

SENATE THIRD READING  
STR Bill Id:SB 517 Author:(Niello)  
As Amended Ver:May 1, 2025  
Majority vote

## SUMMARY

Requires home improvement contracts to disclose whether a subcontractor will be used on the project, and, if a subcontractor will be used on the project, a notice informing consumers that the subcontractor's information may be provided to them upon request.

### Major Provisions

- 1) Specifies that for purposes of administrative discipline, the prime or direct contractor is responsible for completion of the project in accordance with the home improvement contract, plans, and specifications, and that this responsibility does not preclude administrative discipline against any subcontractor or home improvement salesperson on a home improvement contraction for violating the Contractors State License Law (License Law).
- 2) Requires a home improvement contract to contain a statement regarding whether or not a subcontractor will be used on the project, including a portion to be checked in response, as follows: ☐ Yes ☐ No
- 3) Requires the contract, if a contractor checks "Yes," indicating that a subcontractor will be used on the project, to contain a disclaimer that states the following: "One or more subcontractors will be used on this project, and the contractor is aware that a list of subcontractors is required to be provided, upon request, along with the names, contact information, license number, and classification of those subcontractors." Requires the same disclaimer to be on each change order.
- 4) Makes non-substantive and conforming changes.

## COMMENTS

The Contractors State License Board (CSLB) is responsible for implementing and enforcing the License Law, which governs the licensure, practice, and discipline of contractors in California. A license is required for construction projects valued at \$1,000 or more, including labor and materials. The CSLB issues licenses to business entities and sole proprietors. Each license requires a qualifying individual (a "qualifier") who satisfies the experience and examination requirements for licensure and directly supervises and controls construction work performed under the license.

The CSLB is authorized to take disciplinary action against licensed and unlicensed contractors who have violated the License Law and is empowered to use an escalating scale of penalties, ranging from citations and fines (referred to as civil penalties) to license suspension and revocation. The CSLB recently revoked the license of Anchored Tiny Homes, a Sacramento-based Accessory Dwelling Unit (ADU) builder, after receiving more than 400 complaints, primarily from consumers who alleged that they had paid for ADUs that were never completed. However, the CSLB also received complaints from subcontractors alleging they were never paid by the company.

BPC Section 7108.5 requires a prime contractor or subcontractor to pay any subcontractor within seven days of receiving each progress payment from the consumer. Failure to do so is cause for disciplinary action by the CSLB. Civil Code Section 8400 authorizes a person who helps improve a property and who is not paid to record a mechanics lien on the property. According to the CSLB,

A mechanics lien is a "hold" against your property, filed by an unpaid contractor, subcontractor, laborer, or material supplier, and is recorded with the county recorder's office. If unpaid, it allows a foreclosure action, forcing the sale of the property in lieu of compensation. A lien can result when the prime contractor (referred to as a "direct contractor" in mechanics lien revision statutes, effective July 1, 2012) has not paid subcontractors, laborers, or suppliers. Legally, the homeowner is ultimately responsible for payment — even if they already have paid the direct contractor.

To remove a mechanics' lien, the property owner must petition the court for an order to release the property from the claim and carries the burden of proof in determining the case.

Any contractor hired to repair, remodel, alter, convert, modernize, or adding to residential property, or to reconstruct, restore, or rebuild a residential property that is damaged or destroyed by a natural disaster are subject to home improvement contract requirements which include payment rules and numerous consumer disclosures. As it relates to this bill, home improvement contracts are required to include a "Mechanics Lien Warning," which explains the law, the process in which subcontractors preserve their right to record a lien, and how consumers may protect themselves.

This bill aims to enhance protections for consumers and subcontractors alike by requiring home improvement contracts to disclose whether subcontractors will be used on the project and to provide a notice informing consumers that their contractor must, upon request, provide the subcontractors' names, contact information, license numbers, and license classifications. In addition to protecting oneself from a mechanics lien, additional benefits include the ability to verify subcontractors' licenses and knowing who will have access to the homeowner's property. Additionally, knowing that a contractor will be subbing out at least some portion of the work provides homeowners with more information when hiring a contractor. This bill would also hold prime contractors responsible for ensuring that home improvements are completed according to the contract, plans, and specifications by designating the prime contractor as the responsible party for the project's completion, for purposes of administrative discipline.

#### **According to the Author**

"[This bill] allows consumers to make an informed decision regarding their home improvement project by requiring a home improvement contract to explicitly disclose if subcontractors are going to be utilized and allows the consumer to request the name, license number, and classification of those subcontractors. There have been instances in which companies don't do construction work themselves; instead, after they sign a contract they try to find subcontractors who will do most or all of the project for them. This is done without the consumer's knowledge. When engaging in a home improvement contract consumers should be informed up front with who will be providing the service. All home improvement contracts should have a disclosure of whether or not subcontractors will be involved in the project. Consumers have a right to know this information, it is critical in their decision making process."

**Arguments in Support**

The *National Insurance Crime Bureau* writes in support:

Contractor fraud continues to be a widespread problem across the country, including in California. Predatory contractors often use the aftermath of major storms or catastrophes to prey upon already vulnerable consumers. This includes inflated and unnecessary billing tactics within home repair or improvement contracts. [This bill] increases transparency in home improvement contracts, requiring a home improvement contract to contain a disclosure regarding whether a subcontractor will be used on the project, as specified. This reform would help combat unscrupulous contractors who have left customers with unfinished projects and other deficient work tactics that can ultimately lead to increased costs for all.

**Arguments in Opposition**

There is no opposition on file.

**FISCAL COMMENTS**

According to the Assembly Committee on Appropriations, the CSLB anticipates minor and absorbable costs to add new questions to the Law and Business exam and to update enforcement procedures and train staff on the new laws.

**VOTES****SENATE FLOOR: 34-0-6**

**YES:** Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNeerney, Menjivar, Niello, Ochoa Bogh, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Alvarado-Gil, Cervantes, Grove, Padilla, Reyes, Rubio

**ASM BUSINESS AND PROFESSIONS: 16-0-2**

**YES:** Berman, Flora, Ahrens, Alanis, Caloza, Chen, Elhawary, Hadwick, Haney, Irwin, Jackson, Krell, Lowenthal, Ellis, Nguyen, Pellerin

**ABS, ABST OR NV:** Bains, Bauer-Kahan

**ASM JUDICIARY: 12-0-0**

**YES:** Kalra, Dixon, Hart, Bryan, Connolly, Harabedian, Macedo, Pacheco, Papan, Sanchez, Stefani, Zbur

**ASM APPROPRIATIONS: 13-0-2**

**YES:** Wicks, Sanchez, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Solache, Ta, Tangipa

**ABS, ABST OR NV:** Arambula, Pellerin

**UPDATED**

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