



**CALIFORNIA CONTRACTORS  
INSURANCE SERVICES** an ISC company



**YOUR HOW-TO GUIDE:**

# **Becoming a Licensed Contractor in California**

Amid a housing shortage in California, contractors in the state have been busy building new apartments, condos, and single-family homes. In addition, many homeowners are adding accessory dwelling units (ADUs) to properties where they live for additional income or to provide housing for family members (elderly parents, kids graduating from college).

Green initiatives supported by government incentives in the Golden State also have contractors busy with upgrades and renovations.

Additionally, infrastructure projects have contributed to the growth of the construction industry in California.

According to Construct Connect, total construction spending is projected to reach \$78 billion in 2024 – an increase of 20% over the five years since 2019.

Just as the construction business in California is growing steadily, so are the [number of new contractor licenses](#) being issued. The following guide provides you with the licensing information needed to become a contractor in California.



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## Overview

Every contractor and its business practices in California must be legally licensed and meet specific guidelines to continue operating within the state. Moreover, only businesses with construction licenses in California can obtain proper work permits. Also, insurance companies often do not provide General Liability or Workers' Compensation to unlicensed contractors.

Additionally, unlicensed contractors convicted of operating without a contractor license could face jail time, pay between \$3,000 and \$15,000 in penalties, or both.

Licensed contractors also let their customers and colleagues know they are true professionals – skilled, knowledgeable, responsible, and credible in construction.

The Contractors State Licensing Board (CSLB), part of the California Department of Consumer Affairs, is the governing body that oversees construction licenses in California. The CSLB has strict licensing requirements and establishes trade standards, ethics, and sound business practices.



# Know the Contractor Licensing Requirements in California

It's essential first to understand the critical requirements for becoming a licensed contractor in California:

▶ **Age Requirement**

18 years or older.

▶ **Experience and Skills**

The ability to manage activities of a construction business, including field supervision (or have representation with the necessary skills and experience to serve as your Qualified Individual).

▶ **Verifiable Experience**

Four years at the journey level or as foreman, supervisor, or contractor in the classification you're applying for. Journey-level experience applies to a person who has completed an apprenticeship program or is an experienced worker, not a trainee, and is fully qualified and able to perform a specific trade without supervision. However, the individual does not have a license and cannot contract for jobs that are more than \$500 in labor and materials.

▶ **Established Business Structure**

Determine whether you will work as a sole proprietor, corporation, partnership, or limited liability

company (LLC). A corporation requires an active California Secretary of State registration number.

▶ **License Classification**

Before applying for your license, you need to ensure you're applying for the right one. There are four general types of contractor licenses in California. The type of work you do determines which license you need (see below).

▶ **Surety Bond**

\$25,000

- Protects clients against financial damages due to improper or incomplete work and ensures that subcontractors and suppliers are paid.
- Bonds are available through a surety company or agent. The bond cost depends on various factors, including your credit history and business financials.
- Include the bond number and exact business name.

- o Two additional bonds may be required:
  - Bond of Qualifying Individual for when the qualifier is a responsible managing employee OR when a responsible managing member, manager, or owner has less than 10% stock ownership; bond amount: \$25,000
  - An LLC Employee/Worker Bond when the business entity is licensed as an LLC; bond amount: \$100,000; additionally \$1 million Liability policy is required

▶ **Workers' Compensation Insurance**

If you plan on hiring workers, California requires you to purchase Workers' Comp coverage. It will take disciplinary action or impose severe penalties against any contractor that does not have a proper Workers' Comp policy in place.

- o Workers' Compensation covers the costs connected with employee job injuries. If one of your employees is injured on the job, the policy can cover medical expenses and lost wages up to the amount specified in the policy.

▶ **Complete Application**

There's a non-refundable \$450 application fee, so be sure you meet the licensing requirements before applying.

▶ **Fingerprinting & Background Check**

Submit fingerprints as part of the criminal background check. The CSLB will contact you with instructions on how to get these taken care of, where you can go, and the cost.

▶ **Licensing Exam**

Once the CSLB accepts your application, you'll have to sign up for an exam.

While the state of California does not legally require contractors to have **General Liability** insurance, having it could prevent you from losing out on job bids or even being forced you into bankruptcy if an accident happens and you can't afford to pay out of pocket.

# Determine What Type of Contractor License Your Business Needs

Not all contractor licenses cover the same specialties. Before applying for a license, determine which suits your business best. Applying for the wrong contractor's license can be costly.

There are four contractor licenses in California:



## **CLASS A: General Engineering Contractor License**

This license is required for engineering projects, earth moving, excavating, and cement and concrete work. These are typically large-scale, public works-type projects involving overpasses, underpasses, bridges, airports, power plants, pipelines, railroads, and highways.



## **CLASS B: General Building License**

This license is for anyone looking to become a general contractor. It's for those "whose principal contracting business is in connection with any structure built, being built, or to be built, for the support, shelter, and enclosure of persons, animals, chattels, or movable property of any kind, requiring in its construction the use of at least two unrelated building trades or crafts, or to do or superintendent the whole or any part thereof."



## **CLASS B-2: Residential Remodeling Contractor License**

This license is for contractors whose principal contracting business is residential structure remodeling, with projects that require the use of at least three unrelated building trades or crafts for a single contract.



## **CLASS C: Specialty Contractors**

This license is for tradespeople like electricians, plumbers, HVAC contractors, carpenters, and other specialty contractors.

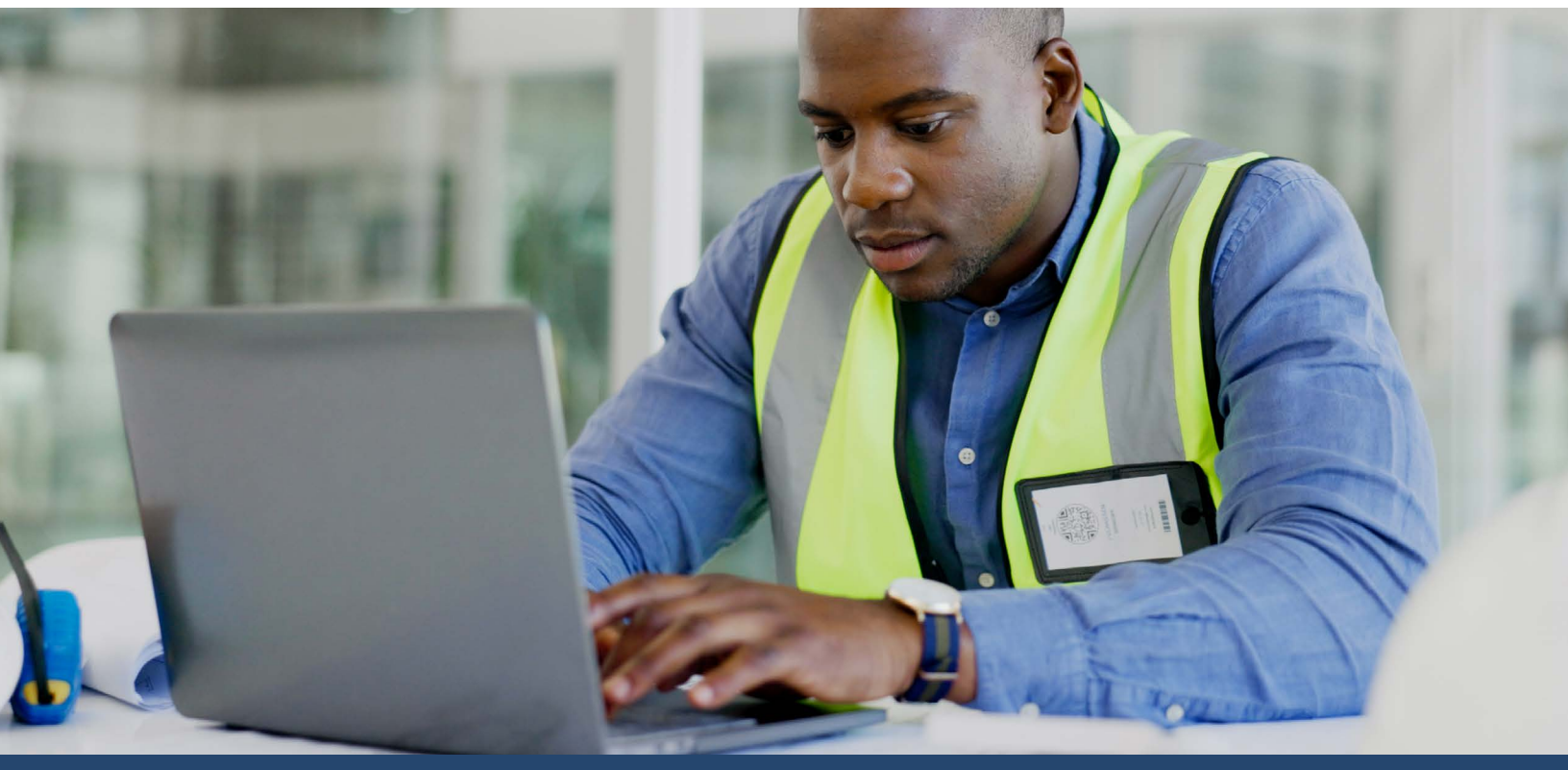


## **Licensing Exceptions**

An individual who completes projects worth less than \$500 (including the cost of materials) does not need a license.

# Information Required for Submitting Your Contractor Licensing Application Form

- Full business name
- Address information, including public mailing address, physical location, business phone and fax numbers, email address
- License type or class requested
- Business entity type, including sole proprietorship, partnership, LLC, corporation
- Information for every officer, responsible manager, member, or director
- Information for the Qualified Individual, including name, address, date of birth, Social Security number, and driver's license number
- Current or previous CSLB license numbers
- The percentage of the business owned by the Qualified Individual
- Identifying information for personnel, including legal names, dates of birth, Social Security numbers, addresses, driver's license numbers, title or position, personal phone numbers
- Work experience breakdown, completed by the Qualified Individual





# Complete the Contractor License Application Form

When you've obtained the required paperwork, complete the [license application form](#). There are three ways to complete the application form:

- o [Easy-Fill](#): Fill out the form online, print, and mail to CSLB with the appropriate fee.
- o [PDF](#): Print a blank form, fill it out, and mail to CSLB with the appropriate fee.
- o [Order](#): Receive a blank form by mail, fill it out and, mail to CSLB with the appropriate fee.

Complete the Certification of Work Experience form for the [journey-level work experience](#) requirement. There are three ways to complete this form:

- o [Easy-Fill](#): Fill out the form online, print, and mail to CSLB.

- o [PDF](#): Print a blank form, fill it out, and mail to CSLB.
- o [Order](#): Receive a blank form by mail, fill it out, and mail to CSLB.

Mail the completed application and the application fee to:

## CSLB Headquarters

Contractors State License Board  
P.O. Box 26000  
Sacramento, CA 95826-0026

Pay the required application fee of **\$699.00**; send a check or money order payable to the Contractors State License Board:

- o Licensing application fee: \$450.00
- o License Fee: \$200.00 (and it's valid for two years)
- o Fingerprinting Fee: \$49.00

## Background Checks

Once the CSLB accepts your application, you must submit fingerprints as part of the criminal background check. The CSLB will contact you with instructions on how to get these taken care of, where you can go, and the cost.

After fingerprinting, a random selection process could require verifying your work experience. You can use an employer, a general contractor, a foreman or supervisor, as well as another journeyman for this step in the process. That person must verify that you have the experience required to run a construction business.

# Exam Requirements for Contractor Licensing in California

Once the CSLB accepts your application, you must sign up with PSI Exams, which administers its examinations through a network of computer examination centers. PSI currently has 20 locations in California. The PSI examination centers are open for testing during regular working hours of 8:00 a.m. to 5:00 p.m. Monday through Saturday, except on major holidays. You may schedule the examination online here or by telephone at (877) 392-6422.

You have to pass a Law and Business section regardless of the license type to confirm that you know the laws and regulations governing construction. The test also covers actual knowledge of the trade (or trades, in the Class B case).

Depending on the license type, an additional trade-centric section might be a requirement. This section will ensure that the applicant has practical knowledge of the codes, best practices, and methods for the specific line of work for which they applied.

Study guides for each exam are available on CSLB's website here. The guides list the topic areas covered by the exam, including sample questions, show how each content area is weighted, and recommend resource materials to study.

Your examination eligibility expires if you fail to take and pass the examination(s) within 18 months of your application being accepted (posted).

# Renewing Your California State Contractor's License

Once you have your license, you must maintain it with the CSLB. Active licenses expire every two years, while inactive licenses expire every four. The CSLB will send a renewal application roughly 60 days before your license expires. You must fill it out and send it back with the renewal fee.

If the renewal application is received on time, an active renewal costs \$225. If the application is sent late, the fee increases to \$675 for active and \$337 for inactive.

The CSLB recommends ordering a [renewal online](#) if you don't receive a renewal application within 45 days of your license's expiration date. As of May 2023, payment kiosks at CSLB offices statewide are currently unavailable, and all payments must be made online or via mail.

## Available Payment Options:

- ▶ Credit Card (online)
  - License and Home Improvement Salesman (HIS) registration renewal ONLY
- ▶ All other transactions
  - Check or money order to:  
**Contractors State License Board**  
P.O. Box 26000  
Sacramento, CA 95826
  - Cash (exact change only), check, or money order (in person at Sacramento office ONLY) to:  
**Contractors State License Board**  
9821 Business Park Drive  
Sacramento, CA 95827

## Transferring a License from Another State

- ▶ California offers a reciprocal license with Arizona, Nevada, and Louisiana. To qualify for reciprocity, you must apply for a license that appears on [California's State Reciprocal Classification List](#). Also, you must have held that license in good standing for the previous five years.
- ▶ Submit a [Request for Verification of License](#), completed by the already-licensed entity, and then an [Application for Original Contractor's License](#).
- ▶ If the CSLB accepts your request, you must show proof of bonding and necessary insurance and pay the licensing fees.

# Construction Advertising Guidelines

Licensed contractors must include their license number in all construction contracts, subcontracts, calls for bids, and all forms of advertising. The civil penalty for not complying with this requirement is between \$100 and \$1,000 for a first offense.

Contractors must display their business name and contractor license number on each of their commercially registered vehicles in a clearly visible location in print type of at least 72-point font or letters at least three quarters of an inch high and wide. C-36 Plumbing, C-45 Sign, and C-57 Well Drilling contractors must display their business name and address and

license number on each side of every commercially registered vehicle in letters at least 1.5 inches high.

Do not advertise for construction work outside of areas for which you are licensed.

Do not advertise or make any presentation to the public that the licensed contractors are bonded.

Do not use false, misleading, or deceptive advertising to induce clients to enter into improvement contracts if they might be misled or injured. It also is illegal to include any false, deceptive, or misleading claims in an ad for home or other improvements.



# Helpful Tips for Your Contractor Business in California

- ▶ Research current trends, such as sustainable building practices or the demand for smart homes, and identify your niche. Understanding the needs of your target audience and the competitive landscape will help you carve out your space in the market.
- ▶ Outline your company' structure, services, target market, marketing strategies, financial projections, and growth plan. A business plan will serve as a road map for your business operations and can be vital in securing financing.
- ▶ Consult an attorney to ensure your contracts meet California state laws and safeguard your interests.
- ▶ Establish a system for invoicing, tracking spending, and managing cash flow.
- ▶ Familiarize yourself with state standards for construction sites. Implement a safety program to protect workers and comply with state regulations.
- ▶ Obtain building permits from local authorities. Schedule inspections to ensure compliance with codes and regulations.
- ▶ Develop detailed contracts for clients specifying project scope, dates, payment terms, and other relevant elements.
- ▶ Create a brand and marketing plan to attract clients in California's competitive market. Develop a professional website, create social media profiles, and invest in SEO and online advertising.

# Frequently Asked Questions About Contractor Licensing

**What is the role of the Contractors State Licensing Board (CSLB)?**

CSLB is the governing body that oversees construction licenses in the state of California. The CSLB has strict licensing requirements and establishes trade standards, ethics, and sound business practices.

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**What are the financial and insurance requirements for California contractors?**

Licensed contractors must secure a \$25,000 Surety bond. If the contractor has employees, Workers' Compensation insurance is required. Contractors should also purchase General Liability insurance.

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**What is a contractor license bond?**

It's a surety bond that demonstrates the professional's compliance with applicable licensing laws and regulations. If a contractor fails to perform certain aspects of the work, a claim can be made against the bond, and the bonding company would be responsible for compensating any affected parties up to the amount of the bond.

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**Who are the parties in a contractor license bond?**

There are usually three parties involved in a license bond. The **principal**, which is usually the contractor, is required to get the bond. The **obligee**, or the government entity, requires the bond. The **surety**, the company that issues the bond, assures that, if the contractor (the principal) violates state licensing laws or regulations, the surety may compensate the claimant if the principal fails to do so, up to the limit of the bond.

## About CCIS

CCIS is a licensed construction bond and insurance agency, providing California contractors with bonds and General Liability, Workers' Compensation, and Excess Liability insurance.

Our goal is to obtain license bonds, surety, and insurance for our contractor clientele with optimal premium rates and structure. CCIS writes with several insurance companies, allowing us the resources to find the best fit for our clients. We always deliver prompt, professional service so that contractors can quickly address their bonding and insurance requirements in a simple, hassle-free way so they can focus their attention on their contracting business.

### Call:

800-432-2641

### Apply Online:

[www.ccisbonds.com](http://www.ccisbonds.com)



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