

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

SB 291 (Grayson)
Version: April 22, 2025
Hearing Date: April 29, 2025
Fiscal: Yes
Urgency: No
AM

SUBJECT

Contractors: workers' compensation insurance

DIGEST

This bill sets a minimum civil penalty of \$10,000 per violation of any sole owner and \$20,000 per violation for any partnership, corporation, limited liability company, or tribal business licensee found to have employed workers without maintaining workers' compensation coverage, as specified. The bill also requires additional data regarding disciplinary actions for violations maintaining workers' compensation coverage be reported to the Legislature, as provided.

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 violations of that law. Existing law provides that it is a cause for disciplinary action to: file a false exemption certificate; employ 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 employ a person subject to coverage under the workers' compensation laws without maintaining coverage for that person. (Bus. & Prof. Code § 7125.4.) The maximum civil penalty for a violation of these provisions is \$30,000. (Bus. & Prof. Code § 7099.2.) This bill sets minimum civil penalties for employing workers without maintaining workers' compensation coverage.

The bill is sponsored by the Contractors State License Board and supported by the Western Electrical Contractors Association. The Committee received no other timely opposition. The bill passed the Senate Business, Professions and Economic Development Committee on a vote of 11 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) Prohibits a civil penalty from exceeding \$30,000 for the following acts:
 - a) filing a false exemption certificate;
 - b) 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
 - c) employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that worker. (Bus. & Prof. Code § 7099.2; 7125.4.)
- 4) Requires the Board to annually report to the Legislature specified data on complaints filed with the Board, including the number of disciplinary actions categorized by type, such as revocations or suspensions, categorized by whether the disciplinary action resulted from an accusation, failure to comply with a citation, or failure to comply with an arbitration award.
- 5) Requires the Board to establish a process and procedure, no later than January 1, 2027, to verify that an applicant or licensee without an employee or employees is eligible for exemption from the workers' compensation insurance. This process or procedure may include an audit, proof, or other means. (Bus. & Prof. Code § 7099.2.)

This bill:

- 1) Sets a minimum civil penalty of \$10,000 per violation of any sole owner found to have employed workers without maintaining workers' compensation coverage under 3), above.
- 2) Sets a minimum civil penalty of \$20,000 per violation of any partnership, corporation, limited liability company, or tribal business licensee found to have

employed workers without maintaining workers' compensation coverage under 3), above.

- 3) Prohibits civil penalties for any subsequent violation of 1) or 2), above, from exceeding \$30,000 per occurrence.
- 4) Requires the Board to also annually report to the Legislature the number of disciplinary actions for violations of 1) through 2), above.
- 5) Requires the Board to report its findings and proposed verification process under 5, above, to the Legislature no later than January 1, 2027.
 - a) Requires the process or procedure to include an audit, proof, or other means to obtain evidence to verify that an applicant or licensee without an employee or employees is eligible for exemption from the workers' compensation insurance.

COMMENTS

1. Stated need for the bill

The author writes:

It is only fair to exempt California's licensed contractors from the requirement to maintain a certificate of workers' compensation (WC) insurance on file as a condition of licensure if the licensee does not employ any workers. However, licensees who currently claim an exemption they do not qualify for have an unfair business advantage over those licensees who follow the rules. SB 291 is a commonsense measure allowing for a narrow exemption from WC insurance requirements for licensees who do not have employees. The bill also maintains protection for workers by establishing significant penalties for licensees who falsely claim an exemption. By passing this measure, we can uphold consumer protections while helping to ensure that California maintains the licensee population needed to meet consumer construction needs.

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. Under current law, a contractor must have a workers' compensation insurance certificate on file with the Contractors State License Board at all times as a condition of licensure, but may file a certificate of exemption if they certify that they have no employees. Under existing law, the minimum fine for a violation of this requirement is \$200 and a maximum fine is \$30,000. This bill seeks to increase the minimum fine to \$10,000 per violation of any sole owner and \$20,000 per violation for any partnership, corporation, limited liability company, or

tribal business licensee found to have employed workers without maintaining workers' compensation coverage, as specified. The bill requires the Board to report to the Legislature its findings and proposed verification process to verify that an applicant or licensee without an employee or employees is eligible for exemption from the workers' compensation insurance by January 1, 2027. The bill also requires additional data regarding disciplinary actions for having employed workers without maintaining workers' compensation coverage be reported to the Legislature in an existing annual report.

3. Amendment

Under existing law, Section 7099.2 of the Business and Professions Code requires the Board to promulgate regulations covering the assessment of civil penalties for violations of specified provisions of the Contractors State License Law, and provides that a civil penalty is not to exceed \$30,000 under specified sections of the Contractors State License Law, including Section 7125.4 of the Business and Professions Code. This bill is amending Section 7125.4 of the Business and Professions Code to provide its own minimum and maximum penalty scheme, so the cross-reference in Section 7099.2 is no longer needed and could lead to confusion in the future if it is not stricken. The author has agreed to take the following amendment to delete the cross reference in Section 7099.2 to Section 7125.4. The specific amendment is as follows:

Amendment

7099.2 of the Business and Professions Code is amended to read:

Section 7099.2. (a) The board shall promulgate regulations covering the assessment of civil penalties under this article that give due consideration to the appropriateness of the penalty with respect to the following factors:

- (1) The gravity of the violation.
- (2) The good faith of the licensee or applicant for licensure being charged.
- (3) The history of previous violations.

(b) Notwithstanding Section 125.9, and except as otherwise provided by this chapter, a civil penalty shall not be assessed in an amount greater than eight thousand dollars (\$8,000). Notwithstanding Section 125.9, a civil penalty not to exceed thirty thousand dollars (\$30,000) may be assessed for a violation of Section 7110, 7114, ~~7118, or 7125.4. or 7118.~~

4. Support

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

On behalf of the Contractors State License Board (CSLB), I am pleased to inform you of CSLB's SUPPORT for SB 291. As the bill's sponsor, CSLB appreciates partnering with you on this important legislation[...] This bill also establishes steep penalties for falsely claiming a [worker's compensation] WC exemption.

SUPPORT

Contractors State License Board
Western Electrical Contractors Association

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation: SB 799 (Archuleta, 2025) 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. This bill is currently pending in the Senate Appropriations Committee.

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, Profession and Economic Development Committee (11 Ayes, 0 Noes)
