

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 779 (Archuleta) – As Amended July 2, 2025

Policy Committee: Business and Professions

Vote: 17 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill increases minimum civil penalties the Contractors State License Board (CSLB) may assess for a violation of the Contractors State License Law (License Law), and authorizes CSLB to increase those penalties every five years pursuant to the Consumer Price Index (CPI). The bill also increases CSLB's revenue fund cap from six months to 12 months of annual authorized expenditures.

Specifically, this bill:

- 1) Beginning July 1, 2026, increases from \$200 to \$1,500 the minimum civil penalty for a person believed to be acting in the capacity of, or engaging in the business of, a contractor or salesperson without a valid license or registration.
- 2) Authorizes CSLB, beginning July 1, 2026, to adjust every five years pursuant to the CPI, the minimum civil penalty for unlicensed activity, as specified.
- 3) Beginning July 1, 2026, establishes a \$1,500 minimum civil penalty for (a) the willful or deliberate disregard of state building, labor and safety laws, (b) aiding or abetting an unlicensed person to evade the provisions of the License Law, (c) entering into a contract with an unlicensed person, and (d) filing false workers' compensation materials. Establishes a \$500 minimum civil penalty for all other violations, unless otherwise stated in the License Law.
- 4) Authorizes CSLB, beginning July 1, 2026, to adjust every five years pursuant to the CPI, all minimum civil penalties (other than for unlicensed activity), as specified.
- 5) Increases the maximum level of CSLB's reserve fund for purposes of calculating fee amounts from six to 12 months of annual authorized board expenditures.

FISCAL EFFECT:

CSLB anticipates staff costs will be minimal and absorbable within existing resources, and estimates possible increased penalty revenue of \$200,000 annually (special funds).

CSLB notes it cannot accurately predict if this legislation will result in higher civil penalties collected. However, using data over the last two years, CSLB estimates that 391 citations issued to non-licensees were settled for amounts under \$1,500, and 52 citations for serious violations paid by licensees were settled for less than \$3,000. With these figures, CSLB anticipates the

increase in minimum penalties could generate an estimated additional \$200,000 annually in revenue, supporting its continued enforcement efforts.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by CSLB. According to the author:

The Legislature has recently increased “maximum” fines in statute (for example from \$5,000 to \$8,000 and from \$15,000 to \$30,000 for specified violations) in the last few years. But each time this was done, existing “minimum” amounts remained unchanged. As a result, an administrative law judge must consider a wide range of potential fines between an out-of-date minimum (for example, \$200) and an updated statutory maximum (for example, \$8,000 or \$30,000 for some violations), which often results in a greatly reduced fine compared to the originally assessed amount. This is contrary to CSLB’s consumer protection mandate and confounds legislative intent that reflects the seriousness of the violations. [This bill] increases minimum civil penalty amounts, and establishes minimum civil penalty amounts where they do not currently exist. This will prevent the fines being reduced to nominal amounts and preserve the deterrent effect and corrective intent of the civil penalty.

- 2) **Background. *Minimum Civil Penalties.*** CSLB, within DCA, 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. Each license requires a qualifying individual who satisfies the experience and examination requirements for licensure and directly supervises and controls construction work performed under the license.

Existing law authorizes CSLB to issue various civil penalties under the Contractors State License Law for both unlicensed persons and licensees. The minimum civil penalty for all but five violations is \$500 or less, with the majority being \$100 or \$200. The CSLB last updated the minimum civil penalties in 2007.

If a person appeals a citation issued by the Board, an administrative law judge (ALJ) hears the case and has the authority to reduce fines assessed by CSLB. According to CSLB:

While CSLB’s “maximum” civil penalty amounts are clearly established in statute, “minimum” civil penalties are non-existent or exceedingly low. This results in ALJs frequently and significantly reducing enforcement fines during citation appeals creating substantial disparities in the final fine amount issued compared to the “maximum” enforcement fines provided by law. These reductions result in fines that are not commensurate with the violation, do not adequately support Enforcement Division workload, do not provide an incentive to comply with Contractors Law, and provide minimal ability for CSLB to recuperate the cost of litigating an administrative citation.

This bill establishes civil penalty minimum amounts commensurate with recent statutory maximum increases and requires future increases to minimum fine amounts based on increases to the CPI every five years.

Reserve Fund Cap. Existing law authorizes CSLB to set fees to maintain the amount of its reserve fund at a level not to exceed approximately six months of annual authorized board expenditures. According to the author, there has been a recent effort by DCA and the Legislature to eliminate individual program reserve caps or increase them to 24 months.

According to CSLB, “Increasing CSLB’s fund reserve cap to 12 months will help CSLB responsibly manage its resources, proactively respond to emergencies, and fulfill CSLB’s consumer protection mandate should license renewals decrease due to a recession or economic downturn.”

- 3) **Related Legislation.** SB 291 (Grayson), of this legislative session, as it relates to this bill, establishes minimum civil penalties for workers’ compensation insurance violations. SB 291 is pending in the Assembly Insurance Committee.

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