SENATE RULES COMMITTEE AB 2227
Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2227
Author: Connolly (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 6/24/26
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 51-20, 5/27/26 - See last page for vote

SUBJECT: Farm labor contractors: surety bonds

SOURCE: California Farmworker Coalition
California Rural Legal Assistance Foundation

DIGEST: This bill increases the amount of a surety bond that a farm labor contractor (FLC) is required to deposit to the Labor Commissioner in order to obtain a FLC license, 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.

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.

4) Provides that a person must not act as a farm labor contractor until a license to do so has been issued to the person by the Labor Commissioner and the license is in full force and effect and in the person's possession.

   a) Provides that a person who violates this section, as specified, is subject to a civil penalty as follows:

      i) For any initial citation, one hundred dollars ($100) for each farmworker employed by the unlicensed person, plus one hundred dollars ($100) for each calendar day that a violation occurs, for a total penalty not to exceed ten thousand dollars ($10,000).

      ii) For a second citation, two hundred dollars ($200) for each farmworker employed by the unlicensed person, plus two hundred dollars ($200) for each calendar day that a violation occurs, for a total penalty not to exceed twenty thousand dollars ($20,000).

iii) For a third or subsequent citation, five hundred dollars ($500) for each farmworker employed by the unlicensed person, plus five hundred dollars ($500) for each calendar day that a violation occurs, for a total penalty not to exceed fifty thousand dollars ($50,000).

(1) If, upon inspection or investigation, the Labor Commissioner determines that a person has violated this section, the Labor Commissioner shall issue a citation, as specified.

(2) The civil penalties collected pursuant to this section must be deposited into the Farmworker Remedial Account and shall be available, upon appropriation by the Legislature, as specified.

(3) The specified civil penalties are in addition to any other penalty provided by law.

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) Requires a person to 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:

      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.

      iv) Requires the bond amounts described above to be deposited when a FLC first registers or files the application for their first annual renewal.

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.

4) Makes the following changes to the civil penalties for a person who violates the farm labor contractor license requirements, as follows:

   a) For any initial citation, one hundred dollars ($100) for each farmworker employed by the unlicensed person *or licensed farm labor contractor*, plus one hundred dollars ($100) for each calendar day that a violation occurs, for a total penalty not to exceed ten thousand dollars ($10,000).

   b) For a second citation, two hundred dollars ($200) for each farmworker employed by the unlicensed person *or licensed farm labor contractor*, plus two hundred dollars ($200) for each calendar day that a violation occurs, for a total penalty not to exceed twenty thousand dollars ($20,000).

   c) For a third or subsequent citation, five hundred dollars ($500) for each farmworker employed by the unlicensed person *or licensed farm labor contractor*, plus five hundred dollars ($500) for each calendar day that a violation occurs, for a total penalty not to exceed fifty thousand dollars ($50,000).

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

[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/**

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,
- 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 Act[3] when registration is required by federal law,

- provide a written statement, attesting that the person's supervisorial employees has been trained on the prevention of sexual harassment in the workplace, and that all new nonsupervisorial employees, including agricultural employees, have been trained at the time of hire, and that all nonsupervisorial 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, increases the amount of the surety bond the FLC 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 payrolls up to $500,000 = a **$50,000** bond.
For payrolls of $500,000 to $2,000,000 = a $50,000 bond.	For payrolls of $500,000 to $2,000,000 = a **$100,000** bond.
For payrolls greater than $2,000,000 = a $75,000 bond.	For payrolls greater than $2,000,000 = a $**150,000** bond.

Related/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 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*.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- This bill could potentially result in costs to the Department of Industrial Relations in the hundreds of thousands of dollars annually.

- The bill could result in increased penalty revenue to the State. The magnitude is unknown.

SUPPORT: (Verified 8/13/26)

California Farmworker Coalition (Co-Source)
California Rural Legal Assistance Foundation (Co-Source)
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
California Food and Farming Network/California Alliance With Family Farmers
California Network for Immigrant and Worker Justice
CDP Rural Caucus
Center for Farmworker Families
Central California Environmental Justic 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
Hijas Del Campo
Leadership Counsel for Justice and Accountability
Legal Aid At Work
Lideres Campesinas
Los Angeles Food Policy Council
Mixteco/Indigena Community Organizing Project (MICOP)
North Bay Jobs With Justice
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 Projects (VIP)
Worksafe

OPPOSITION: (Verified 8/13/26)

California Association of Winegrape Growers
California Avocado Commission
California Citrus Mutual
California Farm Bureau
California Farm Labor Contractor Association
California Strawberry Commission
California Tomato Growers Association
California Walnut Commission
Grower-shipper Association of Central California
Nisei Farmers League
UnitedAg
Ventura County Agricultural Association
Western Growers Association

ARGUMENTS IN SUPPORT: According to the co-sponsors of this bill, the California Rural Legal Assistance Foundation and the California Farmworker Coalition: "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 2227 will take meaningful steps to reform the surety bond system for farm labor contractors to ensure stronger recovery rights for farmworkers."

ARGUMENTS IN OPPOSITION: A coalition of agricultural employer associations, including the California Farm Labor Contractor Association, write in an oppose unless amended position: " [T]he 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)."

ASSEMBLY FLOOR: 51-20, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Arambula, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez,

Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Stefani, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Alanis, Ávila Farías, Castillo, Chen, Davies, DeMaio, Dixon, Ellis, Flora, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis
NO VOTE RECORDED: Alvarez, Bains, Lackey, Pacheco, Ramos, Celeste Rodriguez, Blanca Rubio, Soria, Valencia

Prepared by: Jazmin Marroquin / L., P.E. & R. / (916) 651-1556
8/17/26 10:13:56

****** END ******