

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2025-2026 Regular Session**

SB 779 (Archuleta)  
Version: April 1, 2025  
Hearing Date: April 22, 2025  
Fiscal: Yes  
Urgency: No  
AM

**SUBJECT**

Contractors: civil penalties

**DIGEST**

This bill increases the amount of certain minimum civil fines, effective July 1, 2026, that the Contractors State License Board may assess under the Contractors State License Law, and authorizes those fines to be increased every five years, as specified.

**EXECUTIVE SUMMARY**

The Contractors State License Board (Board) licenses and regulates contractors and home improvement salespersons in this state and is authorized to impose civil fines for violation of that law against both licensees and unlicensed persons. This bill seeks to increase the minimum amount for specified civil fines the Board is authorized to assess with the goal of providing increased deterrence to violations, and authorizes those fines to be increased every five years pursuant to the Consumer Price Index. This bill is sponsored by the Board. No timely opposition was received by the Committee. The bill passed the Senate Business, Professions and Economic Development Committee on a vote of 10 to 0.

**PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Establishes the Contractors State License Board (Board) within the Department of Consumer Affairs to license and regulate contractors and home improvement salespersons pursuant to the Contractors State License Law. (Bus. & Prof. Code § 7000 et seq.)
  - a) Authorizes the Board to appoint a Registrar of Contractors to be the executive officer and secretary of the Board. (Bus. & Prof. Code § 7011.)

- 2) Authorizes the Board to establish, by regulation, a system for the issuance of a citation to a licensee that may contain an order of abatement or an order to pay an administrative fine, as provided. (Bus. & Prof. Code § 125.9.)
- 3) Authorizes the Registrar, upon inspection, investigation, complaint, or otherwise, to issue citations if the Registrar has probable cause to believe that a person is acting in the capacity of, or engaging in the business of, a contractor or salesperson within this state without having a license or registration in good standing, and the person is not otherwise exempt from the Contractors State License Law. (Bus. & Prof. Code § 7028.7(a).)
  - a) Within 72 hours of receiving notice that a public entity is intending to award, or has awarded, a contract to an unlicensed contractor, the registrar must give written notice to the public entity that a citation may be issued if a contract is awarded to an unlicensed contractor. If after receiving the written notice from the registrar that the public entity has awarded or awards the contract to an unlicensed contractor, the registrar may issue a citation to the responsible officer or employee of the public entity, as specified. (*Id.* at (b).)
  - b) Each citation must be in writing and describe with particularity the basis of the citation. (*Id.* at (c).)
  - c) Each citation is required to contain an order of abatement and an assessment of a civil penalty in an amount not less than \$200 or more than \$15,000. (*Ibid.*)
- 4) Requires the Registrar to assess a civil penalty against a licensed contractor who has been assessed a specified civil penalty by the Labor Commissioner under laws related to the employment of workers by unlicensed contractors and the utilization of unlicensed contractors and other persons who are not valid independent contractors by licensed contractors. (Bus. & Prof. Code § 7011.3; Lab. Code § 1020; 1022.)
- 5) Requires the Board to promulgate regulations covering the assessment of civil penalties under the Contractors State License Law, giving due consideration to the gravity of the violation, the good faith of the licensee or applicant for licensure being charged, and the history of previous violations. (Bus. & Prof. Code § 7099.2.)
- 6) Prohibits a civil penalty from being assessed in an amount greater than \$8,000, except where otherwise provided.
- 7) Specifies that a civil penalty for the following violations is not to exceed \$30,000:
  - a) the willful or deliberate disregard and violation of the building laws of the state, or of any political subdivision thereof, or certain specified provisions of law; (Bus. & Prof. Code § 7110.)
  - b) aiding or abetting an unlicensed person to evade the provisions of the Contractors State License Law or combining or conspiring with an unlicensed person, or allowing one's license to be used by an unlicensed person, or

- acting as agent or partner or associate, or otherwise, of an unlicensed person with the intent to evade the Contractors State License Law; (Bus. & Prof. Code § 7114.)
- c) entering into a contract with a contractor while such contractor is not licensed under the Contractors State License Law; and (Bus. & Prof. Code § 7118.)
  - d) filing a false exemption certificate, the employment of a person subject to coverage under the workers' compensation laws after the filing of an exemption certificate without first filing a Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that person. (Bus. & Prof. Code § 7125.4.)

This bill:

- 1) Raises the minimum amount of a citation for unlicensed persons in 3)c), above, to a minimum of \$1,500.
- 2) Sets a minimum civil penalty amount of \$500 for violations described in 6), above.
- 3) Sets a minimum civil penalty amount of \$1,500 for violations described in 7), above.
- 4) Authorizes the Board to adjust any minimum civil penalty amount for inflation every five years, as specified, and requires that any increase is to be rounded in multiples of \$100 for penalties greater than \$100 or equal to \$1,000, and in multiples of \$1,000 for penalties greater than \$1,000.
- 5) Makes these changes effective on and after July 1, 2026.

### COMMENTS

#### 1. Stated need for the bill

The author writes:

While the Contractors State License Board's (CSLB) "maximum" enforcement fine amounts are clearly established in statute, "minimum" enforcement fines are not in statute or (in the case of citing for unlicensed practice) exceedingly low when compared to the "maximum" amount (\$200 versus \$15,000). This results in administrative law judges (ALJ) frequently 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 the Contractors [State License] Law, and provide minimal ability for the Board to recuperate the cost of litigating an administrative citation.

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, no minimum amount was set in statute and the minimum fines set forth in regulation remained unchanged. As a result, an ALJ must consider a wide range of potential fines between an out-of-date minimum in regulation (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.

2. Bill seeks to increase minimum penalties under the Contractors State License Law

The Board is authorized to issue various civil penalties under the Contractors State License Law for both unlicensed persons and licensees. If a person appeals a citation issued by the Board, the case is heard by an administrative law judge (ALJ) who has the authority to reduce fines assessed by the Board. According to the Senate Business, Professions and Economic Development Committee's analysis of this bill, the Board "stated in its 2024 Sunset Report that in FY 2019/20 through FY 2022/23, CSLB issued \$18,091,356 in fines on 5,597 citations with an average pre-appeal fine of \$3,232. ALJs reduced 2,014 fines on appeal to an average of \$1,840, with many being reduced to the minimum of \$100. The result was a total \$3,706,540 reduction between pre- and post-appeal fines, or nearly a million dollars annually."<sup>1</sup> The author and sponsor of the bill argue that reduced fines and low minimum fines do not provide an incentive to comply with the Contractors State License Law and believe that increasing the minimum fines will lead to more deterrence. The bill also allows the minimum fines to be increased every five years pursuant to the Consumer Price Index. The bill would make these provisions effective on and after July 1, 2026.

3. Statements in support

The Contractors State License Board, the sponsor of the bill, writes in support, stating:

While [the Contractors State License Board] CSLB's "maximum" civil penalty amounts (AKA enforcement fines) are clearly established in statute, "minimum" civil penalties are non-existent or exceedingly low. This results in administrative law judges (ALJs) frequently and significantly reducing enforcement fines during citation appeals creating substantial disparities in the final fine amount issued

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<sup>1</sup> Sen. Bus., Prof. and Econ. Development Comm. analysis of SB 779 (reg. sess. 2025-26) as amended April 1, 2025 at p. 4.

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 would establish minimum enforcement fine amounts commensurate with recent statutory maximum increases and require future increases to minimum enforcement fine amounts based on increases to the Consumer Price Index (CPI) every five years, as provided.

### **SUPPORT**

Contractors State License Board (sponsor)

### **OPPOSITION**

None received

### **RELATED LEGISLATION**

Pending Legislation: None known.

#### Prior Legislation:

SB 601 (McGuire, Ch. 403, Stats. 2023) required the maximum fine of \$5,000 to be imposed when violations of home improvement contract requirements are committed in declared disaster areas.

AB 1747 (Quirk, Ch. 757, Stats. 2022) authorized the Board to assess a civil penalty up to \$30,000 for the willful or deliberate disregard of the various state building, labor, and safety laws.

AB 569 (Grayson, Ch. 94, Stats. 2021) increased the maximum fine for general violations of the Contractors State License Law from \$5,000 to \$8,000, and increased the maximum fine from \$15,000 to \$30,000 for specified violations.

### **PRIOR VOTES:**

Senate Business, Professions and Economic Development Committee (Ayes 10, Noes 0)

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