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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### **SB 342 (Umberg) - Contractors: unlicensed work**

**Version:** January 5, 2026

**Policy Vote:** B., P. & E.D. 9 - 0, JUD. 13 - 0

**Urgency:** No

**Mandate:** No

**Hearing Date:** January 20, 2026

**Consultant:** Janelle Miyashiro

**Bill Summary:** SB 342 removes a requirement that licensees of the Contractors State License Board (CSLB) be licensed at all times during the performance of a contract in order to bring or maintain an action to recover compensation owed to them for performance of the contract. SB 342 further permits a contractor to bring an action against a party for compensation for work conducted while the contractor's license was valid as long as the contractor was licensed at the time the contract was executed, and limits the period for which a consumer may bring action to recover compensation paid to a contractor to the portion paid while the contractor was unlicensed.

**Fiscal Impact:** The CSLB anticipates a significant increase in complaints and associated enforcement workload to conduct investigations resulting from this bill. These costs are estimated at \$2.24 million in Fiscal Year (FY) 2027-28 and \$2.21 million in FY 2028-29 and annually ongoing (Contractors License Fund). Costs include five additional licensing and enforcement staff, as well as increased Attorney General (AG) and Office of Administrative Hearings (OAH) costs.

CSLB's IT Division estimates additional costs of approximately \$120,000 to make changes to the board's licensing system.

**Background:** CSLB is responsible for implementing and enforcing the Contractors State License Law (License Law) and regulations related to the licensure, practice and discipline of the construction industry in California. The CSLB licenses and regulates approximately 285,000 licensees in 44 licensing classifications, issues two certifications, and registers approximately 18,000 Home Improvement Salespersons. The CSLB license requirement threshold is \$1,000 for labor and materials for projects completed without employees and that do not require a permit to be undertaken.

Currently, the License Law provides that a contractor may not bring action to recover compensation for performance of a contract while unlicensed. Additionally, a consumer may bring action to recover any compensation paid to a contractor who was unlicensed at any time during performance of the contract. These provisions are intended to prevent unjust enrichment of those who disregard license laws by making it unprofitable to engage in illegal activity.

However, the License Law also provides some flexibility to contractors whose licenses lapse. SB 1474 (Committee on Business, Professions and Economic Development, Chapter 312, Statutes of 2020) requires retroactive renewal of a license as long as the renewal form and fees are received by CSLB within 90 days of the license expiration date. SB 1474 also eliminated the requirement that the licensee demonstrate the

renewal is late due to reasons beyond the licensee's control and specified that the renewal application is considered submitted if it is delivered or postmarked 90 days from the date of expiration.

**Proposed Law:**

- Removes the existing requirement that a contractor be licensed at all times during performance of a contract in order to bring or maintain any action in any court of this state to collect compensation for the performance of the contract.
- Allows a contractor to bring action in a court in this state against a consumer to recover compensation for periods of the contract when the contractor was licensed if they were licensed at the time the contract was executed.
- Limits the period for which a consumer may bring action to recover compensation paid to a contractor to the portion paid while the contractor was unlicensed.

**Staff Comments:** CSLB anticipates an increase in contested administrative cases involving licensed respondents, and estimates receiving an additional 400 complaints annually. Based on this estimate, CSLB anticipates approximately 25 percent (or about 100 cases) may be referred to administrative action. Based on historical data, CSLB estimates about 75 percent (or 75 cases) will be contested or settled. In addition, CSLB notes that it would need to utilize industry experts to inspect the work and testify at hearings. Based on historical data, CSLB estimates half (or 200 cases) would require an industry expert. CSLB notes the AG costs average \$10,000 per case, OAH costs average \$20,000 per case, and industry expert costs average \$1,500 per inspection.

The breakdown of CSLB's cost estimate based on an anticipated 400 additional annual complaints is as follows:

Fiscal Year	2027-28	2028-29	2029-30
5.0 Licensing and Enforcement staff	\$848,000	\$808,000	\$808,000
AG Cost (based on 40 cases)	\$400,000	\$400,000	\$400,000
OAH Cost (based on 35 cases)	\$700,000	\$700,000	\$700,000
Industry expert (based on 200 cases)	300,000	\$300,000	\$300,000
<b>Total</b>	<b>\$2,248,000</b>	<b>\$2,208,000</b>	<b>\$2,208,000</b>

Staff notes that the actual fiscal impact to CSLB will depend on, among other things, the volume of complaints received and the complexity of any subsequent investigations.

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