



CONTRACTORS STATE LICENSE BOARD

Analytical Study Report: Unlicensed Practice & Resource Needs

PREPARED FOR:

September 2026 Board Meeting

PREPARED BY:

Examination Development Unit &
Executive Office



Executive Summary

This report presents the results of CSLB's Analytical Study on Unlicensed Practice. It includes findings from multiple statewide datasets and incorporates Board committee analysis and input gathered during the August 4, 2026, Joint Enforcement and Public Affairs Committee Meeting.

The combined data sources – CSLB complaint records, Data Axle employer information, city business license data, and reviews of online advertising – provide substantial and consistent evidence that more than 70,000 individuals and businesses may be operating as unlicensed contractors across California.

The goal of the August 4, 2026, Committee Meeting was to gather input to inform this report to the Board. At the meeting, staff presented its original research on unlicensed practice, and the members emphasized the significance of the findings. The Committee noted that the volume of unlicensed activity poses serious risks to consumers, licensed contractors, market integrity, and public safety. Committee discussion focused on enforcement needs, consumer outreach, local government coordination, licensing application support, and modernization of CSLB's data systems.

The report concludes with Board-level recommendations and next steps for resource planning, enforcement strategy, outreach expansion, local partnerships, and IT modernization.

Staff will present the study findings and this report at the September 2026 Board meeting.

Study Background and Purpose

The Board originally approved development of a study to estimate the statewide scale of unlicensed contracting and to strengthen CSLB's data-driven understanding of enforcement and resource needs. CSLB staff initially planned to contract with external experts; however, the CSLB Examination Development Unit volunteered to complete the study internally, resulting in improved access to agency data, enhanced cross-divisional collaboration, and significant cost savings. The study's purposes were to:

- Estimate the number of unlicensed contractors statewide.
- Examine compliance with advertising requirements.
- Identify resource needs to address unlicensed practice through CSLB's enforcement, licensing, public affairs, and IT divisions.
- Provide evidence-based information for Board decision-making.

On August 4, 2026, CSLB convened a Joint Enforcement and Public Affairs Committee meeting to refine analytical study through committee discussion. The meeting was not held to adopt motions, but to gather committee feedback that would shape the final report for the Board.



Study Methodology

The study analyzed multiple statewide data sources to estimate the size of the unlicensed construction market. The approach focused on identifying mismatches between CSLB's master licensing database and other public data that capture construction-related business activity.

Data sources included:

- CSLB Master License List (242,847 licensees)
- CSLB Enforcement Complaint Data (active complaints in 2024)
- Business registration records from 36 California cities (data requested and received between 2/1/2026-4/21/2026)
- Data Axle statewide construction employer records (data downloaded from 4/9/2026 through 4/23/2026)
- Craigslist advertising samples for construction services (advertising posted from 3/8/2026 through 4/8/2026)
- North American Industry Classification System (NAICS) industry classification codes for construction subsectors were used to filter business registration records and Data Axle employer records.

Three independent "extrapolation-based" calculations were performed. Extrapolation refers to the use of known data points to guess or predict what happens outside of that known range). In each case, analysts compared non-CSLB datasets against CSLB's master license list to determine the proportion of construction entities that appeared unlicensed.

To improve reliability, the study used:

- Algorithms for name comparison
- Duplicate-removal and business description filtering
- AI-assisted detection of advertising license number compliance, reviewed by staff
- Cross-validation of complaint-to-contractor ratios across licensed and unlicensed groups

Committee members expressed confidence that the consistency across datasets demonstrates a legitimate statewide pattern of extensive unlicensed activity.

Data Sources

The following summarizes each dataset used for this study.

1. CSLB License Master Database

Contains complete license records that include business name and license number for all active, renewed, and renewable expired contractors. Used as the reference dataset.

2. Complaint Data

In 2024, CSLB opened 15,748 licensed contractor complaints and 4,646 unlicensed contractor complaints. Proportional extrapolation estimates approximately 71,645 unlicensed contractors statewide.

3. Business License Records (36 Cities)

Researchers compiled 33,828 construction businesses registered locally. After matching CSLB's database, 20,655 (62 percent) did not appear in CSLB records. Extrapolation estimates approximately 78,973 unlicensed contractors statewide.

4. North American Industry Classification System (NAICS) industry classification codes for construction subsectors (Data Axle Employer Records)

Of 111,109 construction-sector employers analyzed, 70,840 (64 percent) did not match a CSLB license.

5. Craigslist Advertising Dataset

Researchers collected 18,120 ads; 5,140 unique contractors identified. Only 1,013 contractors (20 percent) had valid CSLB license numbers. The remaining 4,127 contractors (80 percent) posted without valid license numbers.

Together, these data sources consistently show that unlicensed operators make up a substantial share of California's construction market. At the August 4, 2026, meeting, Committee members noted that although assumptions are required for extrapolation, the consistency across all data types is strong enough to justify major enforcement and resource-planning actions.

Analytical Findings

This study's principal analytical finding is that more than 70,000 individuals or entities may be operating as unlicensed contractors statewide. This conclusion is based on four separate calculations:

- Complaints-based estimate: 71,645 unlicensed contractors
- Data Axle employer mismatch: 70,840 unlicensed contractors
- City business license estimate: 78,973 unlicensed contractors
- Craigslist valid-license rate: about 80 percent of advertisers lacked license numbers



These figures converge across independent datasets, and the study also identified significant noncompliance with several Business and Professions Code (B&P) requirements. It is clear that different public and private data sources publish business name information or allow contractors to publish business name information that does not align with the contractor's business name or license number as required by law:

- Failure to include CSLB license numbers in advertising (B&P §7030.5)
- Improper or inaccurate use of business names and operating styles (B&P §7117)
- Limited enforcement or inconsistent implementation of city business license requirements of a signed statement regarding CSLB license (B&P §7033)

In short, some businesses that appear unlicensed in the datasets may actually hold licenses but present themselves in ways that obscure or conflict with statutory requirements. Pending compliance with state law, these businesses are deemed unlicensed.

August 4, 2026, Committee Meeting Summary

The August 4, 2026, Joint Committee Meeting Included Enforcement Committee members, Public Affairs Committee members, CSLB leadership, and public commenters. The meeting purpose was to review the analytical study and gather policy-informed feedback.

Committee themes included:

Enforcement

- Consumer-filed complaints are unsustainably high.
- Sting operations are CSLB's most effective tool and should be expanded.
- More homeowner partnerships are needed for sting properties.

Public Affairs

- Cities need clearer guidance on CSLB licensing laws.
- Consumer education campaigns should be expanded.
- Outreach workshops could significantly assist applicants and increase license applications.

Information Technology (IT)

- Application Programming Interface (API)-based license number verification for cities to automatically check the license number provided against the CSLB license database
- New data-matching algorithms would enhance identification of unlicensed operators.
- Upgrades to CSLB's public license lookup tool are critical.

Local Government and Policy

- Cities do not consistently collect or verify CSLB license numbers.
- Many city business license systems allow for fictitious data entry.
- Confusion between city business license numbers and CSLB license numbers mislead consumers.

Across all discussions at the meeting, members expressed strong consensus: CSLB must pursue a Budget Change Proposal to significantly expand staffing and modernize enforcement and data systems.

Analytical Study and Committee Meeting Findings

For purposes of the September 2026 Board Meeting, the study data and August 4, 2026, committee meeting discussion support the following conclusions.

- **Unlicensed contracting is widespread and structurally enabled.**
Non-compliance with B&P §7033 city business license requirements contribute significantly to unlicensed activity. Many cities neither request nor validate CSLB license numbers.
- **Enforcement capacity is insufficient.**
Data shows thousands of unlicensed complaints annually to address unlicensed contracting activity. CSLB currently has 27 investigators for 58 counties.
- **Public perception is undermined by confusion between local licenses and CSLB licenses.**
Many consumers assume a city business license equals state contractor licensure. This is a major consumer protection gap.
- **Modernized IT systems are essential to identifying unlicensed operators.**
Committee members prioritized API-based city integrations, improved matching algorithms, and upgrades to license lookup tools.
- **Outreach and licensing support will reduce unlicensed activity.**
Public Affairs and Licensing agreed that workshops, city outreach, updated guides, and consumer education can expand legitimate licensure.



STAFF RECOMMENDATIONS

Enforcement

Pursue a Budget Change Proposal to substantially increase consumer and industry outreach, investigator staffing, expand sting operations, including public partnerships to identify properties, and use geographic clustering to target high-harm areas, such as accessory dwelling unit (ADU)-concentrated regions.

Local Government Partnerships

Expand pilot programs with selected cities to strengthen B&P §7033 compliance, develop API-based data exchange tools for city business license verification, and conduct city government official training and distribute updated compliance guidance.

Public Affairs

Expand multimedia consumer education campaigns, increase licensing workshops statewide, and partner with retailers to promote license verification at point of sale.

Licensing

Evaluate Licensing Division staffing for maintaining application processing times and modernize license support materials and applicant tutorials.

Information Technology

Present suggestions for modernizing CSLB's IT infrastructure to build statewide data portals integrating city business licenses, employer data, and advertising samples.

NEXT STEPS

With Board approval at the September Board meeting, CSLB will:

- Finalize Budget Change Proposal options for Enforcement, Licensing, Public Affairs, and IT.
- Implement pilot projects with cities to improve CSLB license verification.
- Launch updated city and county government official and city-facing guidance materials.
- Expand statewide consumer education campaigns.
- Begin planning for technology upgrades, including license number validation systems and expanded data portals.



APPENDICES

Appendix A – Data Sources

This study relied on multiple statewide and local data sources to estimate the scope of unlicensed contracting activity in California and to identify discrepancies between CSLB licensing records and other business activity datasets. The following data sources were used:

CSLB Master License List

The CSLB Master List contains all active, renewed, and renewable expired licenses. It includes license number, business name, address, license status, classification(s), bond information, and workers' compensation records. As of December 1, 2025, the list contained 242,847 licensed contractors.

CSLB Complaint Data

Enforcement complaint data for 2024 included 15,748 complaints involving licensed contractors and 4,646 complaints involving unlicensed contractors. This data was used to derive a proportional extrapolation estimate of statewide unlicensed contractor activity.

City Business License Records (36 City Sample)

Researchers compiled business license data from 36 California cities, representing diverse geographic regions and varying municipal registration requirements. The combined dataset included 33,495 registered construction businesses, of which 20,655 (62 percent) did not match CSLB records.

Data Axle Employer Records (California Construction Employer List)

Data Axle maintains statewide employer databases using NAICS codes for industry classification. After duplicate removal, the dataset contained 111,109 construction businesses in California. Of these, 70,840 (64 percent) had no corresponding CSLB license match.

Craigslist Skilled Trade Services Advertising Sample

A dataset of 18,120 construction service advertisements posted between March 8 and April 8, 2026, was collected. After duplicate removal, 5,140 unique contractors remained. Only 1,013 (20 percent) had valid CSLB license numbers when crosschecked.

Committee Meeting Input

The August 4, 2026, Joint Enforcement and Public Affairs Committee Meeting provided qualitative input, policy priorities, and operational insights that guided interpretation of all analytical data.



Appendix B – Statutory References

The study evaluated compliance with several Business and Professions Code (B&P) requirements that affect how contractor activity appears in public-facing data. These statutes also influence the level of consumer protection and accuracy of licensing information available to the public.

B&P Section 7030.5 — Advertising Requirements

Requires licensed contractors to include a valid CSLB license number in all construction-related advertising, including online platforms such as Craigslist. Noncompliance was significant, with approximately 80 percent of reviewed advertisements lacking valid license numbers.

B&P Section 7117 — Business Name and Operating Style Compliance

Requires contractors to operate under the exact business name and style listed on their CSLB license. Improper or inconsistent name presentation contributed to mismatches between CSLB records and public datasets.

B&P Section 7033 — City Business License Verification

Requires cities issuing business licenses for contracting businesses to collect declarations regarding CSLB licensure. Many cities either do not request CSLB license numbers, make license number fields optional, allow fictitious entries, or do not verify submitted information. This contributes significantly to misclassification and inconsistent state-local coordination.



Appendix C – Study Methodology

The analytical study used a multi-method, cross-referenced approach to estimate the statewide prevalence of unlicensed contracting. The methodology incorporated quantitative analysis, data-matching algorithms, and manual review of publicly available advertising content. The principal methodological components are summarized below:

Complaint-Based Extrapolation

Analysts compared the number of licensed contractor complaints with unlicensed contractor complaints and applied proportional extrapolation under the assumption that complaint rates are comparable between groups. This produced an estimate of approximately 71,645 unlicensed contractors statewide.

City Business License Comparison

Business license records from 36 cities were examined using NAICS codes and business descriptions to identify construction-related entities. Records were cleaned for duplicates and matched against CSLB's master list. Discrepancies were used to estimate statewide unlicensed activity.

Data Axle Employer Records (California Construction Employer List) Cross-Matching

The California Construction Employer dataset was matched with CSLB license records using fuzzy-matching techniques calibrated to 95 percent similarity. This process identified employers with no CSLB license, supporting the unlicensed activity estimate.

Online Advertising Review (Craigslist)

Construction service advertisements were collected from Craigslist's Skilled Trade Services section for all California cities. Ads were checked for license numbers, cross-referenced with CSLB records, and categorized for compliance with B&P §7030.5.

Cross-Dataset Convergence Review

Estimates from four independent sources were compared for directional consistency. All sources produced results between roughly 70,000 and 80,000 potential unlicensed contractors.

Committee Meeting Feedback

Findings were interpreted in conjunction with feedback from the Joint Enforcement and Public Affairs Committee Meeting. Committee insights informed prioritization of enforcement, licensing, outreach, and IT considerations.

**Appendix D – Sample Cities**

City	CSLB Master List License Count	City Business License Count	Businesses registered with local cities and have CSLB license	Businesses register with local cities but not with CSLB	Businesses have CSLB license but not registered with local cities
ANAHEIM	2,135	833	453	380	1,682
BAKERSFIELD	2,785	914	598	316	2,187
CARLSBAD	867	284	102	182	765
CLOVIS	855	328	208	120	647
CORONA	1,521	488	309	179	1,212
EL CAJON	1,461	469	295	174	1,166
ESCONDIDO	1,782	2,021	267	1,754	1,515
FOLSOM	465	179	45	134	420
FREMONT	743	513	293	220	450
FRESNO	2,589	1,376	631	745	1,958
FULLERTON	809	569	256	313	553
IRVINE	1,317	858	301	557	1,016
LA QUINTA	344	58	37	21	307
LONG BEACH	1,481	874	242	632	1,239
LOS ANGELES	6,680	5,887	1,364	4,523	5,316
MENIFEE	638	142	70	72	568
MERCED	346	162	98	64	248
NAPA	881	401	258	143	623
OAKLAND	1,665	814	463	351	1,202
ORANGE	1,375	892	478	414	897
OXNARD	940	327	224	103	716
PALM SPRINGS	246	89	42	47	204
PASADENA	782	210	144	66	638
RANCHO CUCAMONGA	965	533	291	242	674
RIVERSIDE	2,718	1,486	1,093	393	1,625
ROSEVILLE	1,256	376	232	144	1,024
SACRAMENTO	4,137	569	237	332	3,900
SAN DIEGO	6,032	2,229	565	1,664	5,467
SAN FRANCISCO	3,916	3,719	1,078	2,641	2,838
SAN JOSE	5,128	2,272	1,012	1,260	4,116
SAN MATEO	649	251	144	107	505
SANTA ANA	1,524	1,071	419	652	1,105
SIMI VALLEY	1,367	773	305	468	1,062
STOCKTON	1,252	1,191	428	763	824

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UNLICENSED PRACTICE AND RESOURCE NEEDS STUDY

City	CSLB Master List License Count	City Business License Count	Businesses registered with local cities and have CSLB license	Businesses register with local cities but not with CSLB	Businesses have CSLB license but not registered with local cities
TEMECULA	1,119	121	80	41	1,039
VISALIA	746	549	111	438	635
Total	63,516	33,828	13,173	20,655	50,343



Appendix E – NAICS Industry Group Code

NAICS is the product of a cooperative effort on the part of the statistical agencies of the United States, Canada, and Mexico. Employers with similar production processes are classified in the same industry. NAICS focuses on how products and services are created. NAICS is a standardized system that groups businesses by their primary economic activity. It allows for consistent identification of construction-related industries such as building, specialty trades, plumbing/HVAC, electrical, roofing, and landscaping.

NAICS Industry Group Code	Industry Title
2213	Steam and Air-Conditioning Supply
	Water Supply and Irrigation Systems
2361	New housing for-sale builders
	New multifamily general contractors
	New single family general contractors
	Residential Remodelers
2362	Commercial Building Construction
	Industrial Building Construction
2371	Oil and Gas Pipeline Construction
	Power and communication system construction
	Water and Sewer System Construction
2372	Land Subdivision
2373	Highway, Street, and Bridge Construction
2379	Other Heavy Construction
2381	Framing Contractors
	Glass and Glazing Contractors
	Masonry Contractors
	Other Building Exterior Contractors
	Poured Concrete Structure Contractors
	Roofing Contractors
	Siding Contractors
	Steel and Precast Concrete Contractors
2382	Electrical Contractors
	Other Building Equipment Contractors
	Plumbing and HVAC Contractors
2383	Drywall and Insulation Contractors
	Finish Carpentry Contractors
	Flooring Contractors
	Other Building Finishing Contractors
	Painting and Wall Covering Contractors
	Tile and Terrazzo Contractors
2389	All Other Specialty Trade Contractors

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NAICS Industry Group Code	Industry Title
	Site Preparation Contractors
3323	Ornamental and architectural metal work mfg.
	Sheet Metal Work Manufacturing
5616	Locksmiths
	Security systems services, except locksmiths
5617	Landscaping Services
5622	Hazardous Waste Treatment and Disposal
5629	Septic Tank and Related Services

Appendix F – Craigslist Data Scheme

Field	Example	Type	Description
listing	Rodent Proofing -Rodent repellent -Vacuum old Insulation -home too cold or too hot -Attic cleaning disinfecting -Blown-in installs -Batted insulation -Drill & fills on walls -Sub floors /crawl spaces -Air sealing foam -Duct replacement/Seal -Radiant barrier -Attic fan installation Phone estimates available In person estimates availability (619)739-7354 Call/Text Family Business	string	Description of listing
listing_url	https://sandiego.craigslist.org/csd/sks/d/la-mesa-insulation-experts-turn-your/7919829286.html	string	Direct URL to the listing
listing_title	Insulation Experts- Turn your Home from a Hot Desert to an Oasis (La mesa, California)	string	Title of a listing
phone_number	(619)739-7354 Call/Text	string	Number on which listing poster can be reached
license_info_number		number	License number if available
city	La Mesa	string	City from which listing originates
publish_date	07.03.2026.	date	Date on which listing was published
publication_id	7919829286	number	ID of a listing
email	example@example.com	string	Email of a listing poster
license_info_context	Offered in person	string	It can be “upon request,” “offered in person,” “offered virtually,” etc.
license_info_description		string	The text that appears about the license in the description of the listing