
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 559 (Berman) - Professions and vocations: contractors: home improvement contracts: prohibited business practices

Version: March 27, 2025

Policy Vote: B., P. & E.D. 10 - 0, JUD. 13
- 0

Urgency: No

Mandate: No

Hearing Date: August 25, 2025

Consultant: Janelle Miyashiro

Bill Summary: AB 559 expands the definition of “home improvement” under the Contractor State License Law to include accessory dwelling units (ADUs) on residentially zoned property and establishes penalties for individuals who violate specified downpayment or progress payment provisions for home improvement contracts.

Fiscal Impact: The Contractors State License Board (CSLB) reports:

- Minor workload increase to the CSLB Testing Division to update licensing exams to include questions on the topic of ADUs.
- Unknown increased workload, ranging in the low thousands of dollars, to the CSLB Enforcement Division to review violations of downpayment or progress payment provisions specific to home improvement contracts (Contractors License Fund).
- Unknown potential increase in cases referred to the Attorney General’s (AG) Office due to a potential increase in civil penalty appeals. The bill establishes a minimum \$10,000 penalty for violations of downpayment or progress payment provisions for both licensed and unlicensed individuals, which may result in more violators choosing to appeal their civil penalties because of the higher penalty amount. CSLB estimates an approximate increase of 11 percent in AG case referrals, or an additional 57 citations.

Penalty revenue is anticipated to offset costs for the increased volume of enforcement workload and any subsequent AG appeals review; however, to the extent that there is a significant number of new violations above CSLB’s projections, then there may be a fiscal impact to CSLB.

Background: Unlike new construction, home improvement projects are subject to contract and payment rules. These rules include a prohibition for contractors to request or accept progress payments that exceed the value of the work completed or the cost of materials delivered. Contractors are also prohibited from charging a downpayment that exceeds \$1,000 or 10 percent of the contract amount, whichever amount is less. Existing law does not expressly include ADUs in the definition of home improvement. CSLB, the sponsor of this bill, asserts that the ambiguity in the home improvement contract provisions of the Contractor State License Law may not subject ADUs to the same payment restrictions as other home improvement contracts. According to the CSLB, the increased popularity of ADUs has led to a corresponding rise in consumer

complaints to the CSLB about contractors performing ADU-related work. Many of these complaints alleged that a company accepted payment for ADUs that went unfinished, leaving consumers with substantial losses.

This bill would include ADUs in the definition of “home improvement,” thereby subjecting ADU-related construction projects to the same payment restrictions as other home improvement contracts.

Proposed Law:

- Includes ADUs on residentially zoned property in the definition of “home improvement.”
- Specifies that a licensee or their agent or salesperson, or an unlicensed person who violates downpayment restrictions that result in a financial loss to a consumer greater than 10 percent of the contract amount is subject to license revocation or citation by the registrar and a civil penalty of at least \$10,000.

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