

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 291 (Grayson) – As Amended May 1, 2025

**SENATE VOTE:** 35-0

**SUBJECT:** Contractors: workers' compensation insurance

**SUMMARY:** Increases penalties for workers' compensation violations by contractors.

Specifically, **this bill:**

- 1) Requires the Contractors State License Board (CSLB) to include in its annual report to the Legislature the number of disciplinary actions for workers' compensation insurance violations.
- 2) Establishes the following minimum civil penalties for workers' compensation insurance violations:
  - a) \$10,000 per violation for any sole owner licensee found to have employed workers without maintaining workers' compensation coverage.
  - b) \$20,000 per violation for any partnership, corporation, limited liability company, or tribal business licensee found to have employed workers without workers' compensation coverage.
  - c) Additional civil penalties for subsequent violations, not to exceed a total of \$30,000 per occurrence.
- 3) Prohibits the CSLB from renewing or reinstating a license in violation of workers' compensation insurance requirements until the applicant or licensee provides the CSLB with a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name.
- 4) Requires the CSLB to report its proposed process for verifying that an applicant or licensee without employees is eligible for exemption from the workers' compensation insurance requirement to the Legislature by January 1, 2027, as specified.

**EXISTING LAW:**

- 1) Establishes, until January 1, 2025, the CSLB under the Department of Consumer Affairs (DCA) to implement and enforce the Contractors State License Law (License Law), which includes the licensing and regulation of contractors and home improvement salespersons. (Business and Professions Code (BPC) §§ 7000 *et seq.*)
- 2) Establishes an enforcement division within the CSLB to enforce the License Law, prohibiting all forms of unlicensed activity and enforcing the obligation to secure the payment of valid and current workers' compensation insurance, as specified. (BPC § 7011.4(a))

- 3) Permits the CSLB to assess a civil penalty up to \$30,000 for specified violations including workers' compensation fraud. (BPC § 7099.2)
- 4) Requires, as a general matter, that an applicant or licensee have a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance. (BPC § 7125)
- 5) Provides that the failure of a licensee to obtain or maintain workers' compensation insurance coverage will result in the automatic suspension of the license. (BPC § 7125.2)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

- 1) *Purpose:* According to the author, "SB 291 will uphold consumer protections by establishing significant penalties for any licensee who does not follow existing law. It will also make sure that we have the necessary data to create a pathway in the future to ensure that licensees without any employees do not have to carry unnecessary workers compensation insurance policies. This will ultimately help our state to maintain the licensee population needed to meet consumer construction needs, while meeting our commitments to California's workers."
- 2) *Background:* The CSLB 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. The CSLB issues licenses to business entities and sole proprietors. Each license requires a qualifying individual (a "qualifier") who satisfies the experience and examination requirements for licensure and directly supervises and controls construction work performed under the license. At the time of this writing, there are more than 241,000 contractors with an active license in California.
- 3) The License Law requires applicants and licensees, as a condition of licensure, to have workers' compensation insurance if they have any employees. Applicants and licensees are required to submit to CSLB a valid Certificate of Workers' Compensation Insurance, a valid Certification of Self-Insurance from the Department of Industrial Relations, or a Certificate of Exemption. Contractors without employees may file an exemption, except for those holding C-8 (Concrete), C-20 (Heating, Ventilation, and Air Conditioning), C-22 (Asbestos Abatement), and D-49 (Tree Service) licenses. Filing a false workers' compensation insurance exemption is cause for disciplinary action by the CSLB and cancellation of the false exemption, which subjects the license to suspension. This bill would prohibit the CSLB from renewing or reinstating the license of a contractor who previously violated the workers' compensation insurance requirements until they provide the CSLB with a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance.
- 4) *CSLB Civil Penalties.* 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. Current law caps the civil penalty amount that the CSLB may assess for workers' compensation insurance violations at \$30,000. This bill would establish a minimum fine of \$10,000 per violation for 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 insurance coverage. This bill would authorize additional civil penalties for any subsequent violations, not to exceed \$30,000 per occurrence.

- 5) *Double Referral*. This bill previously passed out of the Assembly Business and Professions committee 16-0.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Associated Builders and Contractors of California  
Contractors State License Board  
Western Electrical Contractors Association

**Opposition**

None on file.

**Analysis Prepared by:** Paul Riches / INS. / (916) 319-2086