

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1016 (Senator Lee)
 Finance

Labor and Employment - Regulation of Farm Labor Contractors and Foreign Labor Contractors

This bill requires a foreign labor contractor (FLC) to be licensed by the Commissioner of Labor and Industry before the individual may perform foreign labor contracting services in the State for consideration. A person may not use an FLC to perform a foreign labor contracting service unless the person ascertains that the FLC is licensed. Each employer that uses an FLC must file with the commissioner the name and contact information for the FLC, and an employer that uses an FLC is jointly and severally liable for specified violations committed by the FLC. The commissioner must keep a central public registry as specified in the bill of all licensed FLCs beginning July 1, 2018. The bill applies many existing licensing requirements and provisions of a farm labor contracting service to the FLC license. On the Attorney General’s own initiative, the Attorney General may investigate an alleged violation and proceed in court to enforce requirements for farm labor contractors and FLC licenses, and the bill applies existing penalty provisions to FLCs and increases the civil penalty and misdemeanor maximum fines for specified violations.

Fiscal Summary

State Effect: General fund expenditures increase by \$393,000 in FY 2018 for the Department of Labor, Licensing, and Regulation (DLLR) to implement and enforce the bill; out-year expenditures reflect annualization and elimination of one-time start-up costs. The Office of the Attorney General can likely process cases with existing resources. Criminal penalty provisions are not expected to materially affect State expenditures. General fund revenues increase minimally from penalties imposed on employers violating the bill and increase by \$25 annually for each FLC license issued beginning in FY 2018.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	-	-	-	-	-
GF Expenditure	\$393,000	\$416,100	\$432,400	\$449,600	\$467,800
Net Effect	(\$393,000)	(\$416,100)	(\$432,400)	(\$449,600)	(\$467,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The circuit courts can likely handle any increase in litigation with existing resources. Revenues may increase minimally due to higher misdemeanor penalties.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill defines an FLC as a person who performs a foreign labor contracting service, including a person who performs the service wholly outside the United States, among others specified in the bill. To “perform a foreign labor contracting service” means to recruit, employ, hire, contract with; purport to employ, hire, or contract with; or provide, solicit, transport, or provide housing for a foreign worker directly or through an agent regardless of whether the service is performed in the United States, and the bill specifies what that includes. A “foreign worker” means an individual who (1) is seeking employment (including cultural exchanges, training activities, or business activities for which a foreign worker receives any form of compensation); (2) is not a U.S. citizen or a permanent resident; and (3) is authorized by the federal government to work in the United States under a nonimmigrant visa classification or status. A foreign worker does not include an individual who received a green card on admission to the United States.

An FLC or an employer that uses an FLC may not assess to a foreign worker any costs, fees, or expenses related to the performance of an FLC service. If an FLC or employer violates this provision before the foreign worker begins working, the FLC must immediately repay the foreign worker and provide the exact or comparable employment for the foreign worker.

The bill specifies the information that must be included in the FLC application and the terms and requirements of an FLC license. The Commissioner of Labor and Industry may deny, suspend, or revoke a license if the applicant or licensee charges a foreign worker any costs, fees, or expenses related to the performance of an FLC service, along with the reasons specified in current law. The commissioner must require an FLC to post a surety bond or other security if the FLC has committed specified violations.

An FLC must provide each foreign worker with an enforceable employment contract signed by the FLC and the foreign worker that includes all assurances made by the FLC and all terms and conditions of employment to be provided to the foreign worker and other relevant information as specified in the bill. On request, the Commissioner of Labor and Industry must make a standard employment contract available to an FLC. An FLC must provide the employment contract to the foreign worker at the time the recruitment process begins and in the foreign worker’s primary language. Changes to the employment contract

may not be made unless the foreign worker is given 48 hours to review and consider the changes and voluntarily consents to the changes. An FLC must file with the commissioner each employment contract provided to a foreign worker.

An FLC who provides housing for a foreign worker must ensure that all of the conditions of occupancy are posted conspicuously while the foreign worker stays in the housing.

The commissioner must require, by regulation, an FLC to keep records of specified wage records of foreign workers, which must be included in the pay stub of a foreign worker, and an FLC must keep all these records even if the FLC is not responsible for paying a foreign worker.

An FLC may not discriminate against a foreign worker to the same extent an employer is prohibited from discriminating under current law. An FLC may not take any adverse action against a foreign worker because the foreign worker exercised any rights granted under the bill. If a foreign worker believes that an FLC has violated provisions under the bill, the foreign worker may bring an action in court to recover any damages sustained by the foreign worker due to the violation.

A person may not represent to the public that the person is authorized to perform a foreign labor contracting service in the State for consideration unless the person is licensed to perform a foreign labor contracting service for consideration.

The bill increases the civil penalty that the commissioner may assess against a person who willfully or repeatedly violates provisions of FLC or farm labor contractor licenses to \$50,000 for each violation, instead of \$5,000. A farm labor contractor or FLC who willfully violates specified provisions or regulations is also guilty of a misdemeanor and on conviction for a first offense is subject to a fine of up to \$50,000 and/or imprisonment of up to one year and for a subsequent offense is subject to a fine of up to \$100,000 and/or imprisonment of up to three years.

The bill may not be construed to preempt or alter any rights or remedies available under federal or State law.

Current Law: The federal Migrant and Seasonal Agricultural Worker Protection Act requires farm labor contractors to register with the U.S. Department of Labor (DOL). Before performing any farm labor contracting activity, a farm labor contractor must register with DOL and obtain a certificate of registration. A farm labor contractor must be specifically authorized to provide housing or transportation to migrant or seasonal agricultural workers prior to doing so. Persons employed by farm labor contractors to perform farm labor contracting activities also must register with DOL.

As noted above, the bill incorporates licensing requirements for FLCs into existing statute requiring licensure for farm labor contractors, enforcement of which is largely dormant due to limited resources in DLLR as well as the federal requirement for registration. In Maryland, generally, an individual must also be licensed by the Commissioner of Labor and Industry before the individual may perform farm labor contracting services in the State for consideration. To “perform farm labor contracting services” means to recruit, employ, hire, provide, solicit, transport, or provide housing for a migrant agricultural worker. A “migrant agricultural worker” is an individual who is employed to do agricultural work of a seasonal or temporary nature. In the course of employment, a migrant agricultural worker must be absent overnight from a permanent residence or, as part of a day-haul operation, be transported by a farm labor contractor or agent to or from the place of employment. A migrant agricultural worker does not include an immediate family member of specified individuals or a nonimmigrant alien who is authorized under federal law to work in agricultural employment in the United States.

A farm labor contractor applicant must submit an application and photographs of the applicant as well as pay a \$25 application fee. If information provided on the application changes, the licensee must notify the commissioner of the change(s) within 10 days. The commissioner must determine whether the applicant is entitled to be licensed and, if so, issue a license. While a license is in effect, it authorizes the licensee to perform farm labor contracting services for consideration, and a license expires on the first March 1 after its effective date. The commissioner must keep a central public registry of all licensed farm labor contractors.

The commissioner may deny, suspend, or revoke a license for specified reasons, but the commissioner generally must give the licensee or applicant an opportunity for a hearing before the commissioner. The commissioner may pass an order that requires a person to immediately cease a farm labor contracting service if the commissioner investigates and has reason to believe the person is performing a farm labor contracting service for consideration in the State without a license. The person has seven days to request a hearing. Any person aggrieved by a final decision in a contested case may appeal. On request of the commissioner, the Attorney General may proceed in a court or before a federal unit to enforce farm labor contracting licensing provisions.

The commissioner may require a farm labor contractor to post a surety bond or other security under specified conditions or to ensure compliance with State laws.

Generally, a person may not use a farm labor contractor to perform a farm labor contracting service unless the person ascertains that the farm labor contractor is licensed.

Background: Federal law prohibits fraud in foreign labor contracting. A person who knowingly and with intent to defraud recruits, solicits, or hires a person outside the

United States or causes another person to recruit, solicit, or hire a person outside the United States, or attempts to do so, for purposes of employment in the United States by means of materially false or fraudulent pretenses, representations, or promises regarding that employment is subject to a fine and/or imprisonment of up to five years.

California requires foreign labor contractors to register with the California Labor Commissioner. A person is prohibited from knowingly entering into an agreement for services of an FLC that is not registered with the California Labor Commissioner.

The J-1 visa program allows foreign visitors to visit and work in the United States for limited periods, including as camp counselors and au pairs. There are 15 different categories under the J-1 visa program, of which 13 categories include privately funded programs. These 13 categories are professors, research scholars, short-term scholars, trainees, interns, college and university students, teachers, secondary school students, specialists, alien physicians, camp counselors, au pairs, and summer work travel programs. DOL designates more than 1,500 for-profit, nonprofit, or federal, state, and local government entities to conduct such private-sector programs. Exchange visitors in private-sector programs may study, teach, do research, share their specialized skills, or receive on-the-job training for periods ranging from a few weeks to several years. Other visa categories, including H-1B and L-1, allow foreign nationals with specialized skills or experience to work in the United States, but those individuals are typically hired or transferred directly by employers rather than recruited by FLCs.

The U.S. State Department reports there were 11,184 J-1 visa participants and 80 sponsors in Maryland in 2015. The State Department-designated sponsors are responsible for all aspects of the exchange program, including screening and selecting of foreign national participants and monitoring the participants throughout their exchange visitor program in the United States.

State Revenues: General fund revenues increase by \$25 annually for each FLC license issued by DLLR; licenses must be renewed annually. DLLR estimates that approximately 500 licenses may be issued based on the number of foreign work recruiters listed on a federal registry. However, the Department of Legislative Services believes that the vast majority of those recruiters do not recruit for Maryland businesses, and the number of licensees most likely approaches the 80 J-1 visa sponsors known to be operating in Maryland. Although a reliable estimate of the number of licensees is not feasible, assuming between 80 and 500 licenses are issued annually, general fund revenues increase by between \$2,000 and \$12,500 annually beginning in fiscal 2018. Additionally, general fund revenues increase from penalties imposed on employers violating the bill.

State Expenditures: The bill creates additional responsibilities for DLLR's Division of Labor and Industry by requiring FLCs to be licensed by DLLR to perform foreign labor

contracting services in the State for consideration. DLLR must establish a license application, develop a sample contract, promulgate regulations, establish a central public registry of all licensed FLCs, and investigate violations. DLLR cannot absorb the additional workload within existing resources and requires additional staff to implement the bill.

General fund expenditures increase by \$393,004 in fiscal 2018, which accounts for the bill's October 1, 2017 effective date. This estimate reflects the cost of hiring an assistant Attorney General, an administrator, two wage and hour investigators, and one office secretary to respond to inquiries, process licenses, investigate complaints, and enforce the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	5
Salaries and Fringe Benefits	\$253,516
One-time Start-up Costs	120,200
Operating Expenses	<u>19,288</u>
Total FY 2018 State Expenditures	\$393,004

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Small Business Effect: Small businesses that are FLCs must be licensed by the Commissioner of Labor and Industry and pay the \$25 application fee. Providing the information required under the bill to DLLR and employees may be administratively burdensome for FLCs. Small businesses that use an FLC must provide DLLR with information on the FLC and are jointly and severally liable for violations committed by the FLC.

Additional Information

Prior Introductions: None.

Cross File: HB 1307 (Delegate Valderrama, *et al.*) - Economic Matters.

Information Source(s): Office of the Attorney General; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; U.S. Department of Labor; U.S. State Department; California Legislative Information; Department of Legislative Services

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