
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No: AB 2227 **Hearing Date:** June 24, 2026
Author: Connolly
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Urgency: No **Fiscal:** Yes
Consultant: Jazmin Marroquin

SUBJECT: Farm labor contractors: surety bonds.

KEY ISSUE

This bill requires a farm labor contractor (FLC) to deposit a surety bond based on the size of the person's annual *gross receipts*, instead of the annual *payroll*, for all employees in order to obtain a license from the Labor Commissioner and increases the bond amount, as specified. This bill also requires the Labor Commissioner to include the bond information on the public FLC license database, as specified, and disclose information about the availability of the bond and the process to access the bond to any worker that has filed a claim against an FLC.

ANALYSIS

Existing federal law:

- 1) Establishes, under the federal Migrant and Seasonal Agricultural Worker Protection Act (MSPA), employment standards for migrant and seasonal farmworkers related to wages, housing, transportation, disclosures and recordkeeping. The MSPA also requires farm labor contractors to register with the U.S. Department of Labor. (29 U.S.C. Sections 1801, et seq.; 29 C.F.R. Part 500.)

Existing state law:

- 1) Establishes within the Department of Industrial Relations (DIR), various entities including the Division of Labor Standards Enforcement (DLSE) under the direction of the Labor Commissioner, and empowers the Labor Commissioner with ensuring a just day's pay in every workplace and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)
- 2) Requires the Labor Commissioner to issue a license to any person acting as a *farm labor contractor (FLC)*, as specified, and establishes civil penalties for any person who violates these provisions. (Labor Code §1683)
 - a) Prohibits the Labor Commissioner from issuing a license to a person to act as an FLC, or renewing that license, until specified conditions are met, including a written application, a surety bond, and a license fee, as specified. (Labor Code §1683-1699)
 - b) Specifies that the FLC must deposit a surety bond with the Labor Commissioner in an amount based on the size of the person's annual payroll for all employees, as follows: (Labor Code §1684)

- i) For payrolls up to five hundred thousand dollars (\$500,000), a twenty-five-thousand-dollar (\$25,000) bond.
 - ii) For payrolls of five hundred thousand dollars (\$500,000) to two million dollars (\$2,000,000), a fifty-thousand-dollar (\$50,000) bond.
 - iii) For payrolls greater than two million dollars (\$2,000,000), a seventy-five-thousand-dollar (\$75,000) bond.
- (1) Provides that for purposes of this paragraph, the Labor Commissioner must require documentation of the size of the person's annual payroll, which may include, but is not limited to, information provided by the person to the Employment Development Department, the Franchise Tax Board, the Division of Workers' Compensation, the insurer providing the licensee's workers' compensation insurance, or the Internal Revenue Service.
 - (2) Specifies that if the contractor has been the subject of a final judgment in a year in an amount equal to or greater than the amount of the bond required, they are required to deposit an additional bond within 60 days.
 - (3) Specifies that all bonds, as required, must be payable to the people of the State of California and are conditioned upon the farm labor contractor's compliance, as specified. The bond is also payable for interest on wages and for any damages arising from violation of orders of the Industrial Welfare Commission, and for any other monetary relief awarded to an agricultural worker as a result of a violation, as specified.
- 2) Defines a "farm labor contractor" as any person who, for a fee, employs workers to render personal services in connection with the production of any farm products to, for, or under the direction of a third person, or who recruits, solicits, supplies, or hires workers on behalf of an employer engaged in the growing or producing of farm products, and who, for a fee, provides in connection therewith one or more of the following services: furnishes board, lodging, or transportation for those workers; supervises, times, checks, counts, weighs, or otherwise directs or measures their work; or disburses wage payments to these persons. (Labor Code §1682)
 - a) Specifies that "farm labor contractor" includes any "day hauler." "Day hauler" means any person who is employed by a farm labor contractor to transport, or who for a fee transports, by motor vehicle, workers to render personal services in connection with the production of any farm products to, for, or under the direction of a third person.
 - b) Specifies that "farm labor contractor" does not include a commercial packing house engaged in both the harvesting and the packing of citrus fruit or soft fruit for a client or customer.
 - 3) Requires, on and after July 1, 2016, a person acting as a *foreign labor contractor* to register with the Labor Commissioner, as specified. (Business and Professions Code §9998.1.5)
 - a) Prohibits the Labor Commissioner from registering a person to act as a foreign labor contractor, or renewing a registration, until specified conditions are met, including a written application, a surety bond, and a registration fee. (Business and Professions Code §9998.1.5)

- b) Specifies that a foreign labor contractor must deposit with the Labor Commissioner a surety bond in an amount based on the size of the person's annual gross receipts from operations as a foreign labor contractor, as follows:
- i) For gross receipts up to five hundred thousand dollars (\$500,000), a fifty-thousand-dollar (\$50,000) bond.
 - ii) For gross receipts of five hundred thousand dollars (\$500,000) to two million dollars (\$2,000,000), a one-hundred-thousand-dollar (\$100,000) bond.
 - iii) For gross receipts greater than two million dollars (\$2,000,000), a one-hundred-fifty-thousand-dollar (\$150,000) bond.
- (1) Specifies that if the foreign labor contractor has been the subject of a final judgment in a year in an amount equal to that of the bond required, that contractor is required to deposit an additional bond within 60 days. The bond must be payable to the people of the State of California and must be conditioned on the foreign labor contractor compliance, as specified. The bond must also be payable for interest on wages and for any damages arising from violation of applicable orders of the Industrial Welfare Commission, and for any other monetary relief awarded to a foreign worker as a result of a violation of law by the foreign labor contractor.

This bill:

- 1) Makes the following changes to the surety bond requirement for a person to obtain from the Labor Commissioner a license to act as an FLC:
 - a) The bond is in an amount based on the size of the person's *annual gross receipts*, instead of the *annual payroll*, for all employees, as follows:
 - i) For gross receipts up to five hundred thousand dollars (\$500,000), a fifty-thousand-dollar (\$50,000) bond.
 - ii) For gross receipts of five hundred thousand dollars (\$500,000) to two million dollars (\$2,000,000), a one-hundred-thousand-dollar (\$100,000) bond.
 - iii) For gross receipts greater than two million dollars (\$2,000,000), a one-hundred-fifty-thousand-dollar (\$150,000) bond.
- 2) Requires the Labor Commissioner to include bond information on the public FLC license database, including the bond number, effective and expiration dates, bond size, and contact information for the surety company for all active bonds for the previous five years.
- 3) Requires the Labor Commissioner to disclose information about the availability of the surety bond and the process to access the surety bond to any worker that has filed a claim against an FLC.

COMMENTS**1. Background:**

Farmworkers and Wage Theft

California produces over 400 commodities including nearly half of the nation's vegetables and over three-quarters of the nation's fruits and nuts.¹ California is home to an estimated 400,000 farm workers that are the backbone to this country's agricultural system. Although California (and the rest of the nation) relies on the important work of farm workers, they tend to earn some of the lowest wages in the labor market and they also experience wage theft and other workplace abuses all too often.

A report by the Economic Policy Institute in 2020 found that employers violate federal wage and hour laws designed to protect farm workers and investigations have found millions in wage theft every year.² In fact, the U.S. Department of Labor's Wage and Hour Division conducted more than 31,000 investigations of U.S. employers in agriculture between 2000 and 2019, an average of 1,500 per year. As a result of these investigations, employers were ordered to pay \$76 million in back wages to 154,000 farm workers and to pay \$63 million in civil money penalties for violations. The report also found that over the past 15 years, agriculture accounted for 7% of all federal wage and hour investigations and 3% of the violations found.

According to the report, "farm labor contractors—nonfarm employers acting as staffing firms for farm employers—were the most egregious violators between 2005 to 2019. These employers represent 14% of agricultural employment nationwide but accounted for 24% of all agricultural violations from 2005 to 2019. Farm labor contractors also represented a higher share of agricultural violations than their share of employment in the two major farm labor states, California and Florida—where they accounted for approximately half of all violations over the 2005–2019 period. Farmworkers who are employed by farm labor contractors are more likely to suffer wage and hour violations than those who are hired directly by farms."

Farm labor contractors

A farm labor contractor (FLC) is a person who, for a fee, employs people to perform work connected to the production of farm products under the direction of a third person. An FLC is also any person who recruits, supplies, or hires workers on behalf of someone engaged in the production of farm products and, for a fee, provides board, lodging, or transportation for those workers, or supervises, times, checks, counts, weighs, or otherwise directs or measures their work, or disburses wage payments to these persons. According to the California Farm Labor Contractor Association, FLCs account for over 40% of California's agricultural labor force, representing the employment of over 360,000 California farm workers.

In California, FLCs must meet the following conditions in order to obtain or renew a license from the Labor Commissioner's Office:

- submit a written application,
- deposit a surety bond based on the size of the person's annual payroll for all employees,
- pay a \$600 license fee,

¹ California Agricultural Production Statistics, <https://www.cdfa.ca.gov/statistics/>

² Costa, Daniel, Phillip Martin, and Zachariah Rutledge. "Federal labor standards enforcement in agriculture." Economic Policy Institute, Dec. 15, 2020. <https://www.epi.org/publication/federal-labor-standards-enforcement-in-agriculture-data-reveal-the-biggest-violators-and-raise-new-questions-about-how-to-improve-and-target-efforts-to-protect-farmworkers/>

- take a written exam demonstrating an essential degree of knowledge of the current laws and regulations around FLCs for the safety and protection of farmers, farmworkers, and the public, including the identification and prevention of sexual harassment in the workplace,
- register as an FLC and their employees must register as an FLC employee, pursuant to the federal Migrant and Seasonal Agricultural Worker Protection Act³ when registration is required by federal law,
- provide a written statement, attesting that the person's supervisory employees has been trained on the prevention of sexual harassment in the workplace, and that all new nonsupervisory employees, including agricultural employees, have been trained at the time of hire, and that all nonsupervisory employees, including agricultural employees, have been trained at least once every two years in identifying, preventing, and reporting sexual harassment in the workplace.

FLC surety bonds

A surety bond is a written agreement, often required by law, to guarantee performance or payment of another company's obligation under a separate contract or compliance with a law or regulation.⁴

As mentioned above, an FLC must currently deposit with the Labor Commissioner a surety bond in an amount based on the size of the person's annual payroll for all employees, as follows:

- For payrolls up to \$500,000, a \$25,000 bond.
- For payrolls of \$500,000 to \$2,000,000, a \$50,000 bond.
- For payrolls greater than \$2,000,000, a \$75,000 bond.

The condition of the bond states that the FLC will comply with all terms and provisions of the Labor Code governing FLCs and will pay for all damages and any other monetary relief awarded because of a violation of this code. The bond is also payable for interest on wages and for any damages arising from violation of orders of the Industrial Welfare Commission, and for any other monetary relief awarded to an agricultural worker because of a violation of the Labor Code.

This bill, AB 2227, would instead require farm labor contractors to deposit a surety bond in the amount based on the size of the person's annual **gross receipts** for all employees, instead of the size of the person's annual **payroll** for employees. This bill specifies that the person's gross receipts or annual payroll may include, but is not limited to, information provided by the person to the Employment Development Department, the Franchise Tax Board, the Division of Workers' Compensation, the insurer providing the licensee's workers' compensation insurance, or the Internal Revenue Service.

This bill would also increase the bond amount that a farm labor contractor must deposit with the Labor Commissioner's office, as follows:

³ 29 U.S.C. Sec. 1801 et seq

⁴ "What is a Surety Bond? The Surety & Fidelity Association of America, <https://surety.org/surety-fidelity/what-is-surety/>

Existing law:	Proposed AB 2227:
For payrolls up to \$500,000 = a \$25,000 bond.	For gross receipts up to \$500,000 = a \$50,000 bond.
For payrolls of \$500,000 to \$2,000,000 = a \$50,000 bond.	For gross receipts of \$500,000 to \$2,000,000 = a \$100,000 bond.
For payrolls greater than \$2,000,000 = a \$75,000 bond.	For gross receipts greater than \$2,000,000 = a \$150,000 bond.

2. Need for this bill?

According to the author’s office, “Workers often report high levels of abuse and labor violations, especially wage theft, however the scope of the problem is undercounted amongst particularly vulnerable workers who fear speaking up. According to an investigation by the US Department of Labor, California accounted for 14% of the agricultural employment law violations. From 2005 to 2019, Farm Labor Contractors (FLCs) accounted for 48% of the total violations in California. Because of the prevalence of labor violations, the state requires FLCs to purchase a surety bond in order to be licensed by the California Labor Commissioner. This bond functions as an added protection from exploitation and harmful working conditions, allowing workers to access bond funds to compensate for stolen wages or fines.

The current bond, which is dependent on an employer's size, is between \$25,000-75,000, and like an insurance policy, FLCs pay a small fraction of that amount in premiums each year, between 1-10% of the bond total, or \$250 for the typical bond.

Unfortunately, these bonds don’t reach workers whose wages have been stolen and desperately need compensation.”

3. Proponent Arguments:

According to the co-sponsors of this bill, the California Rural Legal Assistance Foundation and the California Farmworker Coalition:

“California’s farmworkers pick nearly half of the country’s vegetables and three quarters of its fruit and nut supply. Despite this essential role in our food system, they endure poverty wages and wage theft, dangerous working conditions, and limited access to basic safety-net protections. While underreporting of labor violations amongst farmworkers is common, empirical research indicates that nearly one in five California farmworkers experience wage theft at some frequency.

Farm labor contractors (FLC), who recruit, hire, and employ farmworkers on behalf of growers and farm owners, are the fastest-growing segment of farm employment in California.

FLCs are responsible for paying wages and ensuring workers' labor rights—yet they are also the worst violators of those rights, accounting for one-half of all federal wage and hour violations detected in California agriculture. By inserting a middleman between growers and workers, the FLC model distances growers from employer responsibility while leaving workers deeply vulnerable to abuse. Because of the prevalence of labor violations, the state requires FLCs to purchase a surety bond as a condition of licensure. This bond is meant to function as a financial backstop—allowing workers to access funds to compensate for stolen wages or fines.

However, the current system fails workers in multiple critical ways:

- Workers cannot access the bond in a timely manner—or at all. Bond companies typically require a court judgment or Labor Commissioner decision before releasing funds. These processes can take two or more years—or may never come to completion—when employers refuse to cooperate, fail to appear at hearings, or drag out proceedings until responsible parties disappear.
- Workers don't know the bond exists. Even when workers successfully navigate these long processes, they are rarely informed of the bond's existence, and detailed information about which surety company holds an FLC's bond requires a Public Records Act Request and further waiting.
- Bond amounts are far too small. The current bond ranges from \$25,000–\$75,000—wholly inadequate when multiple workers' wages are stolen by the same employer.

AB 1362 (Kalra) from 2025 created a bond for contractors recruiting H-2A agricultural guest workers abroad that is twice as high as the bond required for FLCs hiring California workers. Beginning in July 2027, foreign labor recruiters who are also FLCs will maintain two separate bonds—one small bond for domestically-hired workers, and one larger bond covering only H-2A workers. This disparity leaves California farmworkers with significantly less protection than guest workers recruited from abroad.

AB 2227 will take meaningful steps to reform the surety bond system for farm labor contractors to ensure stronger recovery rights for farmworkers.”

4. Opponent Arguments:

A coalition of agricultural employer associations, including the California Farm Labor Contractor Association, write in an oppose unless amended position:

“It is also entirely unclear how an FLC would demonstrate the amount of gross receipts. Currently FLCs must provide copies of the Quarterly Contribution Return and Report of Wages (DE 9) from the Employment Development Department as legal documentation to verify the payroll amount which then determines the bond level.

However, there is not one simple method to verify gross receipts. Currently when the state requests information on gross receipts they rely solely upon the employer's self-reporting. Absent procedures to verify gross receipts, would they attempt to request income statements, tax returns, bank statements, or some other means or a combination of all the above? How would the scope be appropriately restricted to FLC activities in cases where individuals also engage in unrelated business ventures?

FLC bonds are tied to the wages those bonds are designed to protect, and we suggest this remain in place. The bill's proposed change from payroll to gross receipts is a departure from the original intent without foundation and lacks a method to provide documentation. We ask that it be stricken and established legal verification procedures be maintained.

Additionally, the bill proposes to require that the Labor Commissioner put every FLC's bond information on the public FLC license database. While this may not seem inherently problematic, it raises questions as to the purpose of the California Department of Industrial Relations incurring additional costs, time, and resources to update the system.

If the intent is for employees to file claims directly with the bond company instead of first going through the process of filing a claim with the Labor Commissioner, this is extremely problematic. If employees first go directly to the bond company, this will result in a lot of confusion for employees as the bond company would need to redirect that employee back to the Labor Commissioner to investigate and engage in enforcement as required under existing law.

If the intent is for the bond company to serve as the trier of fact, this is even worse. Bond companies are not equipped for this and are the wrong entity to determine whether there is a valid wage claim; this is and should be the purview of the Labor Commissioner.

We agree the Labor Commissioner should share information regarding the FLC bond with relevant parties if an employer fails to make whole an employee after the claim has been adjudicated and all due process regarding notification, appeals, etc. has been respected. Furthermore we would encourage the Labor Commissioner to use efficient and direct methods to communicate the information (avoiding an expensive system overhaul of the FLC licensing database)."

5. Double Referral:

This bill has been double referred, and should it pass this Committee, will be sent to Senate Judiciary Committee for a hearing.

6. Prior Legislation:

AB 1362 (Kalra, Chapter 190, Statutes of 2025) beginning on July 1, 2027, extends the foreign labor contractor registration requirements and oversight under the Labor Commissioner to all agricultural workers under the H-2A visa program, as specified, and requires Department of Industrial Relations (DIR) to conduct a study on how to expand the existing law to other temporary work visas.

AB 364 (Rodriguez, 2022, Vetoed) was identical to this AB 1362, but did not include findings and declarations. *This bill was vetoed by Governor Newsom.*

AB 1913 (Kalra, 2018) was identical to AB 364. *This bill failed passage on the Assembly floor.*

SB 477 (Steinberg, Chapter 711, Statutes of 2014) established a registration and oversight process for foreign labor contractors with the Labor Commissioner, including enumerated protections for temporary foreign workers who are recruited to work in California.

SB 516 (Steinberg, 2013, Vetoed) was nearly identical to SB 477, but it specified a contractor registration fee of \$500. *This bill was vetoed by Governor Brown.*

SUPPORT

California Farmworker Coalition (Co-sponsor)
California Rural Legal Assistance Foundation (Co-sponsor)
Acevedo Media LLC
Asian Pacific Islander Forward Movement
California Domestic Workers Coalition
California Environmental Justice Alliance (CEJA) Action
California Federation of Labor Unions
California Food and Farming Network
Center for Farmworker Families
Central California Environmental Justice Network (CCEJN)
Central Coast Alliance United for a Sustainable Economy
Central Valley Immigrant Integration Collaborative
Centro Binacional Para El Desarrollo Indigena Oaxaqueño (CBDIO)
Centro Legal De LA Raza
Community Alliance With Family Farmers
Community Legal Services in East Palo Alto
Equal Rights Advocates
Farm2people
Health in Partnership
Leadership Counsel for Justice and Accountability
Legal Aid At Work
Lideres Campesinas
Los Angeles Food Policy Council
Mixteco/Indigena Community Organizing Project (MICOP)
Pesticide Action & Agroecology Network
San Diego Food System Alliance
Santa Clara County Wage Theft Coalition
Second Harvest of Silicon Valley
Todec Legal Center
Valley Improvement Project
Worksafe

OPPOSITION

California Association of Winegrape Growers
California Avocado Commission
California Citrus Mutual
California Farm Bureau
California Farm Bureau Federation
California Farm Labor Contractor Association
California Strawberry Commission
California Tomato Growers Association
California Walnut Commission

Grower-shipper Association of Central California

Nisei Farmers League

Nisei Farmers League INC.

UnitedAg

Ventura County Agricultural Association

Western Growers Association

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