
UNFINISHED BUSINESS

Bill No: SB 517
Author: Niello (R)
Amended: 9/3/25 in Assembly
Vote: 21

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: 34-0, 5/15/25 (Consent)
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon,
Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones,
Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Pérez,
Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg,
Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Alvarado-Gil, Cervantes, Grove, Padilla, Reyes, Rubio

ASSEMBLY FLOOR: 78-0, 9/8/25 - See last page for vote

SUBJECT: Home improvement contract requirements: subcontractors

SOURCE: Author

DIGEST: This bill requires contractors who enter into a home improvement contract (HIC) with a consumer to indicate whether a subcontractor/subcontractors will be used to complete the contract, including any change orders. Requires the prime contractor to provide specified disclosures regarding the subcontractor. This bill clarifies that the prime or direct contractor is responsible for completion of the

project in accordance with the home improvement contract, plans, and specifications and clarifies this responsibility does not preclude administrative discipline against any subcontractor or home improvement salesperson (HIS) for violation of the Contractors State License Law (License Law).

Assembly Amendments incorporate amendments to BPC § 7159 proposed by AB 1327, which would be operative only if this bill and AB 1327 are enacted and this bill is enacted last.

ANALYSIS:

Existing law:

- 1) Establishes the Contractors State License Board (CSLB) to enforce the License Law. (Business and Professions Code (BPC) § 7000 et seq.)
- 2) Authorizes the Registrar upon his or her own motion, and requires upon the verification of a complaint in writing or any person, to investigate the action of any contractor, applicant or HIS, as specified, if guilty of committing any of the acts or omissions constituting cause for disciplinary action. (BPC § 7090)
- 3) Defines “home improvement” to mean repairing, remodeling, altering, converting, modernizing, or adding to residential property, as well as the reconstruction, restoration, or rebuilding of a residential property that is damaged or destroyed by a natural disaster for which a state of emergency is proclaimed, and includes the construction, erection, installation, replacement, or improvement of driveways, swimming pools, spas and hot tubs, terraces, patios, awnings, storm windows, solar energy systems, landscaping, fences, porches, garages, fallout shelters, basements, and other improvements of the structures or land which is adjacent to a dwelling house. (BPC § 7151)
- 4) Defines a “home improvement contract” as an agreement whether oral or written, or contained in one or more documents between a contractor and an owner or tenant, as specified, if the work is to be performed in or to the residence or dwelling unit for the purpose of home improvement and includes all labor, services and materials to be furnished and performed. (BPC § 7151.2)
- 5) Requires a change-order form for changes or extra work to be incorporated into the contract and to become part of the contract. (BPC § 7159 (c)(5))
- 6) Requires an HIC and any changes orders to be in writing and signed by the parties to the contract prior to commencing work covered by the contract or an applicable change order, except as specified, and must include specified

information that includes, but is not limited to the name, business address, and license number of the contractor. (BPC § 7159 (d))

- 7) Requires an HIC to include the following consumer notification, “Even if you pay your contractor in full, unpaid subcontractors, suppliers, and laborers who helped to improve your property may record mechanics liens and sue you in court to foreclose the lien. If a court finds the lien is valid, you could be forced to pay twice or have a court officer sell your home to pay the lien. Liens can also affect your credit.” (BPC § 7159 (e)(4))
- 8) Requires an HIC to include the notification, “PROTECT YOURSELF FROM LIENS. You can protect yourself from liens by getting a list from your contractor of all the subcontractors and material suppliers that work on your project. Find out from your contractor when these subcontractors started work and when these suppliers delivered goods or materials. Then wait 20 days, paying attention to the Preliminary Notices you receive.” (BPC § 7159 (e)(4))
- 9) Provides that failure by the licensee, their agent or salesperson, or by a person subject to be licensed under this chapter, to provide specified information, notices, and disclosures in the contract, or to otherwise fail to comply with any provision of the section requiring specified information, notices, and disclosure in the contract, is cause for discipline. (BPC § 7159(a)(5))
- 10) Defines a work of improvement as property subject to a lien, as specified. (Civil Code (CC) §§ 8440-8448)

This bill:

- 1) Requires contractors who enter into an HIC with a consumer to indicate whether a subcontractor will be used on the project and provide specified disclosures on the contract pertaining to subcontractors.
- 2) Clarifies that the prime contractor is responsible for project completion in accordance with the home improvement contract, plans, and specifications.
- 3) Specifies that the prime or director contractor’s responsibility does not preclude subcontractors from being subject to disciplinary action for violations of the License Law.

Background

The CSLB licenses and regulates approximately 315,000 contractor licensees in 44 licensing classifications and 2 certifications and registers approximately 18,000

HISs. All businesses and individuals who operate within the scope of a contractor, as defined by the License Law, must be licensed by the CSLB if the total cost, including both labor and materials exceeds \$1,000. Those who contract with a consumer to repair, remodel, alter, convert, modernize, or add to, residential property, as well as to reconstruct, restore, or rebuild a residential property that is damaged or destroyed by a natural disaster must additionally comply with home improvement contract requirements set forth in the License Law (BPC § 7151). These consumer-minded requirements include limiting down payments (10 percent or \$1,000, whichever is lower), requiring additional payments to be made on a progress payment schedule, as well as requiring contract content, disclosures, and consumer notices to help consumers protect themselves from fraud.

The consequences of a consumer not knowing who the subcontractors are on their home improvement project can be severe. Any person who worked to improve a property and is unpaid may file a lien against the property, including unpaid subcontractors, suppliers, and laborers, even if the consumer paid the contractor in full. Once a lien is recorded, the consumer must undergo a lengthy process to have the lien removed – a consumer must file a petition for a release order, meet the initial burden of producing evidence to support their petition, and produce proof of compliance with the lien (CC § 8488). The court has 30 days to schedule a hearing after a showing of good cause and the court has up to 60 days from the day of filing to make any orders. If the lien is found to be valid, the consumer could be ordered to sell the very home they were improving to comply with the lien.

Consumers can protect themselves by requesting who the subcontractors on their project are and making payments using joint checks to the contractor and subcontractor or supplier. BPC § 7159 goes so far as to require HICs to include a disclosure, “PROTECT YOURSELF FROM LIENS. You can protect yourself from liens by getting a list from your contractor of all the subcontractors and material suppliers that work on your project. Find out from your contractor when these subcontractors started work and when these suppliers delivered goods or materials. Then wait 20 days, paying attention to the Preliminary Notices you receive.” An additional required disclosure reads, “PAY WITH JOINT CHECKS. One way to protect yourself is to pay with a joint check. When your contractor tells you it is time to pay for the work of a subcontractor or supplier who has provided you with a Preliminary Notice, write a joint check payable to both the contractor and the subcontractor or material supplier.”

Although the License Law prescribes notifications and disclosures that inform consumers of how to protect themselves and provides penalties for failing to provide the disclosures, there is no penalty for a contractor who does not provide

the actual subcontractor information to the consumer, as requested. This bill would require the contractor to disclose any subcontractor, as well as each subcontractor's license number classification and contact information, if requested.

Additionally, this bill clarifies that the prime or director contractor is responsible for fulfilling the contract, but that does not preclude a subcontractor from being subjected to disciplinary action by the CSLB for violations of the License Law.

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

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.

SUPPORT: (Verified 9/8/25)

California Landscape Contractors Association
Contractors State License Board
National Insurance Crime Bureau

OPPOSITION: (Verified 9/8/25)

None received

ARGUMENTS IN SUPPORT: The California Landscape Contractors Association write, "By requiring upfront disclosure of subcontractors involved in a project, SB 517 will help prevent such practices and ensure consumers have the information they need to make informed decisions."

The Contractors State License Board writes, "SB 517 improves transparency in home improvement contracts (HIC) by ensuring homeowners will know who is performing the work. Homeowners will also be able to more easily determine whether a subcontractor is actively licensed and potentially lessen the possibility that a mechanics lien will be placed on their property."

The National Insurance Crime Bureau writes in support, "SB 517 increases transparency in home improvement contracts, requiring that they explicitly identify if a subcontractor will perform more than 50% of the work. This reform would help combat unscrupulous contractors that have left customers with unfinished projects and other deficient work...—tactics that can ultimately lead to increased costs for all."

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, 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

NOES:

NO VOTE RECORDED: Lee, Nguyen

Prepared by: Yeaphana La Marr / B., P. & E.D. /
9/8/25 19:32:06

**** END ****