



CONTRACTORS STATE LICENSE BOARD

BOARD MEETING MINUTES

Board Meeting Minutes

A. Call to Order, Roll Call, Establishment of Quorum, and Chair's Introduction

Board Chair Mary Teichert called the meeting of the Contractors State License Board (CSLB) to order on March 21, 2023, at 8:03 a.m. via WebEx teleconference.

Board Members Present

Mary Teichert, Chair
Rodney Cobos
David De La Torre
Miguel Galarza
Susan Granzella
Alan Guy
Diana Love
Michael Mark
James Ruane
Johnny Simpson

Jacob Lopez and Steven Panelli have approved absences.

CSLB Staff Present

David Fogt, Registrar
Michael Jamnetski, Chief Deputy Registrar
Yeaphana La Marr, Chief of Legislation
Jason Perez, Chief of Information Technology
Mike Melliza, Chief of Administration
Steve Grove, Chief of Enforcement
Foad Gharahgozlou, Chief of Licensing
Katherine White, Chief of Public Affairs
Americo Garcia, Public Affairs Manager
Stacey Paul, Budgets Manager
Mariah Rovera, Executive Analyst

DCA Staff Present

Kristy Schieldge, DCA Legal
John Kinn, DCA Legal

Board Vice Chair Diana Love led the Board in the Pledge of Allegiance. A quorum was established.

Chair Teichert announced that Board members David De La Torre and Susan Granzella have been appointed to the Board officer nomination committee. Chair Teichert stated



De Le Torre and Granzella will recommend a slate of officers for Board member consideration and the Board will elect new officers at the June Board meeting.

B. Public Comment for Items Not on the Agenda and Future Agenda Item Requests

Tabitha Davies expressed their concerns with the results of their CSLB consumer complaint.

Chair Teichert explained that the Board could not discuss the details of Tabitha Davies' complaint and requested Davies leave their contact information for a CSLB representative to contact them after the meeting.

Jerry Munoz requested a future agenda item to consider whether the handyman \$500 fee should be increased.

Registrar David Fogt stated he and Yeaphana La Marr, Chief of Legislation, would follow up with Jerry Munoz.

C. Recognition

Chair Teichert recognized the passing of Anthony "Tony" Forchette, the founder and president of Cal-State Contractors License Services. Chair Teichert offered CSLB's condolences to the Forchette family and requested a moment of silence.

Chair Teichert recognized the 54 CSLB staff that had staffed 21 disaster recovery centers and local assistance centers at state and federal declared disaster zones throughout California since the end of last year.

Board Member Comment

Vice Chair Diana Love thanked staff for assisting in California's disaster areas.

Registrar Fogt thanked staff for going the extra mile to assist at the remote disaster recovery centers' locations and appreciated their commitment to consumer protection.

Public Comment

Chuck Messig thanked staff who helped in disaster areas and the Board for protecting consumers.

D. Executive

1. Review and Possible Approval of the December 8, 2022, Board Meeting Minutes

Chair Teichert asked for Board member edits to the December 8, 2022, Board Meeting Minutes. No edits were suggested by the Board.

Motion: To approve the December 8, 2022, Board Meeting Minutes. Moved by James Ruane; David De La Torre seconded. Motion carried, 10-0.



YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson.

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

Board Member Comment

There was no comment.

Public Comment

There was no public comment.

2. Review and Possible Approval of the February 16, 2023, Licensing and Legislative Committee Meeting Summary Reports

Agenda item D2 was heard out of order.

Chair Teichert asked for Board member edits to the February 16, 2023, Licensing and Legislative Committee Meeting summary reports. No edits were suggested by the Board.

Motion: To approve the February 16, 2023, Licensing and Legislative Committee Meeting summary reports. Moved by Diana Love; James Ruane seconded. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson.

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

3. Registrar's Report

a. Tentative Board Meeting Schedule

Registrar Fogt stated the next scheduled Board meeting is June 22 and 23 in Las Vegas, Nevada. The Registrar added that Executive Analyst Mariah Rovera will survey Board members regarding availability for an August or September quarterly meeting in Sacramento.

b. 2022 Activities and Accomplishments Report

Registrar Fogt explained the Activities and Accomplishments was distributed to all Board members and is available to the public on the homepage of CSLB's website under "What's New."

c. Disaster Response



Registrar Fogt provided a summary of the recent CSLB disaster response efforts. Registrar Fogt explained that CSLB had responded to 22 local assistance centers (LACs) and disaster recovery centers (DRCs) from January to March and expected three more centers to open in San Bernardino County.

d. Update on Efforts to Retain Consultant(s) to Research the Scope of Unlicensed Practice and Resource Needs; and Perform a Special Investigator Workload Study

Registrar Fogt referenced the December 8, 2023, Board meeting's approval to hire consultants to research the underground economy. The Registrar stated hiring a state university would be a preferred method and anticipated having a university selected by the June 2023 Board meeting. Registrar Fogt added the Board's approval of \$50,000 to \$100,000 to perform a workload case study focused on enforcement complaint process and workload expectations. Registrar Fogt indicated CPS, who also performed the fee increase, has expressed interest in performing the enforcement study.

Board Member Comment

Chair Teichert thanked Registrar Fogt for their work and research.

Public Comment

There was no public comment.

4. CSLB Budget Update

Budget Manager Stacey Paul detailed the final authorized budget of \$80 million, year-end projections of \$91.5 million which include \$78 million of Board expenditures, \$6.3 million in mandatory external costs, and reserves of \$16 million. Budget Manager Paul stated CSLB is spending below the 52% budget authority, while exceeding prior revenue by 27% and attributes that figure to new fees implemented in January 2022 equating to \$10 million in additional revenue. Budget Manager Paul discussed a \$2.9 million fiscal year budget increase from \$77 million to \$80 million due to approved bargaining agreements related to staff salary increases, retirement, and benefits to cover health rate increases. Budget Manager Paul shared budget year 2023-24 projections, stating the current balance of \$9.1 million is projected to be \$16.2 million by fiscal year end with a gradual increase to \$19.4 million by the next fiscal year. Budget Manager Paul explained the Construction Management Education Account (CMEA) fund appropriation has reached \$175,000 and continues to receive donations. Budget Manager Paul explained staff will continue to work with the administration to increase CSLB authority with the disbursement of additional grants to qualified institutions. Budget Manager Paul concluded their update stating increases in new and HIS applications, renewals, and license population have remained steady over the last year.

Board Member Comment

Member Michael Mark thanked Budget Manager Paul for their hard work, citing the importance of reserves and acknowledged staff effort.



Member Susan Granzella thanked Budget Manager Paul and staff for their hard work and addressing reserves with priority.

Public Comment

There was no public comment.

5. Administrative Update Regarding Personnel and Facilities

Chief of Administration Mike Melliza introduced the administrative update on page 52 of the Board packet. Chief Melliza explained CSLB's Administration Division completed 58 transactions for fiscal year 2022-23. Chief Melliza detailed CSLB vacancies stating fiscal year 2022-23 held an average of 46 vacancies out of 425 authorized positions and emphasized efforts with CSLB hiring managers and Department of Consumer Affairs Human Resources to sustain and improve recruitment with outreach activities like job fairs statewide. Chief Melliza also referenced the joint efforts of CSLB's Public Affairs and Personnel offices to increase public visibility on social media platforms by deploying surveys on job opportunity advertisements with the expectation of gathering feedback to determine which method has the most effective reach. Chief Melliza explained page 55 of the Board packet referenced contracts, procurement, and facilities activities, citing the closure of testing centers in Norwalk, San Jose, San Bernardino, and San Diego as part of a transition to testing contractor PSI.

Board Member Comment

There was no comment.

Public Comment

There was no public comment.

6. Information Technology Update (Special Presentation on Program Automation)

Chief of Information Technology Jason Perez directed the Board to page 58 for the Information Technology update and introduced guest speaker, Tuhin Verma, Leader of Product and Development at inLumon. Chief Perez recognized and detailed Verma's professional experience and expertise as it related to the demonstration of the licensing software presentation in connection with the Sole Owner licensing application process.

Verma thanked Chief Perez for the introduction and the Board for the opportunity to provide a demonstration of the program they are developing for CSLB. The program would allow license applicants to file a Sole Owner application online.

Chief Perez concluded the Information Technology update by thanking Verma for his presentation and stated the presentation was a model and not the final version for CSLB.

Board Member Comment

Member Granzella asked when the estimated date the software would be available to CSLB.



Chief Perez stated they are anticipating availability by July 2023.

Member Granzella asked what the Q&A process and structure would be for the launch of the software.

Chief Perez responded, stating the information will be available prior to the June Board meeting.

Vice Chair Love asked if there would be a “save” feature that permits an applicant to stop and resume later during the application process.

Verma confirmed there will be a start and resume feature.

Vice Chair Love asked will there be an “in process” option on the application for applicants who have not yet completed their program.

Verma responded, confirming the incorporation of responses to questions requiring more than just a “yes” or “no” response.

Member De La Torre asked if the software will be in multiple languages.

Verma confirmed there is a translation option built into the webpage.

Public Comment

There was no public comment.

7. Update, Review, Discussion and Possible Action on 2022-24 Administration and Information Technology Strategic Plan Objectives

Chief Perez explained the Information Technology Division was requesting an extension of the target date for Strategic Plan Objective 5.3. Chief Perez detailed partnering with DCA to meet this objective. Chief Perez stated the DCA Office of Information Services deployed a cloud-based solution to replace the current IVR technology and stated CSLB intends to adopt this cloud-based technology and suggested extending the Strategic Plan Objective 5.3 target date to September 2023.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Motion: Amend the 2022-24 Administration and Information Technology Strategic Plan Objective 5.3 target date to September 2023. Moved by Rodney Cobos; David De La Torre seconded. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson



NAY: None

ABSENT: Jacob Lopez, Steven Panelli

E. Licensing

1. Activities and Accomplishments Report

Licensing Committee Chair James Ruane highlighted CSLB hosting monthly virtual “Get Licensed to Build” workshops. Chair Ruane cited an average attendance of 72 people per workshop and reported the first Spanish-language workshop began in 2021 reoccurring monthly into 2022. Chair Ruane detailed the content of the workshops including licensing requirements, review of the benefits of licensure and steps involved in obtaining licensure.

Chair Ruane discussed the Licensing Division’s transition of the home improvement salesperson association and cessation process online. Chair Ruane stated that these documents accounted for 60-80% of the License Modifications Unit’s workload and noted that the transition provides licensees a way to submit notifications timely while simultaneously reducing errors and License Modification Unit backlog. Chair Ruane stated the home improvement salesperson applications were redirected from the Supplemental/Issuance Application to the License Modification Unit with the intention of reducing backlog and overtime.

Chair Ruane announced CSLB’s outstanding liability suspension program was successful in assisting other state agencies and members of the public in recovering \$50 million in outstanding financial liability in 2022. Chair Ruane also announced CSLB offers a Veterans Application Assistance Program for veterans transitioning from military service to civilian employment. Chair Ruane explained the program offers priority services to applicants by evaluating transferable experience, training, and education obtained during service to meet the minimum requirements for a state license. Chair Ruane cited 530 licenses were expedited through this program in 2022.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

2. Licensing and Testing Program Statistical Update

Chair Ruane informed the Board that licensing applications had increased in 2022. Chair Ruane indicated processing times for exam and waiver applications are six weeks and five weeks respectively. Chair Ruane explained licensing application units are working to recruit vacancies left by retirements and nine open positions. Chair Ruane supported overtime for reducing to below three weeks and to erase the backlog by May 2023. Chair Ruane referenced that home improvement salesperson registrations take two weeks to process. Chair Ruane highlighted that since January 2022, processing



license renewals has gone down from three weeks to one week and reminded the Board that with one qualifier on their license can renew online. Chair Ruane emphasized that licensees who choose this option will have their process completed and updated within 24 hours.

Chair Ruane indicated the number of pending applications is currently sitting at 19,758 and is on pace for the anticipated reduction target number of 17,000 with the transition to PSI testing services. Chair Ruane pointed out that staff are working to deploy a survey during the renewal application process to better understand why the renewal applications received in 2022 have declined by 6%. Chair Ruane referenced Senate Bill 216 requiring the C-8, C-20, C-22, and D-49 classifications to obtain workers compensation insurance and reported an observable increase in classification removal requests for these specific classifications, correlating the implementation of Senate Bill 216 to the reduction in application renewals. Chair Ruane updated the Board regarding CSLB's experience verification program and stated the Licensing Division has referred those experience verifications to the Enforcement Division, which has averaged 34 completed application investigations per month.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Chair Ruane updated the Board on the transition of exam administration to PSI in August 2022. Chair Ruane explained PSI offers more testing site locations and after-hours test dates and times, including weekends. Chair Ruane stated 29,000 exams had been administered through PSI and reported most applicants are pleased with the availability of after-hours and weekend testing schedules. Chair Ruane stated staff were investigating some complaints relating to PSI testing monitors. Chair Ruane concluded the testing update confirming the Exam Development Unit has held numerous workshops virtually and in-person with the intention of continued occupational analysis to maintain current examination updates. Chair Ruane directed the Board to pages 80-83 of the Board packet for additional information related to administered exams and exam development.

Board Member Comment

There was no comment.

Public Comment

There was no comment.



3. Business and Professions Code Section 7068.1 Overview – Criteria for Qualifying Additional Licenses

Chair Ruane directed the Board to page 86 of the Board packet and stated the Licensing and Legislative committees met on February 16, 2023, to consider two proposed amendments to Business and Professions Code (BPC) Section 7068.1 regarding criteria for qualifying additional licenses. Chair Ruane introduced Chief of Licensing Foad Gharahgozlou to provide a summary.

Chief Gharahgozlou recited BPC section 7068.1, stating on February 16, 2023, the Licensing and Legislative committees considered two proposed amendments. Chief Gharahgozlou cited the first amendment recommended by CSLB staff as it relates to removing a requirement that qualifying applicants provide the Board with their current employment duty statement. Chief Gharahgozlou confirmed the Legislative Committee voted to recommend to the full Board that the staff pursue a legislative proposal to remove the duty statement requirements from section 7068.1. Chief Gharahgozlou stated one of the ways an applicant qualifies an additional entity is to show that they have 20% ownership in the new entity or new entities subsidiary or that most of the personnel are the same between the current entity and the new one. Chief Gharahgozlou explained this proposal would remove the ownership and subsidiary provisions and replace them with the \$25,000 qualifier license bond. Chief Gharahgozlou stated the staff believed additional research is needed to determine the full impact of the proposal.

Phil Vermeulen from Contractors Licensing Center introduced themselves and cited their 42 years of experience. Vermeulen stated CSLB staff has no way to verify the 20 percent requirement for the additional licenses. Vermeulen stated this is a good consumer protection proposal that they recommend. Vermeulen stated they support the proposed amendment that will reduce staff time researching the requirement and eliminate barriers for small businesses. Barriers include SBA not allowing 20% ownership as part of a loan and obstacles qualifying for insurance.

Registrar Fogt suggested the Board consider a motion to return the proposal to staff until the June 2023 Board meeting, for additional research citing the concerns with how many licensees will be impacted and to determine bonds that have been paid out in the last two years.

Motion: To have staff perform additional research to determine the consumer protection value of a qualifier bond. Moved by Johnny Simpson; Mary Teichert seconded. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

**F. Enforcement****1. 2022 Activities and Accomplishments Report**

Enforcement Committee Chair Michael Mark highlighted the Enforcement Division's 2022 accomplishments. Chair Mark stated Enforcement completed 20,563 complaint investigations, recovered \$29.4 million in restitution, a 32% increase in legal actions against violators, and 891 egregious misconduct cases were referred to local prosecutors. Chair Mark emphasized the Enforcement Division continues to prioritize action against predatory contractors.

Chair Mark recognized the efforts of CSLB's Special Investigations Unit and detailed two specific criminal cases that yielded successful prosecution of repeat offenders who caused significant property and financial harm within the state of California and are now serving significant sentences for their offenses.

2. Enforcement Program Statistical Update

Chief of Enforcement Steve Grove updated the Board on the results of an investigation and prosecution of Eco Solar. Chief Grove detailed Eco Solar's crimes causing tremendous financial and property damage to consumers. The conviction resulted in 100 consumers being awarded a \$2.2 million restitution payout, and the case was submitted to Los Angeles DA's Office for prosecution. Chief Grove highlighted the arrest and conviction of Adan Rivas, a member of CSLB's most wanted list for multiple felony offenses related to unlicensed contracting. Contreras was sentenced to seven years in prison on March 10.

Chief Grove provided a statistical analysis update and stated as of January 2023, the pending case load was 5,570 consumer-filed complaints, 1,360 more than the optimal case load of 4,210. Chief Grove attributed the excessive number of complaints to the dramatic increase in solar complaints, more than 200 solar complaints per month. Chief Grove stated investigators are committed to working on their cases and added investigators were closing nine cases a month, just below the closure goal of 10.

Chief Grove stated a Board goal was to disposition all but 100 complaints within 270 days of receipt. As of March 2023, aged complaints that exceed 270 days are down from 283 to 243. Chief Grove proposed an Enforcement Committee meeting in April 2023 to discuss possible enforcement process changes to enable staff to focus on more egregious consumer complaints.

Chief Grove highlighted the Enforcement Division's accomplishments, stating that Intake and Mediation Centers recovered \$9.1 million in restitution, \$1.1 million from CSLB-sponsored arbitration, referred 21% of investigations for prosecution, issued more than 500 licensed and non-licensed administrative citations, and revoked 70 licenses.

Chief Grove concluded the Enforcement update stating from October 2022 to January 2023, CSLB's Statewide Investigative Fraud Team (SWIFT) conducted six undercover stings across the state of California. 1,100 investigations resulted in 330 of those cases



leading to administrative or legal action and over 400 advisory notices being issued for minor violations.

Chief Mark noted Enforcement staff's work at the disaster recovery centers and how Enforcement is still doing everything they can to address complaints and bring numbers down.

3. Update on the Solar Energy Restitution Program

Chief Grove updated the Board on CSLB's Solar Energy System Restitution Program (SESRP). Chief Grove cited the introduction of the program in 2021 by Assembly Bill 137 including a \$5 million appropriation to CSLB from the state's General Fund. Of that, \$4 million for restitution and, if needed, up to \$1 million to pay for CSLB administrative costs. Chief Grove stated the program was designed to provide financial restitution to consumers who were financially harmed by a solar contractor because of fraud, misrepresentation, and other unlawful acts, including poor workmanship, abandonment, and who were unable to seek restitution from other sources.

Chief Grove stated that as of March 20, 2023, the Solar Energy System Restitution Program (SESRP) had received a total of 594 claims, with \$2.9 million approved for payment.

Board Member Comment

Member Granzella asked what the next steps were for the Solar Energy System Restitution Program.

Registrar Fogt informed Member Granzella more details about a related PACE Recovery Fund will be provided at the meeting. Other possibilities to continue the fund are being explored and considered.

Chair Mark attributed the increase in enforcement complaints to the high volume of incoming solar complaints related to a few specific contractors being multiple offenders.

Public Comment

Lisa Batista, an attorney, stated their advocacy of the continuance of the SESRP and explained having clients who are seeking to recover lost funds illegally obtained through misrepresentation and incomplete work from solar contractors.

Alan stated their home project had been abandoned by contractors, leaving them exposed to the weather conditions and having to use a tarp to prevent rain from leaking into the home. Alan stated that Echo Solar filed bankruptcy and left unfinished work and asked CSLB for help.

Dani Kando-Kaiser stated they are a policy advocate for the California Low-income Consumer Coalition and National Consumer Law Center. Kando-Kaiser expressed gratitude for CSLB and expressed interest in the continuance of the SESRP.

Josh Buswell-Charkow identified themselves as the Deputy Director at the California Solar and Storage Association (CALSSA). Buswell-Charkow offered a CALSSA



consumer protection hotline to help consumers or consumer aids resolve disputes with contractors.

G. Public Affairs

1. 2022 Activities and Accomplishments Report

Public Affairs Committee Chair Alan Guy addressed the Board and highlighted the Public Affairs 2022 Accomplishments and Activities report. Chair Guy stated the Public Affairs Office increased public presence with in-person and virtual workshops, disaster outreach and contractor education. Chair Guy stated staff distributed industry bulletins, news releases, fielded media inquiries, and broadcasted over 30 livestreams. Chair Guy emphasized the use of social media as the reliable source for community engagement citing increases in following and views.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

2. Public Affairs Update

Chair Guy provided updates on the Public Affairs Office disaster outreach efforts, digital services, social media, stakeholder communications, and Senior Scam Stoppers. Chair Guy highlighted the disaster response for the Humboldt earthquake and local winter storms, also mentioning the expanded reach targeting areas affected by disasters and offering rebuilding workshops. Chair Guy mentioned the digital services offered by the Public Affairs Office including Spanish-language videos and publications, and informative consumer and contractor videos to reduce disaster related scams.

Chair Guy presented “Women in Construction” and “What Seniors Should Know” videos followed by highlighting publications projects created for social media, stakeholder communications, media relations and community outreach using periodic intranet information updates.

Chair Guy stated the Licensing Information Center transitioned to the Public Information Center under the Public Affairs Office as of October 2022.

Board Member Comment

There was no comment.

Public Comment

There was no comment.



3. Update, Review, Discussion and Possible Action on 2022-24 Public Affairs strategic Plan Objectives

Chief of Public Affairs Katherine White requested Strategic Plan Objective 4.2, which establishes a new CSLB Board member orientation, be extended until June 2023, citing staffing shortages and expects filling these positions will assist in the completion of Strategic Plan Objective 4.2.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Motion: Amend the Public Affairs 2022-24 Strategic Plan Objective 4.2 target date to June 2023. Moved by Mary Teichert; seconded by James Ruane. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

H. Legislation

1. 2022 Activities and Accomplishments Report

Legislative Chair Miguel Galarza directed the Board to page 39 of the Board packet and highlighted Senator Dodd’s passage of Board-sponsored Senate Bill (SB) 216. Chair Galarza explained SB 216 requires proof of workers compensation coverage and went into effect for specific classifications as of January 2023; it will be expanded to all classifications by 2026. Chair Galarza thanked Board members, industry leaders and CSLB Chief Deputy Registrar Michael Jamnetski for their work on SB 216.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

2. Review, Discussion, and Possible Action on Legislative Proposal to Remove the Duty Statement Requirement from Business and Professions Code Section 7068.1

Chair Galarza introduced CSLB Chief of Legislation Yeaphana La Marr to provide a description of the proposal. Chief La Marr explained Assembly Bill (AB) 830 that



requires employees to submit a duty statement is redundant and has created unintended consequences for applicants. Chief La Marr proposed removing language provided by AB 830 to restore Business and Professions Code (BPC) section 7068.1 back to its original form. Chief La Marr cited doing so would not reduce CSLB's authority for vetting qualifier duties and would not create a fiscal impact. Chief La Marr asked for the Board's approval to pursue legislation to amend BPC Section 7068.1.

Chair Galarza explained the proposal was reviewed by the Legislative Committee at the February 16, 2023, committee meeting. Chair Galarza added that the motion comes to the Board as a fully formed motion and did not require a first and second prior to a full Board vote.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Motion: To pursue legislation to remove the duty statement requirement from Business and Professions Code section 7068.1. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

3. Review, Discussion, and Possible Action on Legislative Proposal to Require Performance and Payment Bonds to Perform Residential Construction Following a Declared State of Emergency

Chair Galarza discussed the proposal to require contractors to secure separate performance bonds for each residential project performed in areas declared in a state of emergency. Chair Galarza explained the proposal is intended to protect consumers who are victims of a natural disaster from predatory contractors.

Chief La Marr cited a 650% increase in disaster-related claims and a 50% increase in disaster-related costs and time-consuming processes related to complaints and investigations as causes to implement the proposal. Chief La Marr added the proposal enhances and expedites current CSLB methods of consumer protection and provides consumers an avenue for financial redress. Chief La Marr requested the Board's approval to share this language with the office of Senator McGuire.

Board Member Comment

Member Guy asked how common bonding is and suggested adding language restricting the contractor from marking it up, reducing any contractor profiting.



Registrar Fogt replied stating that contractor performance bonds are rare in residential construction.

Member Ruane asked if the bond is 50% of the contract.

Chair Galarza confirmed the bond would be for 50% on the contract price.

Registrar Fogt added 3% bond of a \$500,000 contract would be \$15,000.

Member Mark asked if CSLB was seeking a motion to move forward and act in between meetings.

Registrar Fogt clarified CSLB is requesting permission to work with the office of Senator McGuire to present legislation for a contractor performance bond in designated disaster areas.

Member Galarza mentioned surety bonds premiums are affected by contractor performance and contract amount impacts the percent of the bond premium.

Registrar Fogt stated the proposal is being presented as a fully formed motion.

Member Cobos asked if the bill had been assigned a number.

Member Galarza explained it is not yet a formally introduced bill.

Public Comment

There was no comment.

Motion: Board approve sharing this proposal to require a prime contractor to obtain performance and payment bonds to conduct residential reconstruction, restoration, or rebuilding after a natural disaster with the office of the Honorable Senator McGuire. Motion carried, 10-0.

YEA: Mary Teichert, Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Jacob Lopez, Steven Panelli

5. Review, Discussion, and Possible Action on Legislative Proposal to Establish a PACE Restitution Fund

Agenda Item H5 heard out of order.

Chair Galarza described the Property Assessed Clean Energy (PACE) Restitution Fund proposal and introduced Stacey Tutt of the National Housing Law Project.

Tutt explained the initial intent of the PACE program and stated recently that intent had deteriorated due to fraud and misinformation causing financial harm to consumers. Tutt referenced the Solar Energy System Restitution Program's (SESRP) recent success as the cause to adopt the proposed PACE Restitution Program Fund. Tutt suggested a



one-time \$32 million budget appropriation to rectify the financial harm caused to consumers based on research confirming two PACE administrators who have settled in litigation represent 72% of the outstanding claims from financially injured PACE creditors.

Board Member Comment

Member Guy asked how the PACE fund would be funded.

Registrar Fogt confirmed funding through the state general fund.

Public Comment

Juan Martinez, director of Pace Nations, stated they are not prepared to support the proposal and cited the need for further analysis due to lack of information provided and asked for the Board to seek more expert opinion. Martinez added the difference in financing options creates inequities to consumers who are not financed through PACE loans specifically and suggested the proposal language consider consumers with other financing sources that may have caused financial harm.

Stephanie Carroll, director of the Consumer Rights and Economic Justice Team at the Public Council, endorsed the plan for PACE restitution and cited that PACE fund administrators rely on predatory door-to-door sales and therefore should suffer the consequences of such business practices.

Gabe Holbert, of Home Run Financing, opposed the proposal citing the proposal unfairly punishes the PACE industry and suggested additional research be conducted.

Allison Snow, director of the University of San Diego Housing Rights Clinic, stated their support. Snow added without the available funds there is no relief.

Attorney Natasha Blazer, of Housing and Economic Rights Advocates, stated their support for the proposal and stated a caseload of consumers suffering financial harm related to PACE programs.

Daniel Alper, an attorney for Housing and Economic Rights Advocates, endorsed support for the proposal and cited misrepresentation and fraud with many of their clients' cases as cause for support.

Joe Jaramillo, an attorney for Housing and Economic Rights Advocates, urged the Board to endorse the proposal and highlighted foreclosure risk due to PACE program misrepresentation and fraud as reason to support the proposal.

Carlton Overstreet, the heir to Carlton Overstreet Sr., testified that the PACE programs created financial harm and forced them to relocate. Overstreet cited predatory advertisements and practices by PACE administrators that harmed their family financially and supported the PACE program proposal.

Board Member Comment

Member De La Torre thanked the speakers and stated hearing from homeowners would have been appreciated and more impactful.



Member Mark stated the proposed language was not before the committee and asked if statute of limitations would affect claims in the new PACE proposal.

Registrar Fogt stated contracts after January 1, 2016, would be considered eligible for consideration in the proposal.

Member Mark asked if the goal is to get the language inserted into the budget and the program created as a state program.

Registrar Fogt responded the Board is being asked to support the creation of a PACE Recovery Fund and emphasized the Board is not sponsoring the legislation. Registrar Fogt stated the language would be introduced into legislation by Stacey Tutt and others and then be reviewed by the Board. Registrar Fogt reiterated that the language is a work in progress.

Motion: Board approve supporting in concept the creation or proposal to create a PACE Restitution Fund for consumers harmed by PACE loans. Motion carried, 9-0.

YEA: Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Mary Teichert, Jacob Lopez, Steven Panelli

6. Review, Discussion, and Possible Action on Legislative Proposal to Apply a Three-Year Statute of Limitations to Violations for Allowing Fraudulent Use of a Contractor License

Chief La Marr explained the purpose of the proposal is to extend the one-year misdemeanor statute of limitations to three years. Chief La Marr cited the positive impact on consumer protection by addressing criminal misuse of a license. Chief La Marr stated that the 1-year statute, in comparison to the time CSLB typically receives consumer complaints, needs to be extended to provide for increased investigation time, thereby resulting in more successful prosecutions.

Board Member Comment

There was no comment.

Public Comment

Motion: Board approve sharing the proposal to increase the statute of limitations for misdemeanor violations of unlawful use of a license with the office of Senator McGuire. Motion carried, 9-0.

YEA: Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None



ABSENT: Mary Teichert, Jacob Lopez, Steven Panelli

6. Update, Review, Discussion and Possible Action on 2022-24 Legislative Strategic Plan Objectives

Chief La Marr requested to extend the Strategic Plan Objective 3.2 due date to December 2023 to review policies, procedures, and current practices for compliance with the Administrative Procedure Act to ensure appropriate decision-making.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Motion: The Board approve to extend Strategic Plan Objective 3.2 due date to December 2023. Moved by Johnny Simpson; seconded by Michael Mark. Motion carried, 9-0.

YEA: Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Mary Teichert, Jacob Lopez, Steven Panelli

7. Review, Discussion, and Possible Action on 2023 Pending Legislation

a. AB 336 (Cervantes) – Contractors: workers’ compensation insurance

Chief La Marr introduced AB 336 and stated its purpose is to prevent workers’ compensation insurance fraud by ensuring contractors appropriately classify employees according to workers’ compensation insurance records by reporting the top three classifications on the license. Chief La Marr requested the Board watch this bill which allows time for staff to collaborate with sponsors to reduce the fiscal impact and clarify CSLB’s role.

Board Member Comment

Member Mark confirmed the recommendation is to look at the bill and reconsider it at the June Board meeting.

Chief La Marr responded verifying the cooperation of sponsors and requesting time to negotiate the responsibility of CSLB and eliminate the possibility of fiscal impact.

Kristy Schieldge of DCA Legal expressed concern for classifications not represented by the Board or staff and suggested staff explore discussion to determine whether the workers’ compensation requirement is appropriate for specific classifications.



Chair Galarza expressed concern for coding the appropriate three codes if a contractor holds more than three classifications. Chair Galarza questioned how this bill further protects the public.

Chief La Marr explained that by having to list the top three requested classifications, the bill will assist in identifying contractors that may or may not be appropriately paying their workers or pay appropriate workers' compensation premiums.

Member Mark stated they supported continuing to watch this bill.

Member Cobos expressed favor in gathering more information.

Public Comment

There was no comment.

Motion: To direct staff to work with the author's office to address the concerns raised at this meeting, and to work with the Legislative Chair and keep them apprised of the issues and their progression. If the issues are addressed, then authorize the Legislative Chair to take a support if amended position. Moved by Michael Mark; seconded by Rodney Cobos Motion carried, 9-0.

Motion carried, 9-0.

YEA: Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Mary Teichert, Jacob Lopez, Steven Panelli

b. AB 1204 (Holden) – Contractors: contracts: restrictions.

Chief La Marr explained the purpose of AB 1383 is intended to prevent contractors from subcontracting with multiple contractors rather than hiring employees to avoid complying with workers' compensation and tax requirements. Chief La Marr stated this bill would impact small business and home improvement projects. Chief La Marr suggested a watch or an oppose, citing the timing of legislation and the impact on businesses and construction projects.

Board Member Comment

Chair Galarza stated that AB 1204 would affect contractors' ability to contract with smaller specialty contractors and suggested considering researching the impact on contractors.

Member Mark asked if AB 1204 was to address 1099 issues.

Chief La Marr confirmed that AB 1204 was to address 1099 issues by contractors avoiding workers' compensation by misclassifying workers as subcontractors.



Registrar Fogt explained AB 1204 was to reduce contractors circumventing workers' compensation laws. Registrar Fogt added concern that the bill may restrict general B contractors from hiring subcontractors on home rebuild contracts.

Member Mark asked if a subcontractor's work is over \$500, must they have a valid license.

Registrar Fogt confirmed contractors contracting over \$500 need to be an employee or be licensed.

Chair Galarza added that contractors are hiring subcontractors of the same classification to avoid workers' compensation laws.

Member Guy stated that the 2026 implementation of the workers' compensation bill may eliminate the need for AB 1204.

Public Comment

There was no comment.

c. AB 1383 (Ortega) – Contractors: discipline: noncompliance with child support obligations.

Chief La Marr explained AB 1383 replaces an existing process that's more cost-effective and less work intensive. Chief La Marr explained that by adopting AB 1383, CSLB would assume responsibility for investigating and adjudicating child support disputes. CSLB may incur a fiscal impact of \$2.5 million over the first two years of implementation. Chief La Marr suggested a watch, citing the author has amendments to introduce.

Board Member Comment

Kristy Schieldge from DCA Legal asked if there was an option to take a position to delegate the Legislative Chair the authority to change the position if the issues are addressed.

Chief La Marr confirmed yes.

Member Mark expressed concern for the potential financial harm caused to contractors who fall behind on child support payments for events they cannot control.

Registrar Fogt commented that a concern for CSLB would be using limited resources to create an appeals process for child support matters.

Member De La Torre suggested a watch.

Chief La Marr explained the decisions of Child Support Services would be the enforcing authority over Family Law.

Member Cobos expressed consideration for the indirect consequences of a non-compliant qualifier affecting the business of subcontractors whom they've employed.



Member Granzella stated the complexity and challenges of this matter can be very expensive and suggested passing a motion would be very difficult. Member Granzella suggested further review of the fiscal impact.

Member Ruane recommended a watch.

Member Guy suggested a watch.

DCA Legal Kristy Schieldge clarified the current policy of a 150-day notice prior to suspension to resolve issues and avoid an improper suspension. Schieldge also added administrative processes could slow down recovery of funds owed.

Chief La Marr verified amendments are being introduced after meeting with the authors, various agencies, and sponsors to make the process automatic.

Public Comment

There was no comment.

d. SB 630 (Dodd) – Contractors State License Board: regulation of contractors.

Chief La Marr stated SB 630 has no fiscal impact and would enhance CSLB's ability to communicate with licensees and standardize conditions of discipline processes. Chief La Marr requested staff support for SB 630.

Board Member Comment

There was no comment.

Public Comment

There was no comment.

Motion: To SUPPORT SB 630. Moved by David De la Torre; seconded by Michael Mark Motion carried, 9-0.

Motion carried, 9-0.

YEA: Rodney Cobos, David De La Torre, Miguel Galarza, Susan Granzella, Alan Guy, Diana Love, Michael Mark, James Ruane, Johnny Simpson

NAY: None

ABSENT: Mary Teichert, Jacob Lopez, Steven Panelli

Board Member

There was no comment.



Public Comment

James Alvarez expressed the workers' compensation and surety bond laws are restrictive and harmful to entry-level contractors and suggested the Board conduct research that allows equitable and fair competition for contractors.

I. Adjournment

Vice Chair Love adjourned the Board meeting at approximately 12:52 p.m.