emulate the human-created content it was trained on. A trained neural network embedded in a GenAI system is known as a "model," and the strengths of its connections are known as its "model weights."[3]

Staggering quantities of data are required to train the most advanced models. For example, GPT-

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[1] AB 2885 (Bauer-Kahan & Umberg; Ch. 843, Stats. 2024) defined AI as "an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments."
[2] AB 2013 (Irwin, Ch. 817, Stats. 2024) defined GenAI as "artificial intelligence that can generate derived synthetic content, such as text, images, video, and audio, that emulates the structure and characteristics of the artificial intelligence's training data."
[3] IBM, What is generative AI?, https://www.ibm.com/think/topics/generative-ai; IBM, What is machine learning?, www.ibm.com/topics/machine-learning.

4 – the large language model (LLM) embedded in ChatGPT 4 – is reported to have been trained on roughly 10 trillion words of text, mostly compiled from automated web crawlers "scraping" the publicly available internet.[4] Adjusting the model's 1.8 trillion parameters continuously as it was exposed to this vast corpus required trillions upon trillions of computations, which were performed by running approximately 25,000 expensive, energy-consuming microchips for nearly 100 days nonstop, at an estimated cost of $63 million.[5] Because the model does not directly store its training data, but rather encodes abstract patterns gleaned from the data, the model itself can fit on a thumb drive.

AI labor practices. Preparing a training dataset for a foundation model relies heavily on human labor. Workers add meaning to raw data by categorizing content, tagging key information, and rating or rewriting examples to teach the model how to behave. A 2023 *Time* article explains the importance of this process for filtering toxic or dangerous materials out of a foundation model's knowledge base:

> Since parts of the internet are replete with toxicity and bias, there was no easy way of purging those sections of the training data. Even a team of hundreds of humans would have taken decades to trawl through the enormous dataset manually. It was only by building an additional AI-powered safety mechanism that OpenAI would be able to rein in that harm, producing a chatbot suitable for everyday use . . . The premise was simple: feed an AI with labeled examples of violence, hate speech, and sexual abuse, and that tool could learn to detect those forms of toxicity in the wild. That detector would be built into ChatGPT to check whether it was echoing the toxicity of its training data, and filter it out before it ever reached the user. It could also help scrub toxic text from the training datasets of future AI models.[6]

OpenAI outsourced the data labeling aspect of this work to Kenya, where workers sifted through terabytes of horrifying content:

> To get those labels, OpenAI sent tens of thousands of snippets of text to an outsourcing firm in Kenya, beginning in November 2021. Much of that text appeared to have been pulled from the darkest recesses of the internet. Some of it described situations in graphic detail like child sexual abuse, bestiality, murder, suicide, torture, self harm, and incest.[7]

Workers sifting through these data were paid a take-home wage of between $1.32 and $2 per hour. Many workers suffered severe negative consequences as a result of this work:

> One [worker] tasked with reading and labeling text for OpenAI told TIME he suffered from recurring visions after reading a graphic description of a man having sex with a dog in the

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[4] Schreiner, *GPT-4 architecture, datasets, costs and more leaked*, The Decoder (Jul. 11, 2023), *available at* https://the-decoder.com/gpt-4-architecture-datasets-costs-and-more-leaked/; Begum, *OpenAI Releases GPT-4: A Smarter and Faster AI-Language Model with 'Human-level Performance*,*'* Vocal Media (2023), *available at* https://vocal.media/01/open-ai-releases-gpt-4-a-smarter-and-faster-ai-language-model-with-human-level-performance.

[5] Ludvigsen, *The carbon footprint of GPT-4,* Medium (Jul. 18, 2023), https://medium.com/data-science/the-carbon-footprint-of-gpt-4-d6c676eb21ae.

[6] Billy Perrigo, "Exclusive: OpenAI Used Kenyan Workers on Less Than $2 Per Hour to Make ChatGPT Less Toxic," *Time, (*Jan. 18, 2023), https://time.com/6247678/openai-chatgpt-kenya-workers/.

[7] *Id.*

> presence of a young child. "That was torture," he said. "You will read a number of statements like that all through the week. By the time it gets to Friday, you are disturbed from thinking through that picture."[8]

In subsequent months, OpenAI expanded their labeling effort to include sexual and violent images:

> That month, Sama began pilot work for a separate project for OpenAI: collecting sexual and violent images—some of them illegal under U.S. law—to deliver to OpenAI. The work of labeling images appears to be unrelated to ChatGPT. In a statement, an OpenAI spokesperson did not specify the purpose of the images the company sought from Sama, but said labeling harmful images was "a necessary step" in making its AI tools safer. (OpenAI also builds image-generation technology.) In February, according to one billing document reviewed by TIME, Sama delivered OpenAI a sample batch of 1,400 images. Some of those images were categorized as "C4"—OpenAI's internal label denoting child sexual abuse—according to the document. Also included in the batch were "C3" images (including bestiality, rape, and sexual slavery,) and "V3" images depicting graphic detail of death, violence or serious physical injury, according to the billing document. OpenAI paid Sama a total of $787.50 for collecting the images, the document shows.[9]

A 2024 *Guardian* article describes working conditions associated with data labeling jobs in Africa:

> Every aspect of Anita and her fellow annotators' working lives is digitally monitored and recorded. From the moment they use the biometric scanners to enter the secure facilities, to the extensive network of CCTV cameras, workers are closely surveilled. Every second of their shift must be accounted for according to the efficiency-monitoring software on their computer. Some workers we spoke to even believe managers cultivate a network of informers among the staff to make sure that attempts to form a trade union don't sneak under the radar.
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> Working constantly, for hours on end, is physically and psychologically draining. It offers little opportunity for self-direction; the tasks are reduced to their simplest form to maximise the efficiency and productivity of the workers. Annotators are disciplined into performing the same routine actions over and over again at top speed. As a result, they experience a curious combination of complete boredom and suffocating anxiety at the same time. This is the reality at the coalface of the AI revolution: people working under oppressive surveillance at furious intensity just to keep their jobs and support their families.[10]

Executive orders. Governor Newsom has signed two executive orders related to AI procurement. In September 2023, executive order N-12-23 directed the Government Operations Agency, the

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[8] *Id.*
[9] *Id.*
[10] James Muldoon, Mark Graham, Callum Cant, "Meet Mercy and Anita – the African workers driving the AI revolution, for just over a dollar an hour," *The Guardian,* (Jul. 6, 2024), https://www.theguardian.com/technology/article/2024/jul/06/mercy-anita-african-workers-ai-artificial-intelligence-exploitation-feeding-machine.

California Department of Technology, the Office of Data and Innovation, and the Governor's Office of Business and Economic Development, in collaboration with other State agencies and departments and their workforce, to draft a report to the Governor examining the most significant, potentially beneficial use cases for deployment of GenAI tools by the State.[11] The order also directed these departments and agencies to issue general guidelines for public sector procurement of GenAI by January 2024. Procurement guidelines published by the Department of Technology later that year lay out 8 responsibilities for entities seeking to publicly procure GenAI:

1. Assign a member of the executive team the responsibility of continuous GenAI monitoring and evaluation.

2. Attend mandatory Executive and Procurement Team GenAI trainings.

3. Review annual employee training and policy to ensure staff understand and acknowledge the acceptable use of GenAI tools.

4. Before procuring new GenAI technology, identify a business need and understand the implications of using GenAI to solve that problem statement.

5. Create a culture of engagement and open communication with state employee end users for a collaborative and collective approach on the impact of Gen AI technology.

6. Assess the risks and potential impacts of deploying the GenAI under consideration.

7. Before deploying a solution that includes GenAI into production, the state entity must invest time and resources to prepare data inputs and test models adequately.

8. Establish a GenAI-focused team responsible for continuously evaluating the potential use of GenAI and its implications for operations and program administration.[12]

In March 2026, follow-up executive order N-5-26 required the Department of General Services and Department of Technology to submit recommendations to the Governor for new certifications that may be incorporated into state contracting processes.[13]

Notably, neither executive order nor any guidance issued pursuant to them has thus far acknowledged the human labor involved in the development of GenAI systems. As a result, there is no explicit minimum labor standard governing the conditions under which these systems are developed, even when they are procured and deployed by the state.

3) **What this bill would do.** This bill, as proposed to be amended, would require the Department of Industrial Relations, in consultation with the Department of Technology, to

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[11] Executive Order N-12-23, https://www.gov.ca.gov/wp-content/uploads/2023/09/AI-EO-No.12-_-GGN-Signed.pdf.
[12] "State of California GenAI Guidelines for Public Sector Procurement, Uses and Training," Mar. 2024, https://www.cdt.ca.gov/wp-content/uploads/2024/07/3a-GenAI-Guidelines.pdf.
[13] Executive order N-5-26, https://www.gov.ca.gov/wp-content/uploads/2026/03/3.30-FINAL-Trusted-AI-Procurement-EO-N-5-26_ATTESTED.pdf.

convene a working group consisting of nine members with expertise in labor, technology, and government procurement. The working group would be tasked with digging into labor practices underlying modern foundation models and associated AI systems, and would be required to develop recommendations regarding whether and how the state should incorporate labor standards into procurement decisions for foundation models and associated AI systems. The working group would be required to submit a report to the Legislature on or before December 31, 2027.

4) **Committee amendments.** The author has agreed to committee amendments recasting the bill into a study of labor practices underlying foundation model development, as follows:

(a) (1) The California Department of Industrial Relations, in consultation with the Department of Technology, shall convene a Foundation Model Labor and Procurement Working Group consisting of the following 9 members:

(A) Two experts in labor standards as appointed by the Speaker of the Assembly, including at least one representative from a labor union with relevant experience.

(B) One expert in state information technology procurement as appointed by the Governor.

(C) One expert in state contracting for procurement of ethically-sourced goods and services as appointed by the Governor.

(E) One expert from academia with experience researching artificial intelligence, including foundation model development, training data practices, and model evaluation as appointed by the Senate Rules Committee.

(F) One expert in global labor supply chains as appointed by the Senate Rules Committee.

(G) One expert from a small private sector entity with experience developing foundation models and associated artificial intelligence systems as appointed by the Governor.

(G) One expert from a large private sector entity with experience developing foundation models and associated artificial intelligence systems, as appointed by the Senate Rules Committee.

(J) One expert in occupational health and safety, as appointed by the Governor.

(b) The working group shall do all of the following:

(1) Assess labor practices underlying the development of modern foundation models and associated artificial intelligence systems, including, but not limited to, data annotation, content moderation, reinforcement learning with human feedback, and other forms of data enrichment work, and evaluate the prevalence of those practices across domestic and international supply chains. Explore the technical and economic viability of alternative labor practices, including those designed to reduce exposure to harmful content or improve worker conditions including but not limited to psychological harm.

(2) Evaluate which foundation models and associated artificial intelligence systems have been procured, licensed, or otherwise deployed by state agencies, and, to the extent feasible, assess the labor practices underlying the development of those models, including the extent to which those practices comply with internationally recognized labor standards and applicable state and federal law.

(3) Assess whether and how other states, the federal government, and foreign jurisdictions have adopted or are considering procurement standards for foundation models and associated artificial intelligence systems, including standards relating to labor conditions, supply chain transparency, and contractor certification requirements. Assess and review guidelines and best practices developed by domestic and international labor organizations, and any barriers to workers seeking out and exercising a right to collectively bargain or join a union.

(4) Analyze the likely impacts of restricting or prohibiting specified labor practices through state procurement standards, including effects on domestic and international labor conditions, model performance, reliability, safety, availability, and cost, as well as potential impacts on competition, innovation, and market concentration.
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(5) Identify data gaps, barriers to transparency, and challenges associated with assessing labor practices in global AI supply chains, including the role of proprietary information and nondisclosure agreements.

(6) Develop recommendations regarding whether and how the state should incorporate labor standards into procurement decisions for foundation models and associated artificial intelligence systems, including whether state procurement standards should require contractors and subcontractors to certify compliance with minimum labor standards consistent with Section 6108 of the Public Contract Code.

(d) On or before December 31, 2027, the working group shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, on the process and products of the working group in meeting the requirements of this section, and any related findings or recommendations.

REGISTERED SUPPORT / OPPOSITION:

Support

Communication Workers of America, District 9 (Co-Sponsor)
Aapis for Civic Empowerment
Alliance of Californians for Community Empowerment (ACCE) Action
American Federation of Musicians, Local 7
California Federation of Labor Unions
California National Organization for Women
California Nurses Association
California Work & Family Coalition
Center for Ai and Digital Policy
Communications Workers of America, District 9
Courage California

Equal Rights Advocates
Indivisible Ca: Statestrong
Kapor Center Advocacy
Laane (los Angeles Alliance for a New Economy)
Seiu California
Smart - Transportation Division
Techequity Action
Warehouse Worker Resource Center
Western Center on Law and Poverty
Working Partnerships USA

Opposition

California Chamber of Commerce

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