

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 291 (Grayson) – As Amended May 1, 2025

Policy Committee:	Business and Professions	Vote:	16 - 0
	Insurance		17 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill establishes minimum civil penalties the Contractors State License Board (CSLB) may assess for a violation of workers' compensation insurance requirements, prohibits CSLB from renewing or reinstating a contractor license in violation of workers' compensation insurance requirements until specified conditions are met, and imposes additional reporting requirements on CSLB.

Specifically, this bill:

- 1) Requires CSLB to include in its annual report to the Legislature the number of disciplinary actions for workers' compensation insurance violations.
- 2) Establishes the following minimum civil penalties for workers' compensation insurance violations:
 - a) \$10,000 per violation for any sole owner licensee found to have employed workers without maintaining workers' compensation coverage.
 - b) \$20,000 per violation for any partnership, corporation, limited liability company, or tribal business licensee found to have employed workers without workers' compensation coverage.
 - c) Additional civil penalties for subsequent violations, not to exceed a total of \$30,000 per occurrence.
- 3) Prohibits CSLB from renewing or reinstating a license in violation of workers' compensation insurance requirements until the applicant or licensee provides CSLB with a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name.
- 4) Requires CSLB to report to the Legislature by January 1, 2027, its proposed process for verifying an applicant or licensee without employees is eligible for exemption from the workers' compensation insurance requirement.

FISCAL EFFECT:

- 1) CSLB's estimates minor and absorbable special fund costs to create a verification process for workers' compensation insurance exemptions and report its proposed process to the

Legislature by January 1, 2027. Specifically, CSLB indicates its licensing division estimates approximately 120 hours to develop and report to Legislature the verification process and CSLB's Information Technology department estimates approximately 1,000 hours for custom programming to implement the exemption verification change and to make changes to the website.

- 2) Possible increased penalty revenue of an unknown amount, potentially in the mid-hundreds of thousands of dollars annually (special funds), to the extent this legislation results in higher civil penalties collected. For example, 30 contractors paying the minimum \$10,000 penalty, rather than the \$200 required under existing law, would generate additional penalty revenue of nearly \$300,000 annually.

Although hard to predict, to the extent the bill does not deter violators or cause contractors to stop paying to maintain a license, continued violations could result in significant penalty revenue increases to CSLB. For context, CSLB reported that between January 2018 and March 2020 it issued 500 stop-work orders to licensed contractors on job sites for failing to secure workers' compensation and took 342 legal actions against licensed contractors for workers' compensation insurance violations.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by CSLB. According to the author:

[This bill] will uphold consumer protections by establishing significant penalties for any licensee who does not follow existing law, and will also make sure that we have the necessary data to create a pathway in the future to ensure that licensees without any employees do not have to carry unnecessary workers compensation insurance policies. This will ultimately help our state to maintain the licensee population needed to meet consumer construction needs, while meeting our commitments to California's workers.

- 2) **Background. *CSLB and Workers' Compensation Insurance Exemptions.*** Existing law establishes CSLB under the Department of Consumer Affairs (DCA) to implement and enforce the Contractors State License Law (License Law), which includes the licensing and regulation of contractors and home improvement salespersons. There are over 241,000 contractors with an active license in California.

The Contractors State License Law requires, as a condition of CSLB licensure, an applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance. Until January 1, 2028, existing law exempts an applicant or licensee that has no employees and does not hold a specified license, an applicant or licensee organized as a joint venture, or a holder of an inactive license, as specified. Existing law, beginning January 1, 2028, instead exempts only an applicant or licensee organized as a joint venture that has no employees or a holder of an inactive license, as specified.

Existing law requires CSLB, by January 1, 2027, to establish a process and procedure to verify that an applicant or licensee without an employee or employees is eligible for

exemption from the workers' compensation insurance requirement. Existing law authorizes this process or procedure to include an audit, proof, or other means, to verify eligibility.

This bill requires CSLB, by January 1, 2027, to provide this report to the Legislature, and requires, rather than authorizes, the verification process or procedure to include an audit, proof, or other means to verify eligibility for exemption.

CSLB Civil Penalties. Existing law authorizes CSLB to issue various civil penalties under the Contractors State License Law for both unlicensed persons and licensees. The minimum civil penalty for all but five violations is \$500 or less, with the majority being \$100 or \$200. The CSLB last updated the minimum civil penalties in 2007.

Existing law sets the minimum civil penalty amount CSLB may assess for workers' compensation insurance violations at \$200, and caps the amount at \$30,000.

This bill establishes a minimum fine of \$10,000 per violation for a sole owner and \$20,000 per violation for a partnership, corporation, limited liability company, or tribal business licensee found to have employed workers without maintaining workers' compensation insurance coverage. This bill authorizes additional civil penalties for any subsequent violations, not to exceed \$30,000 per occurrence.

Annual Reporting. Existing law requires CSLB to submit an annual report to the Legislature by October 1st of each year with data related to its enforcement program, including, but not limited to, the number of complaints received, disciplinary actions taken, and enforcement timeframes. This bill requires CSLB additionally include in this report the number of disciplinary actions it has taken against contractors for violations of workers' compensation insurance.

- 3) **Related Legislation.** SB 779 (Archuleta), of this legislative session, increases minimum civil penalty amounts for Contractors State License Law violations, effective July 1, 2026, including establishing a \$1,500 minimum civil penalty for filing false workers' compensation materials, and authorizes CSLB to raise the minimum fines every five years pursuant to the Consumer Price Index. SB 799 is pending in this committee.

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