

# CONTRACTORS LICENSE BOND AMOUNT IS GOING UP

By Kenneth S. Grossbart  
Abdulaziz, Grossbart & Rudman

As all licensed contractors know, in order to operate as a contractor, you must have in place a contractor's license bond. Many contractors satisfy this requirement by depositing with the Contractors' State License Board the cash amount required by the Board. Although depositing money with the Contractors' State License Board is acceptable, the greater majority of contractors obtain a bond from a licensed admitted surety, which will post the bond for you in exchange for a paid premium. The current amount of the license bond is \$12,500.00.

Senate Bill 467, is a bill that amends Business and Professions Code section 7071.6, and increases the \$12,500.00 contractor's license bond requirement to \$15,000.00. Senate Bill 467 is now the law and has been approved. It becomes effective January 1, 2016. As stated, the amount of the bond will increase to \$15,000.00. The last time that the bond amount was increased was January of 2008. The increase is long overdue.

The increase in the amount allows for someone that makes a claim on the bond to now be able to recover a greater amount. Presently, \$7,500.00 of the \$12,500.00 bond is available to anyone that qualifies. Pursuant to Business and Professions Code section 7071.5, the additional \$5,000.00 is made available to residential owners. Even though the penal sum of the bond amount increases to \$15,000.00, the amount of \$7,500.00 will remain the amount available to those who qualify. For those who qualify pursuant to Business and Professions Code section 7071.5, the entire \$15,000.00 bond amount will be made available in residential situations.

As a reminder, Business and Professions Code section 7071.6 still states that the CSLB can require twice the bond amount to be posted if there has been a violation pursuant to Business and Professions Code section 7028, which is regarding non-licensure.

For those of you that hold an inactive license, the law remains the same, "No bond shall be required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive." However, if reinstatement or reactivation is ever desired, a bond or cash deposit will be required.

The Contractors' State License Board and the bonding companies are currently working together to prepare themselves for the increase in the amount of the bond. The end effect is that all contractors' license bonds will be increased by the sum of \$2,500.00 by January 1, 2016.

It is very important that you maintain a proper bond and therefore, very important that you contact your bonding agent or broker to make sure you have the proper bond in place. Lack of proper bonding will have a direct effect on your contractor's license.



Kenneth Grossbart is recognized as one of the foremost authorities in California construction law. Over the past 35 years, Ken has become a respected speaker on Mechanic's Liens and other construction related issues. Abdulaziz, Grossbart & Rudman provides this information as a service to its friends & clients and it does not establish an attorney-client relationship with the reader. This document is of a general nature and is not a substitute for legal advice. Since laws change frequently, contact an attorney before using this information. Ken Grossbart can be reached at Abdulaziz, Grossbart & Rudman: (818) 760-2000 or by E-Mail at [ksg@agrlaw.com](mailto:ksg@agrlaw.com), or at [www.agrlaw.com](http://www.agrlaw.com)  
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