

Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 342 (Umberg) – As Amended July 1, 2026

Policy Committee: Business and Professions

Vote: 17 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill authorizes a contractor to bring an action in court to collect compensation for the performance of a contract for a public work of improvement during the period the contractor was licensed, even if the contractor was not licensed at all times during the contract, so long as the license was valid when the contract was executed.

Additionally, this bill, in an action in court, limits the amount a person can recover in compensation paid to an unlicensed contractor for the performance of a contract for a public work of improvement.

FISCAL EFFECT:

- 1) The Contractors State License Board (CSLB) estimates minor and absorbable costs (special fund). Recent amendments substantially narrowed the bill to contracts for public works. CSLB indicates public works matters represent only a small portion of their complaint and enforcement caseload. They estimate receiving 45 complaints a year, with each complaint taking 16 hours to complete. Actual costs will depend on, among other things, the volume of complaints received and the complexity of any subsequent investigations.
- 2) Cost pressures (Trial Court Trust Fund, General Fund) of an unknown amount, but potentially greater than \$150,0000 annually, to the courts to adjudicate any additional filings by contractors to collect compensation for work performed on projects of public works. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The state budget provides annual General Fund backfills to the Trial Court Trust Fund to offset revenue reductions. This backfill was \$117.3 million in 2025-26.

COMMENTS:

- 1) **Purpose.** According to the author:

[This bill] strikes a balance between maintaining consumer protections and ensuring that contractors are not unduly punished for administrative missteps. By modernizing California's contractor

licensing laws, this bill supports a fairer business environment while upholding the integrity of the licensing system.

This bill is sponsored by the California Conference of Carpenters and supported by numerous contractor groups. There is no known opposition.

- 2) **Background.** The CSLB, within the Department of Consumer Affairs, is responsible for implementing and enforcing the Contractors State License Law, which governs the licensure, practice, and discipline of the construction industry in California. A license is required for construction projects valued at \$1,000 or more, including labor and materials, for projects that do not require a permit to be undertaken.

The Contractors State License Law prohibits a contractor from bringing an 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. Further, any lien a contractor records to secure payment for work performed is unenforceable unless the contractor was duly licensed at all times during the performance of the contract. The Contractors State License Law 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.

This bill exempts an action to recover compensation arising from a public works contract from these provisions under specified conditions.

- 3) **Clarifying Amendments.** Recent amendments were incorrectly drafted. To clarify the author's intent, paragraph (2) of subdivision (b) (page 3, lines 4 through 10, inclusive) should be amended to read:

(2) Paragraph (1) does not apply to an action for compensation arising from a contract for a public work of improvement. A person may bring an action to recover the portion of compensation paid to the unlicensed contractor for work performed during the time in which the contractor was unlicensed.

Analysis Prepared by: Jennifer Swenson / APPR. / (916) 319-2081