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SB-291 Contractors: workers' compensation insurance. (2025-2026)

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Senate Bill No. 291

CHAPTER 455

An act to amend Sections 7017.3, 7099.2, 7125.4, and 7125.7 of the Business and Professions Code, relating to contractors.

[Approved by Governor October 07, 2025. Filed with Secretary of State October 07, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 291, Grayson. Contractors: workers' compensation insurance.

Existing law, the Contractors State License Law, establishes the Contractors State License Board within the Department of Consumer Affairs and sets forth its powers and duties relating to the licensure and regulation of contractors. Existing law authorizes the board to appoint committees and make rules and regulations, as specified.

Existing law generally requires, as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, a licensed contractor or applicant for licensure to have on file at all times with the board a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name, as specified. Existing law generally makes a violation of these provisions a misdemeanor. Existing law exempts from this requirement an applicant or licensee who has no employees, provided that they file a statement with the board before the issuance, reinstatement, reactivation, or continued maintenance of a license certifying that they do not employ any person, as specified, and who does not hold a specified license issued by the board, including a C-8 license, as defined. Existing law repeals these provisions on January 1, 2028.

Existing law, commencing January 1, 2028, removes the above-specified exemptions, and instead exempts from the above-described filing requirement an applicant or licensee organized as a joint venture that has no employees, provided that they file a statement with the board before the issuance, reinstatement, reactivation, or continued maintenance of a license certifying that they do not employ any person, as specified.

Existing law requires the board, by no later than January 1, 2027, to establish a process and procedure to verify that applicants or licensees without an employee or employees are eligible for exemption from the workers' compensation insurance requirement, and authorizes the process or procedure to include an audit, proof, or other means, to verify eligibility.

This bill would require that verification process or procedure to include an audit, proof, or other means to obtain evidence to verify eligibility for exemption from the workers' compensation insurance requirement. The bill would also require the board to report its proposed verification process to the Legislature no later than January 1, 2027.

Existing law makes the filing of an exemption certificate for workers' compensation insurance on file with the board that is false, or 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 in accordance with specified provisions or without maintaining coverage for that person, cause for disciplinary action.

This bill would include as disciplinary action, among other penalties, a minimum civil penalty of \$10,000 per violation for any sole owner licensee found to have employed workers without maintaining workers' compensation coverage, and would make conforming changes. The bill would prohibit the board from renewing or reinstating a license subject to the above-described disciplinary action until the applicant or licensee provides the board a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name.

Existing law requires the board to report annually to the Legislature, no later than October 1 of each year, certain statistical information for the prior fiscal year, including, among other things, the number of disciplinary actions taken by the board categorized by type, as specified, and by whether the disciplinary action resulted from an accusation, failure to comply with a citation, or failure to comply with an arbitration award.

This bill would require that the report specify the number of disciplinary actions for violations of specified provisions relating to the filing of a workers' compensation insurance exemption certificate or a certification of self-insurance.

This bill would incorporate additional changes to Section 7099.2 of the Business and Professions Code proposed by SB 779 to be operative only if this bill and SB 779 are enacted and this bill is enacted last.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7017.3 of the Business and Professions Code is amended to read:

7017.3. The Contractors State License Board shall report annually to the Legislature, not later than October 1 of each year, the following statistical information for the prior fiscal year. The following data shall be reported on complaints filed with the board against licensed contractors, registered home improvement salespersons, and unlicensed persons acting as licensees or registrants:

(a) The number of complaints received by the board categorized by source, such as public, trade, profession, government agency, or board-initiated, and by type of complaint, such as licensee or nonlicensee.

(b) The number of complaints closed prior to referral for field investigation, categorized by the reason for the closure, such as settled, referred for mandatory arbitration, or referred for voluntary arbitration.

(c) The number of complaints referred for field investigation categorized by the type of complaint, such as licensee or nonlicensee.

(d) The number of complaints closed after referral for field investigation categorized by the reason for the closure, such as settled, referred for mandatory arbitration, or referred for voluntary arbitration.

(e) For the board's Intake/Mediation Center and the board's Investigation Center closures, respectively, the total number of complaints closed prior to a field investigation per consumer services representative, and the total number of complaints closed after referral for a field investigation per investigator and special investigator. Additionally, the board shall report the total number of complaints closed by other board staff during the year.

(f) The number of complaints pending at the end of the fiscal year grouped in 90-day increments, and the percentage of total complaints pending, represented by the number of complaints in each grouping.

(g) The number of citations issued to licensees categorized by the type of citation such as order of correction only or order of correction and fine, and the number of citations issued to licensees that were vacated or withdrawn.

(h) The number of citations issued to nonlicensees and the number of these citations that were vacated or withdrawn.

(i) The number of complaints referred to a local prosecutor for criminal investigation or prosecution, the number of complaints referred to the Attorney General for the filing of an accusation, and the number of complaints referred to both a local prosecutor and the Attorney General, categorized by type of complaint, such as licensee and nonlicensee.

(j) Actions taken by the board, including, but not limited to, the following:

(1) (A) 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.

(B) The number of disciplinary actions described in subparagraph (A) shall specify the number of disciplinary actions for violations of Section 7125.4.

(2) The number of accusations dismissed or withdrawn.

(k) For subdivisions (g) and (j), the number of cases containing violations of Sections 7121 and 7121.5, and paragraph (5) of subdivision (a) of Section 7159.5, categorized by section.

(l) The number of interim suspension orders sought, the number of interim suspension orders granted, the number of temporary restraining orders sought, and the number of temporary restraining orders granted.

(m) The amount of cost recovery ordered and the amount collected.

(n) Case aging data, including data for each major stage of the enforcement process, including the following:

(1) The average number of days from the filing of a complaint to its closure by the board's Intake/Mediation Center prior to the referral for an investigation categorized by the type of complaint, such as licensee or nonlicensee.

(2) The average number of days from the referral of a complaint for an investigation to its closure by the Investigation Center categorized by the type of complaint, such as licensee or nonlicensee.

(3) The average number of days from the filing of a complaint to the referral of the completed investigation to the Attorney General.

(4) The average number of days from the referral of a completed investigation to the Attorney General to the filing of an accusation by the Attorney General.

(5) The average number of days from the filing of an accusation to the first hearing date or date of a stipulated settlement.

(6) The average number of days from the receipt of the administrative law judge's proposed decision to the registrar's final decision.

SEC. 2. Section 7099.2 of the Business and Professions Code is amended to read:

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, or 7118.

SEC. 2.1. Section 7099.2 of the Business and Professions Code is amended to read:

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, or 7118.

(c) This section shall remain in effect only until July 1, 2026, and as of that date is repealed.

SEC. 2.2. Section 7099.2 is added to the Business and Professions Code, to read:

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) (1) Notwithstanding Section 125.9, and except as otherwise provided by this chapter, a civil penalty shall be assessed in an amount not less than five hundred dollars (\$500) nor greater than eight thousand dollars (\$8,000). Notwithstanding Section 125.9, a civil penalty shall be assessed in an amount not less than one thousand five hundred dollars (\$1,500) nor greater than thirty thousand dollars (\$30,000) for a violation of Section 7110, 7114, or 7118.

(2) The board may adjust all minimum civil penalties imposed by this section for inflation every five years. The adjustment shall be equivalent to the percentage, if any, that the Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, exceeds the Consumer Price Index at the time this subdivision goes into effect. Any increase determined under this paragraph shall be rounded as follows:

(A) In multiples of one hundred dollars (\$100) for penalties greater than one hundred dollars (\$100) but less than or equal to one thousand dollars (\$1,000).

(B) In multiples of one thousand dollars (\$1,000) for penalties greater than one thousand dollars (\$1,000).

(c) This section shall become operative on July 1, 2026.

SEC. 3. Section 7125.4 of the Business and Professions Code is amended to read:

7125.4. (a) The filing of the exemption certificate prescribed by this article that is false, or 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 in accordance with the provisions of this article, or the employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that person, constitutes cause for disciplinary action, including, but not limited to, the following civil penalties:

- (1) A minimum civil penalty of ten thousand dollars (\$10,000) per violation for any sole owner licensee found to have employed workers without maintaining workers' compensation coverage.
- (2) A minimum civil penalty of twenty thousand dollars (\$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.
- (3) Additional civil penalties for any subsequent violations, not to exceed a total of thirty thousand dollars (\$30,000) per occurrence.

(b) Any qualifier for a license who, under Section 7068.1, is responsible for assuring that a licensee complies with the provisions of this chapter is also guilty of a misdemeanor for committing or failing to prevent the commission of any of the acts that are cause for disciplinary action under this section.

(c) The board shall not renew or reinstate a license in violation of this section until the applicant or licensee provides the board with a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name.

SEC. 4. Section 7125.7 of the Business and Professions Code is amended to read:

7125.7. (a) By no later than January 1, 2027, the board shall establish a process and procedure, which shall 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 requirement pursuant to Section 7125. The board shall report its proposed verification process to the Legislature no later than January 1, 2027.

(b) (1) The requirement for submitting a report imposed under subdivision (a) is inoperative on January 1, 2030, pursuant to Section 10231.5 of the Government Code.

(2) A report to be submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.

SEC. 5. Sections 2.1 and 2.2 of this bill incorporate amendments to Section 7099.2 of the Business and Professions Code proposed by both this bill and Senate Bill 779. Those sections of this bill shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2026, (2) this bill amends Section 7099.2 of the Business and Professions Code and Senate Bill 779 amends, repeals, and adds Section 7099.2 of the Business and Professions Code, and (3) this bill is enacted after Senate Bill 779, in which case Section 2 of this bill and Section 4 of Senate Bill 779 shall not become operative.