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UNFINISHED BUSINESS

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Bill No: SB 291  
Author: Grayson (D)  
Amended: 9/4/25 in Assembly  
Vote: 21

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SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 4/21/25  
AYES: Ashby, Choi, Archuleta, Arreguín, Grayson, Niello, Richardson,  
Smallwood-Cuevas, Strickland, Umberg, Weber Pierson

SENATE JUDICIARY COMMITTEE: 13-0, 4/29/25  
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern,  
Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SENATE FLOOR: 35-0, 5/28/25  
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear,  
Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson,  
Hurtado, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla,  
Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland,  
Umberg, Valladares, Wahab, Weber Pierson, Wiener  
NO VOTE RECORDED: Cervantes, Grove, Jones, Limón, Reyes

ASSEMBLY FLOOR: 79-0, 9/8/25 - See last page for vote

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**SUBJECT:** Contractors: workers' compensation insurance

**SOURCE:** Contractors State License Board

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**DIGEST:** This bill (1) requires the Contractors State License Board (CSLB) to report statistical data on violations of workers' compensation coverage requirements; (2) increases the civil penalty amount for violating workers' compensation coverage requirements; and, (3) requires the CSLB to provide a

process to verify exemption eligibility for workers' compensation coverage by January 1, 2027, as specified.

*Assembly Amendments* Add language to resolve a chaptering conflict with SB 779 (Archuleta).

## **ANALYSIS:**

Existing law:

- 1) Establishes the CSLB under the jurisdiction of the Department of Consumer Affairs to license and regulate contractors and home improvement salespersons (HIS), and sunsets the CSLB on January 1, 2029, and its authority to appoint a registrar. (Business and Professions Code (BPC) § 7000 *et seq.*)
- 2) Requires the CSLB to provide an annual report to the Legislature, no later than October 1, related to complaints filed with the CSLB, as specified.
- 3) Exempts from the for an applicant/licensee to have workers' compensation insurance, as specified, if the applicant or licensee meets both of the following, until January 1, 2028:
  - a) Has no employees provided that the applicant or licensee files a statement with the CSLB on a form prescribed by the registrar certifying that the applicant or licensee does not employ any person in any manner so as to become subject to the workers' compensation insurance coverage under California law; or,
  - b) Does not hold a C-8, C-20, C-22, C-39, D-49, or subcategory of a C-61 license, as specified, (BPC § 7125(b))
- 4) Requires, beginning January 1, 2028, as a condition precedent to the issuance, reinstatement, reactivation, renewal or continued maintenance of a contractor license, the applicant to have on file at all times a current and valid certificate of workers' compensation insurance or certification of self-insurance in the applicant's or licensee's business name, regardless of license classification as specified. (BPC § 7125(a) operative on January 1, 2028)
- 5) Requires the CSLB, by no later than January 1, 2027, to establish a process and procedure which may include an audit, proof, or other means to verify that an applicant or licensee without an employee or employees is eligible for an

exemption from the requirement to obtain workers' compensation insurance as a condition of licensure. (BPC § 7125.7)

This bill:

- 1) Requires the CSLB to include in its annual report to the Legislature the number of disciplinary actions for violating workers' compensation requirements, as specified.
- 2) Increases the civil penalty amounts for violating workers' compensation requirements, as specified.
- 3) Requires the CSLB to provide a report to the Legislature of its proposed verification process for workers' compensation exemptions by January 1, 2027.
- 4) Adds language to address a chaptering conflict.

## **Background**

*Contractors State License Board.* The CSLB is responsible for the licensure and regulation of the contracting profession along with the registration of home improvement salespersons. All businesses and individuals who by themselves or through others construct, alter, or repair, or offer to construct, alter, or repair, any building, highway, road, parking facility, railroad, excavation, or other structure in California must be licensed by the CSLB if the total cost, including both labor and materials of one or more contracts on the project is \$1,000 or more. The CSLB issues four distinct license types within three branches of contracting services. Each license classification specifies the type of contracting work that may be commenced. A licensee may not work outside of the scope of the classification in which they hold the license.

Annually, no later than October 1, the CSLB is required to provide a report to the Legislature providing statistical information about complaints received by the CSLB. The report includes data about where the complaint originated (public complaint, industry complaint, government agency, etc.); number of complaints referred for field investigations; number of complaints referred to local prosecution; complaints referred to the Attorney General; number of citations issued categorized by the type of citations such as was it an order of correction only or an order of correction and a fine; the number of citations issued to licensees that were vacated or withdrawn; and the number of disciplinary actions categorized

by type- revocations or suspensions, categorized by whether the disciplinary action resulted from an accusation, failure to comply with a citation, or failure to comply with an arbitration award, among others. The current report from the CSLB to the Legislature is not required to provide specific data points on the number of complaints or disciplinary actions related to workers' compensation violations. This bill will update the CSLB's report to include the number of disciplinary actions for violations of workers' compensation requirements.

*Workers' Compensation and Licensure History.* In California, all employers are required to have workers' compensation insurance to pay for workers' compensation benefits for workers who experience work-related injury or illness. Workers' compensation coverage is important to protect workers in the event of an on-the-job injury. The CSLB does not determine the coverage amount that is required for an entity to obtain workers' compensation insurance. As part of the licensure and renewal process, the CSLB simply verifies that the applicant or licensee has the required workers' compensation insurance on file. There are five basic types of workers' compensation benefits that include medical care, temporary disability benefits, permanent disability benefits, supplemental job displacement benefits, and death benefits. Injured workers may be entitled to one or more of these benefits. The construction industry, as a whole, is often noted as one of the industries at risk for worker injury. Employers may purchase workers' compensation insurance from a licensed insurance company or through the State Compensation Insurance Fund. Self-insurance is also an option but requires state approval, a minimum net worth of \$5 million, net income of \$500,000 annually, and posting of a security deposit. As a condition of initial licensure and to maintain an active license, all license classifications are required to have on file with the CSLB, a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance from the Department of Industrial Relations in the applicant's or licensee's business name, unless they qualify for an exemption by certifying to the CSLB that they do not have any employees and do not hold a C-39 roofing license, a C-8 (Concrete) D-49 (Tree Service) and C-20 (Warm-Air Heating, Ventilating or Air-Conditioning) license (BPC § 7125(b)), as those license classifications are currently ineligible to self-certify that they do not have employees. There have been longstanding issues within the contracting profession in California regarding the workers' compensation coverage requirements.

To address concerns that some applicants or licensees were providing a certification of exemption even though they had employees, SB 216 (Dodd, Chapter 978, Statutes of 2022) expanded the license classifications required to have a Certificate of Workers' Compensation Insurance on file with the CSLB to

include the (C-8 Concrete), (C-20 HVAC), (C-22 Asbestos Abatement), and (D-49 Tree Service), regardless if the contractor has employees, effective January 1, 2023, and additionally required all licensing classifications (regardless of employee status) obtain workers' compensation beginning January 1, 2026. Prior to the passage of SB 216, only a C-39 Roofing contractor was required to have workers' compensation insurance regardless of employees.

*SB 1455 and Sunset Review.* The CSLB is subject to the joint sunset oversight review process. In December of 2023, the CSLB submitted its required sunset review report to this committee along with the Assembly Committee on Business and Professions. That reported noted significant challenges stemming from the implementation of SB 216. The report highlighted concerns that the implementation of SB 216 would have had a greater impact on CSLB's workload than anticipated and could potentially increase license processing times.

As a result of the concern raised with respect to those potential licensees who may qualify for an exemption and to address the administrative workload impacts from the CSLB, SB 1455 (Ashby, Chapter 485, Statutes of 2024) paused the requirement for all licensees to have workers' compensation coverage, regardless on employee status by January 1, 2026, and instead delayed implementation of the requirement until January 1, 2028, and additionally required the CSLB to establish a process, no later than January 1, 2027, to verify through and audit or other means that a contractor applicant or licensee may not have employees. This bill additionally reaffirms the Legislature's mandate for the CSLB to establish a process to verify that a licensee or applicant who states that they do not have any employees no later than January 1, 2027.

Under current law, BPC § 7126 specifically states that any licensee or agent thereof, who violates the workers' compensation requirements, under existing law, is guilty of a misdemeanor. This bill adds new civil penalties for a violation of the requirement to have workers' compensation insurance for those applicants and licensees who have employees in addition the current misdemeanor penalties. The civil penalties range between \$10,000 and \$30,000 depending on the license type and the number of violations received.

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

According to the Assembly Committee on Appropriations, 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. The bill will result in possible increased penalty revenue of an unknown amount, potentially in the mid-hundreds of thousands of dollars annually to the extent this legislation results in higher civil penalties collected. The Committee notes that “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.”

**SUPPORT:** (Verified 9/8/25)

Contractors State License Board (source)  
Associated Builders and Contractors of California  
Western Electrical Contractors Association

**OPPOSITION:** (Verified 9/8/25)

None received

**ARGUMENTS IN SUPPORT:** Supporters note generally their support to address concerns and issues related to workers’ compensation requirements for licensed contractors.

**ASSEMBLY FLOOR:** 79-0, 9/8/25

**AYES:** Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Nguyen

Prepared by: Elissa Silva / B., P. & E.D. / 916-651-4104  
9/8/25 19:36:12

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