SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2227 (Connolly) - Farm labor contractors: surety bonds

Version: June 15, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: L., P.E. & R. 4 - 1
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 2227 would (1) require a farm labor contractor (FLC) to deposit a surety bond based on the size of annual gross receipts, instead of the annual payroll, for all employees in order to obtain a license from the Labor Commissioner, and (2) increase the bond amount, as specified. This bill also would require 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.

Fiscal Impact: This bill would result in first-year costs of approximately $1.7 million to $2 million, and ongoing costs of $1.5 million to $1.8 million annually thereafter, to the Labor Commissioner (LC) within the Department of Industrial Relations (DIR), to implement expanded farm labor contractor (FLC) licensing requirements and modify the FLC licensing database to track surety bond information (Labor Enforcement and Compliance Fund). DIR previously noted that the bill would require review of approximately 2,000 license applications annually, with roughly 10 percent requiring additional investigation and about 1 percent resulting in license denial, suspension, or revocation. The bill would also require manual data entry to update the licensing database. While the bill could generate workload savings through a more streamlined Order, Decision, or Award (ODA) process, those savings may be partially offset by increased costs associated with additional appeals.

Background: California's agricultural industry relies on an estimated 400,000 farmworkers to produce more than 400 commodities, including nearly half of the nation's vegetables and more than three-quarters of its fruits and nuts. Despite their essential role, farmworkers are among the lowest-paid workers in the labor market and are disproportionately affected by wage theft and other labor violations.

A 2020 report by the Economic Policy Institute found widespread violations of wage and hour laws in the agricultural industry. Between 2000 and 2019, the U.S. Department of Labor conducted more than 31,000 agricultural wage and hour investigations, resulting in $76 million in back wages owed to approximately 154,000 farmworkers and $63 million in civil penalties. The report also found that FLCs were responsible for a disproportionate share of violations. Although FLCs account for approximately 14 percent of agricultural employment nationally, they accounted for nearly one-quarter of all agricultural wage and hour violations during the period studied. In California, FLCs account for more than 40 percent of the agricultural workforce, representing over 360,000 farmworkers.

Existing law requires FLCs to be licensed by the Labor Commissioner and to satisfy specified licensing requirements, including posting a surety bond to secure compliance with state labor laws and payment of wages and other monetary relief owed to agricultural workers. Current bond amounts are based on the contractor's annual payroll, ranging from $25,000 to $75,000.

Proposed Law: This bill would do the following:

- Modify the surety bond requirements for a person to obtain from the Labor Commissioner a license to act as an FLC:
    - 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:
        - For gross receipts up to $500,000, a $50,000 bond.
        - For gross receipts of $500,000 to $2 million, a $100,000 bond.
        - For gross receipts greater than $2 million, a $150,000 bond.
- Require the LC 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.
- Require the LC 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.

Related 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) was identical to this AB 1362, but did not include findings and declarations. The 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) was nearly identical to SB 477, but it specified a contractor registration fee of $500. The bill was vetoed by Governor Brown.

Staff Comments: As noted above, this bill would (1) revise the surety bond requirements by basing bond amounts on an FLC's annual gross receipts rather than annual payroll, and (2) double the required bond amounts, increasing them from $25,000, $50,000, and $75,000 to $50,000, $100,000, and $150,000, respectively. The bill also would require additional disclosure of prior labor violations during the licensing process and establishes an expedited process for resolving wage claims against FLCs.

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