

## SENATE THIRD READING

SB 779 (Archuleta)

As Amended July 2, 2025

Majority vote

**SUMMARY**

Establishes new and increases existing minimum civil penalties to be assessed by the Contractors State License Board (CSLB) for a violation of the Contractors State License Law (License Law), authorizes CSLB to increase the minimum civil penalties every five years to account for inflation, and increases the CSLB's revenue fund cap from six months of authorized expenditures to 12 months.

**Major Provisions**

- 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 the CSLB, beginning July 1, 2026, to adjust the minimum civil penalty for unlicensed activity every five years to account for inflation. The adjustment must be equivalent to the percentage, if any, that the Consumer Price Index at that time exceeds the Consumer Price Index when this bill takes effect. Increases greater than \$100 must be in multiples of \$100.
- 3) Establishes a \$1,500 minimum civil penalty for violations of BPC Sections 7110, 7114, and 7118, and a \$500 minimum civil penalty for all other violations, unless otherwise stated in the License Law, to take effect on July 1, 2026.
- 4) Authorizes the CSLB, beginning July 1, 2026, to adjust all minimum civil penalties (other than for unlicensed activity) every five years to account for inflation. The adjustment must be equivalent to the percentage, if any, that the Consumer Price Index exceeds the Consumer Price Index when this bill takes effect. Increases greater than \$100 but less than \$1,000 must be in multiples of \$100, and increases greater than \$1,000 must be in multiples of \$1,000.
- 5) Increases the maximum level of the CSLB's reserve fund for purposes of calculating fee amounts from six to 12 months of reserve.

**COMMENTS**

*CSLB Citations and Fines.* 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 majority of the current civil penalty amounts are established by regulation. 16 CCR Section 884 establishes ranges for 63 violations of the License Law. 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.

Under current law, citations for unlicensed activity must be accompanied by a civil penalty ranging from \$200 to \$15,000. This bill would increase the minimum to \$1,500, and authorize the CSLB to adjust that amount every five years for inflation, as specified. BPC Section 7099.2

prohibits the CSLB from assessing a civil penalty in excess of \$8,000 for most other violations. The CSLB may assess a civil penalty up to \$30,000 for aiding and abetting an unlicensed person, entering into a contract with an unlicensed person, filing false workers' compensation materials, and willful or deliberate disregard of state building, labor, and safety laws. This bill would establish a \$500 minimum for violations subject to the \$8,000 cap and a \$1,500 minimum for violations subject to the \$30,000 cap. It would also allow the CSLB to adjust the amount every five years, consistent with increases in the Consumer Price Index.

When issuing a citation, the CSLB is required by law to consider various factors. However, because the civil penalty minimums are so low, the CSLB has found that administrative law judges (ALJ) often significantly reduce the amount of the civil penalty on appeal. The purpose of the minimums is to deter violations by making the penalty more expensive than compliance. For example, the minimum civil penalty for unlicensed activity is currently \$200. However, the application for a license costs \$450, plus additional miscellaneous fees. By raising the minimum to \$1,500, unlicensed contractors may be more enticed to obtain a license. Although the CSLB could raise civil penalty minimums at any time, according to CSLB staff, codifying civil penalty minimums is more expedient than the CSLB's regulatory process. An additional benefit sought under this bill is to establish a process and timeline for raising the minimums in the future.

*CSLB Reserve Fund and Licensing Fees.* As a special fund agency, the CSLB receives no General Fund support and relies solely on fees assessed from licensees and applicants to fund the CSLB's operations. During the CSLB's 2024 Sunset Review, the CSLB anticipated having five months' worth of operating expenses in reserve in FY 2024/25, a steady increase compared to 0.1 months in FY 2019/20. BPC Section 7138.1 prohibits the CSLB from maintaining a reserve fund of more than six months. This bill would increase the fund cap to 12 months.

### **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 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 (aka enforcement fine) 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."

### **Arguments in Support**

As the sponsor of this bill, the *CSLB* writes in support:

[This bill] establishes minimum enforcement fine amounts commensurate with recent statutory maximum increases and requires future increases to minimum enforcement fine amounts to be based on increases to the Consumer Price Index every five years, as provided. Increases to the minimum enforcement fine amount ensure that the fines are commensurate with the seriousness of the violation and provide an incentive to comply with [the] Contractors Law. [This bill] also increases CSLB's fund reserve cap from six to 12 months. 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.

### **Arguments in Opposition**

There is no opposition on file.

## **FISCAL COMMENTS**

According to the Assembly Appropriations Committee:

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.

## **VOTES**

### **SENATE FLOOR: 39-0-1**

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

**ABS, ABST OR NV:** Reyes

### **ASM BUSINESS AND PROFESSIONS: 17-0-1**

**YES:** Berman, Flora, Alanis, Bains, Bauer-Kahan, Caloza, Chen, Elhawary, Hadwick, Haney, Irwin, Jackson, Krell, Lowenthal, Macedo, Nguyen, Pellerin

**ABS, ABST OR NV:** Ahrens

### **ASM APPROPRIATIONS: 15-0-0**

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

## **UPDATED**

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