

APRIL 17 & 18, 2012
MONTEREY, CALIFORNIA



CONTRACTORS STATE LICENSE BOARD

Board Meeting





CONTRACTORS STATE LICENSE BOARD

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800-321-CSLB (2752)
www.cslb.ca.gov • *CheckTheLicenseFirst.com*

STATE OF CALIFORNIA
Governor Edmund G. Brown Jr.

NOTICE OF BOARD MEETING

The Contractors State License Board (CSLB) will hold a Board Meeting on April 17, 2012, from 1:30 p.m. to 5:00 p.m. and on April 18, 2012, from 8:30 a.m. to 5:00 p.m. at the Portola Hotel and Spa, Two Portola Plaza, Monterey, CA 93940, (800) 342-4295.

All times are approximate and subject to change. Items may be taken out of order to maintain a quorum, accommodate a speaker, or for convenience. The meeting may be canceled without notice. For verification of the meeting, call (916) 255-4000 or access the Board's website at <http://www.cslb.ca.gov>. Action may be taken on any item listed on this agenda, including information-only items. Public comments will be taken on agenda items at the time the item is heard. Total time allocated for public comment may be limited.

The meeting is accessible to the physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Tara Maggi at (916) 255-4000 or by sending a written request to the CSLB Executive Office, 9821 Business Park Drive, Sacramento, CA 95827. Submitting your request at least five (5) business days prior to the meeting will help ensure availability of the requested accommodation.

AGENDA

Day 1

April 17, 2012

1:30 p.m. – 5:00 p.m.

- A. Call to Order – Establishment of Quorum
- B. Chair's Remarks and Board Member Comments
- C. Public Comment Session
- D. Registrar's Report
- E. Review and Approval of February 7, 2012 Board Meeting Minutes
- F. Review and Approval of the Legislative Committee Report
 - 1. Review and Approval of March 28, 2012 Legislative Committee Summary Report
 - 2. Review and Approval of Recommended Position on Legislation, including AB 1588, AB 1655, AB 1750, AB 1794, AB 1810, AB 1904, AB 1920, AB 2219, AB 2237, AB 2482, AB 2554, AB 2570
- G. Review and Approval of the Public Affairs Committee Report
 - 1. Review and Approval of March 28, 2012 Public Affairs Committee Summary Report
 - 2. Review and Approval of Expanded Outreach Proposal

- H. Closed Session – Pending Litigation Pursuant to Government Code section 11126 (e)(1)
 - 1. Kathy Jones vs. State of California Department of Consumer Affairs, et. al.,
Case No. 34-2009-00065937
- I. Strategic Planning Session
- J. Adjournment

AGENDA
Day 2
April 18, 2012
8:30 a.m. – 5:00 p.m.

- A. Call to Order – Establishment of a Quorum
- B. Strategic Planning Session (continued)
- C. Adjournment

APRIL 17, 2012
MONTEREY, CALIFORNIA



CONTRACTORS STATE LICENSE BOARD

Board Meeting

DAY 1



AGENDA ITEM A

Call to Order – Pledge of Allegiance – Establishment of Quorum

Roll is called by the Board Chair or, in his/her absence, by the Board Vice-Chair or, in his/her absence, by a Board member designated by the Board Chair.

Eight members constitute a quorum at a CSLB Board meeting, per Business and Professions Code Section 7007.

BOARD MEMBER ROSTER

ROBERT BROWN

JAMES MILLER

DAVE DIAS

LISA MILLER-STRUNK

JOAN HANCOCK

JOHN O'ROURKE

PASTOR HERRERA JR.

BRUCE RUST

MATTHEW KELLY

FRANK SCHETTER

LOUISE KIRKBRIDE

PAUL SCHIFINO

ROBERT LAMB

MARK A. THURMAN

ED LANG



AGENDA ITEM B

Chair's Remarks and Board Member Comments

Board Chair Robert Lamb will review the scheduled Board actions and make appropriate announcements.

Board members may comment on issues not on the agenda. They may not debate or vote on issues not included on the agenda notice.



AGENDA ITEM C

Public Comment Session

Members of the public may address the Board at this time on matters that are not on the agenda. However, because such matters are not on the agenda, the Board may not take action at this meeting. The Board Chair will allow public comment during other agenda items at his/her discretion.

BOARD AND COMMITTEE MEETING PROCEDURES

To maintain fairness and neutrality when performing its adjudicative function, the Board shall not receive any substantive information from a member of the public regarding matters that are currently under or subject to investigation, or involve a pending or criminal administrative action.

- (1) If, during a Board meeting, a person attempts to provide the Board with substantive information regarding matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the person shall be advised that the Board cannot properly consider or hear such substantive information and the person shall be instructed to refrain from making such comments.
- (2) If, during a Board meeting, a person wishes to address the Board concerning alleged errors of procedure or protocol or staff misconduct involving matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the Board will address the matter as follows:
 - (a) Where the allegation involves errors of procedure or protocol, the Board may designate either its Registrar or a board employee to review whether the proper procedure or protocol was followed and to report back to the Board.
 - (b) Where the allegation involves significant staff misconduct, the Board may designate one of its members to review the allegation and to report back to the Board.
- (3) The Board may deny a person the right to address the Board and have the person removed if such person becomes disruptive at the Board meeting.



AGENDA ITEM D

Registrar's Report





CONTRACTORS STATE LICENSE BOARD

ENFORCEMENT PROGRAM UPDATE

INTAKE / MEDIATION CENTERS (IMC)

CONSUMER RESTITUTION
2011 - 2012 Fiscal Year

• \$ 5,727,516

INVESTIGATIVE CENTERS (ICs)

CONSUMER RESTITUTION
2011 - 2012 Fiscal Year

• \$2,918,651

STATEWIDE INVESTIGATIVE FRAUD TEAM (SWIFT)

During 2011, SWIFT conducted many successful undercover sweep and sting operations as well as developed new strategies and partnerships to combat the underground economy as follows:

- **STINGS / SWEEPS**

Each month, undercover sting and sweep operations are conducted throughout the state. During 2011, SWIFT conducted 261 sting and sweep days, resulting in over 1,100 legal actions, including NTAs and citations.

- SWIFT performed 72 sting days during 2011, partnering with law enforcement, DAs, building departments and code enforcement officials, industry leaders, and other state agencies. The sting operations targeted unlicensed repeat offenders and wanted criminals working in the construction industry.
- SWIFT also conducted 189 sweep days during 2011, including 5 sweeps as a member of the Economic and Employment Enforcement Coalition (EEEC).

As a result of the extensive efforts to combat unlicensed operators, SWIFT was able to achieve the following results:

647	Suspects received NTAs for contracting without a license, illegal advertising and workers' compensation (WC) insurance violations.
528	Licensed and unlicensed individuals received administrative citations for licensure, advertising, aiding and abetting, and WC violations.

**CASE MANAGEMENT****FISCAL YEAR (JUL 2011 – FEB 2012)**

CITATIONS ISSUED		
	Licensee	Non-Licensee
Citations Issued	500	551
Citations Appealed	222	214
Citation Compliance	312	227
MANDATORY SETTLEMENT CONFERENCES		
Scheduled		178
Settled		254
Civil Penalties Collected		\$506,159
Total Savings to the Public		\$898,210

ARBITRATION	
Arbitration Cases Initiated	420
Arbitration Decisions Received	351
Licenses Revoked for Non-Compliance	90
Arbitration Savings to the Public – Restitution	\$1,221,797.00
ACCUSATIONS / STATEMENT OF ISSUES	
Revocations by Accusation (Applicants Revoked)	219
Restitution for Accusations	\$73,627.35
Statement of Issues (Applicants Denied)	32
Cost Recovery Received	\$141,551.06
Number of Cases Opened	252
Number of Accusations/Statement of Issues Filed	205
Number of Proposed Decisions Received	59
Number of Stipulations Received	55
Number of Defaults Received	92
Number of Decisions Mailed	219



GENERAL COMPLAINT-HANDLING STATISTICS

It has been determined that a manageable level of pending complaints for all current CSLB staff is **4,291**. As of February 2012, the pending caseload was **3,683**.

In July 2011, monthly closure goals were increased from 8 to 9 after the elimination of furlough days and the implementation of a personal development day. However, with the inability to fill vacancies, the Enforcement division loses an average of one ER per month.

It is anticipated that caseloads will rise with time and possibly exceed current manageable levels. An increase in caseloads will lead to a longer investigation process for consumers.

The following chart outlines how CSLB determines manageable caseloads:

Job Classification	Current Number of Staff	Closure Goal per Month	Preferred Cycle Time (months)	Preferred Caseload per ER	Current Average Caseload per ER	Maximum Number of Cases per Classification
ER I	46	9	4	36	36	1656
ER I (APP)	2	20	3	60	46	120
ER II	20	5	4	20	25	400
SWIFT	17	15	1	15	13	255
CSR	31	30	2	60	38	1860
TOTAL						4,291

In February 2006, the Board adopted the following Enforcement Objectives regarding complaint-handling.

- **MAINTAIN ER 1 PRODUCTION OF CLOSING 10 COMPLAINTS PER MONTH**
Pursuant to elimination of furlough days and implementation of a personal leave day, the Board increased the average number of complaints closed per ER to nine (9) closures per month. In February 2012, ERs closed an average of 9.6 complaints.
- **INCREASE THE PERCENTAGE OF LICENSEE COMPLAINTS SETTLED TO 30%**
Licensee complaints settled in February 2012 averaged 38%.
- **ACCOMPLISH IMC LICENSEE COMPLAINT DISCLOSURE OF 70%**
The licensee disposition average in February 2012 was 68%.
- **REDUCE 270-DAY-OLD COMPLAINTS TO 100 OR LESS**
Staff's effective management of pending complaints has resulted in consistently maintaining the Board's goal. At the end of February 2012 there were only 95 aged cases.



CONTRACTORS STATE LICENSE BOARD

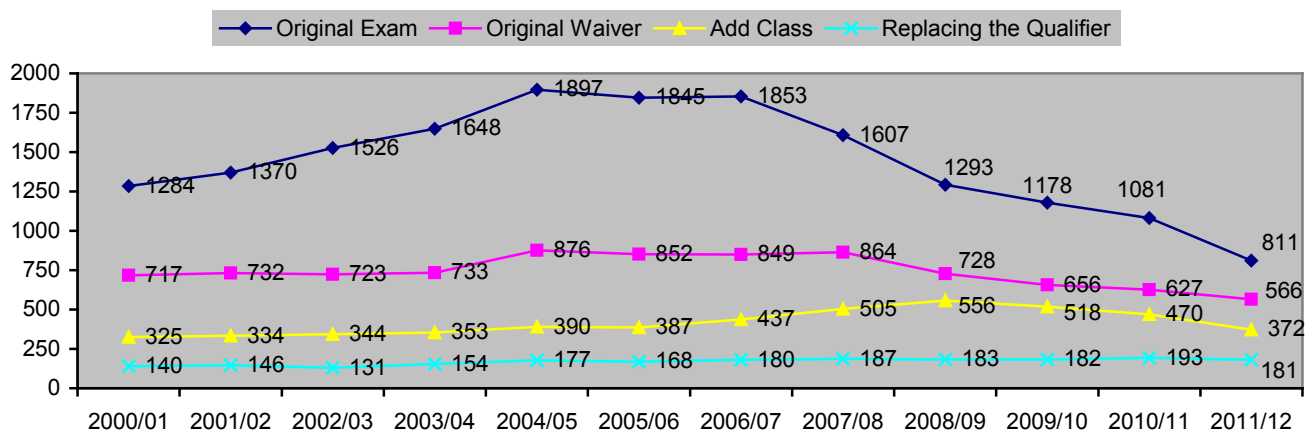
LICENSING PROGRAM UPDATE

License Application Workload

The following chart shows the average number of applications received per month for the past 11 fiscal years (FY). Fingerprint requirements went into effect January 2005.

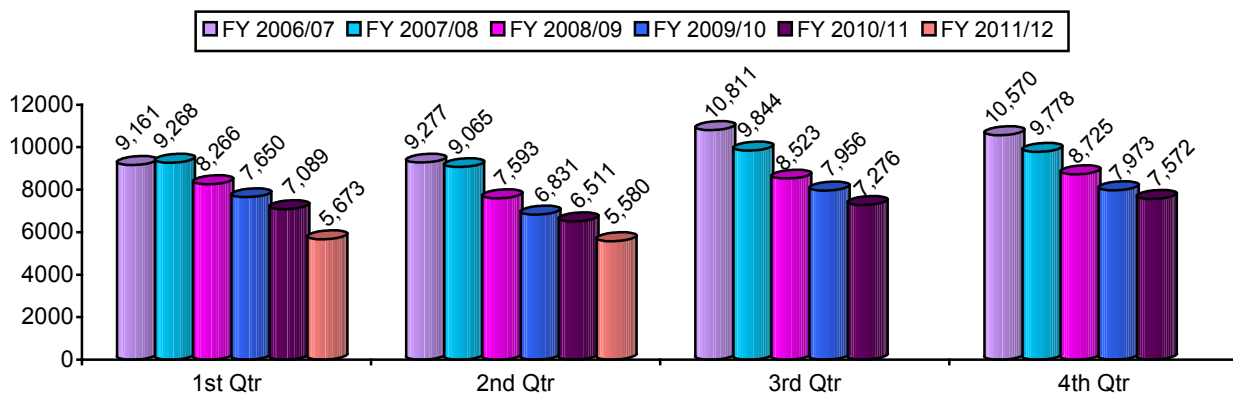
The number of applications received continues to decline due to the economic recession and housing downturn. The average number of original applications received per month for FY 2010-11 is down 30 percent from the overall average for the previous 10 years.

AVERAGE NUMBER OF APPLICATIONS RECEIVED PER MONTH



The following chart compares the total number of applications received by quarter for the past five FY.

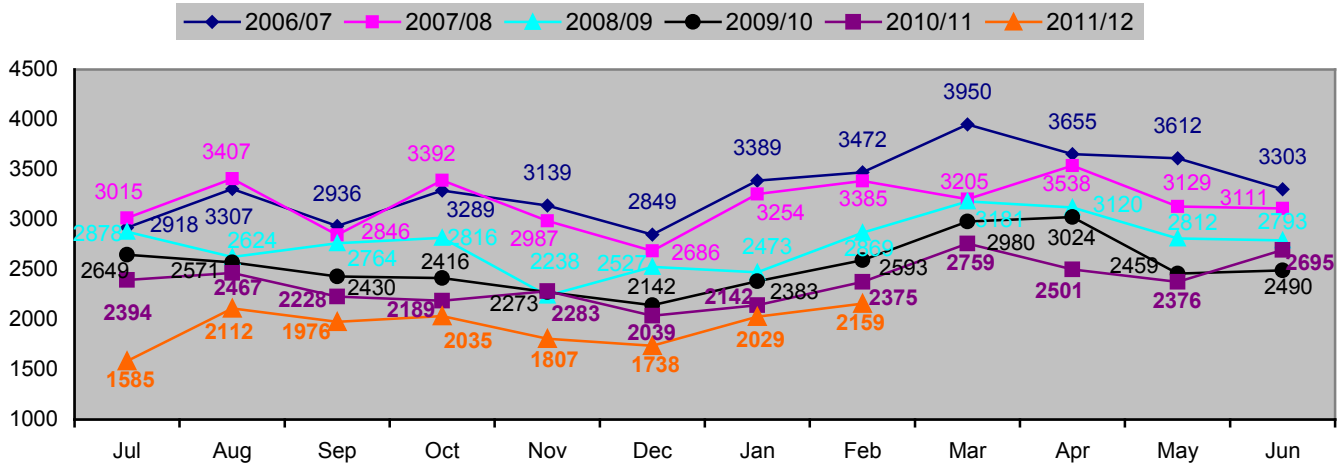
**COMPARISON OF APPLICATIONS RECEIVED PER QUARTER
(Original Exam, Original Waiver, Add Class, Replacing the Qualifier)**



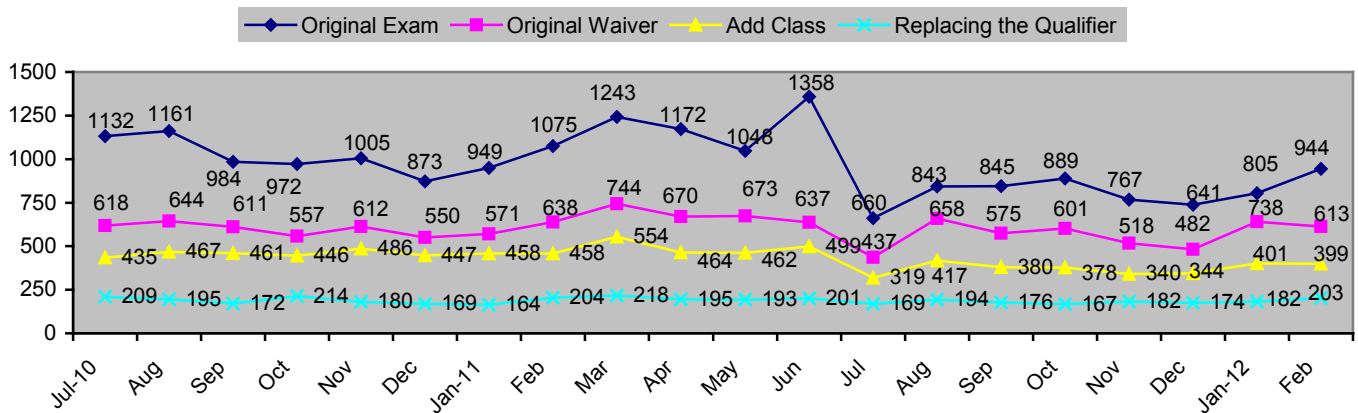
Decrease of 6.5% for total applications received for 2010-11 as compared to 2009-10



TOTAL NUMBER OF APPLICATIONS RECEIVED PER MONTH
(Original Exam, Original Waiver, Add Class, Replacing the Qualifier)



NUMBER OF APPLICATIONS RECEIVED





Limited Liability Companies (LLCs)

The new LLC program has been implemented. The passage of Senate Bill 392 (Statutes of 2010, Chapter 698) authorizes CSLB to issue contractor licenses to limited liability companies (LLCs). The law required CSLB to begin processing LLC applications no later than January 1, 2012. The LLC applications were made available on the CSLB website on December 28, 2011.

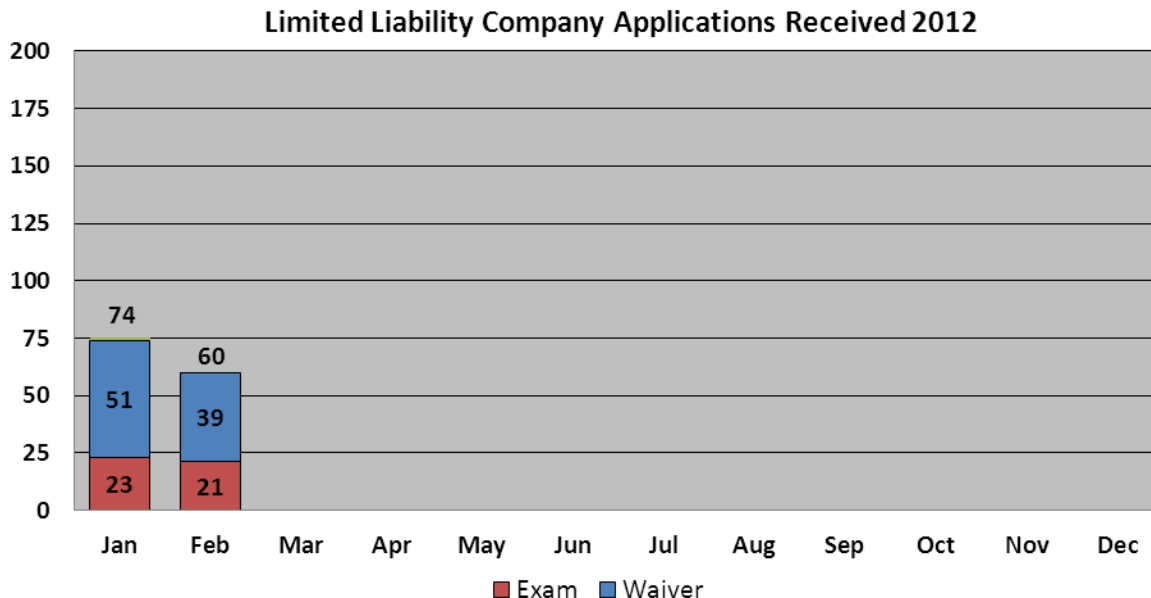
In the bill, the Legislature noted that contractors have been allowed to operate as corporations, and to be designated as “S” or “C” corporations for many years, with well-established case law regarding the ability to “pierce the corporate veil.”

It was the intent of the Legislature that this doctrine shall also apply to LLCs. Since there is not yet case law establishing this principle in California an additional \$100,000 bond requirement for the benefit of workers relative to payment of wages and fringe benefits was established. This will ensure that workers are protected despite the absence of case law dealing with LLCs. This bond is in addition to the \$12,500 contractor bond.

LLCs will be qualified by responsible managing officers, responsible managing members, responsible managing managers, or responsible managing employees. All officers, members, managers, directors, and qualifiers of LLCs must be listed on the application as personnel of record.

LLCs will also be required to have \$1,000,000 in liability insurance when five or fewer persons are listed as personnel; with an additional \$100,000 required for each additional personnel, not to exceed \$5 million.

The chart below and on page 4 illustrates the number of LLC applications received from January 1, 2012 through February 29, 2012 and the disposition of those applications.





LLC APPLICATION PROCESSING - 2012

	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr
Received	23	51	21	39								
Rejected	7	25	16	18								
Issued	0	4	0	1								
Post / Sched for Exam No Reject	7	0	3	0								
Post / Sched for Exam After Reject	8	0	1	1								
Post / Bond & Fee Sent No Reject	0	6	0	8								
Post / Bond & Fee Sent After Reject	0	13	0	2								
App Void or Withdrawn	0	3	0	0								
App Not Yet Processed	0	0	0	9								
	JAN		FEB		MAR		APR		MAY		JUN	

Source: Teale Program A768 – Action Codes

Most Common Reasons for Rejection:

1. Personnel listed on the application needs to match the personnel listed on SOS records. (32) (34)
2. The personnel information needs clarification or is missing, i.e., DOB, middle name, title. (10) (9)
3. The LLC / SOS registration number is missing or incorrect. (9) (9)
4. The business name on the application does not match LLC / SOS registration information. (8) (9)
5. Questions (page 2 of application, #10-14) are missing or incomplete. (8) (9)

The most common reason for rejection is staff’s inability to confirm and match the name(s,) title(s) and total count of LLC personnel. The California Secretary of State (SOS) is still experiencing a delay in entering Statements of Information (SOI) into its database. This four-month backlog is beyond CSLB’s control. The SOI information is required for processing the LLC application, as it provides staff with the total number and names of LLC personnel, crucial in determining the appropriate amount for the LLC liability insurance requirement (between \$1 million and \$5 million.) SOS offers expedited 24-hour processing of the SOI for an additional fee.

Applicants also are failing to furnish the required LLC business name and / or LLC registration number provided by SOS.



Fee Increases and Application Revisions

Regulations were recently changed to increase the application and licensure fees to their statutory limit, effective July 1, 2011. The table below outlines the previous and new fees.

In response to the fee increases, eight applications recently were revised (06/11 revision date) to reflect those new fees. The updated applications have been available on CSLB’s website since the end of June. Bulk quantities of the hardcopy applications were printed by the Office of State Publishing and were delivered to CSLB headquarters in mid- and late-July. Supplies will be distributed to CSLB’s various field offices.

2011 CSLB FEE INCREASES

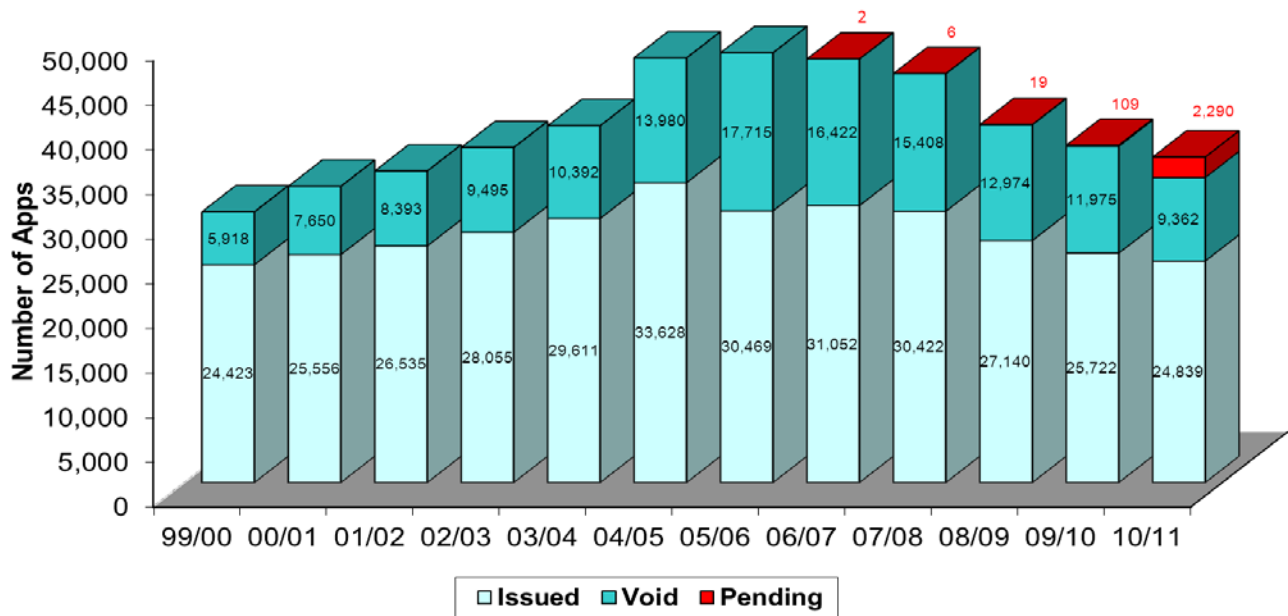
Fee	Previous Amount	New Amount	\$ Amount of Increase	% of Increase
Application for Original Contractor License	\$250.00	\$300.00	\$50.00	20%
Application to Add a Supplemental Classification or to Replace the Responsible Managing Officer or Employee on an Existing License	\$50.00	\$75.00	\$25.00	50%
Rescheduling an Examination	\$50.00	\$60.00	\$10.00	20%
Initial License Fee	\$150.00	\$180.00	\$30.00	20%
Renewal – Contractor License (Biennial)	\$300.00	\$360.00	\$60.00	20%
Renewal – 4-Year Inactive License	\$150.00	\$180.00	\$30.00	20%
Reactivate Contractor License	\$300.00	\$360.00	\$60.00	20%
Home Improvement Salesperson (HIS) Registration Fee	\$50.00	\$75.00	\$25.00	50%
Asbestos Certification Fee	\$50.00	\$75.00	\$25.00	50%
Hazardous Substance Removal Certificate	\$50.00	\$75.00	\$25.00	50%
Delinquent Fee Renewal – Contactor License ¹	\$150.00	\$180.00	\$30.00	20%
Delinquent Fee Renewal – 4-Year Inactive License ¹	\$75.00	\$90.00	\$15.00	20%
Delinquent Fee Renewal – HIS Registration ¹	\$25.00	\$37.50	\$12.50	50%

¹B&P Code section 7137(f) sets the delinquency fee as a percentage of the applicable renewal fee: “The delinquency fee is an amount equal to 50 percent of the renewal fee, if the license is renewed after its expiration.”



Disposition of Applications by Fiscal Year Teale Report S724: Run Date 03/01/2012

(Includes: Original, Add Class, Replacing the Qualifier, Home Improvement Salesperson, Officer Changes*)



License Transaction Processing Times

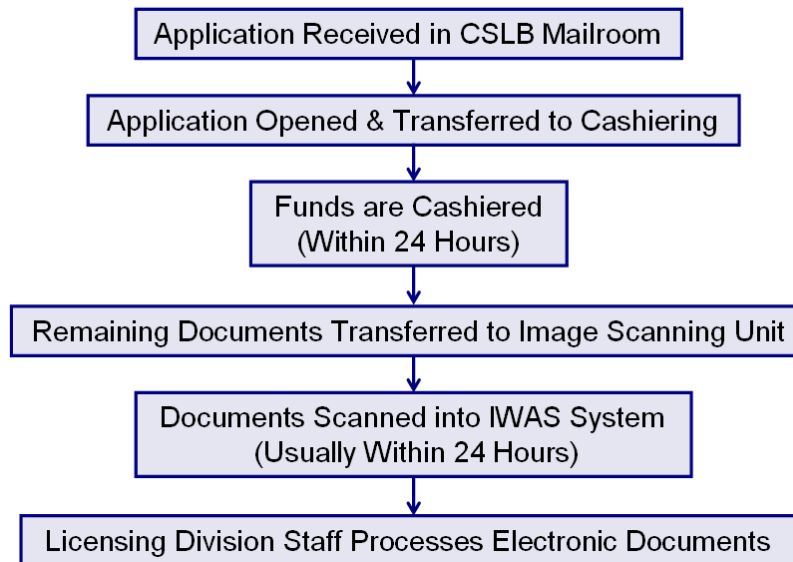
CSLB management continues to monitor processing times for the various units on a weekly and monthly basis. The charts on pages 15-17 track the “weeks to process” for the various application and license maintenance/transaction units.

The charts indicate the average number of weeks to process for that particular month. Processing times, or “weeks to process,” refers to the number of weeks after an application or document is received in the Board office before that application or document is initially pulled for processing by a technician.

When considering the weeks-to-process timelines, it is important to understand that CSLB’s application and renewal processing schedule automatically has approximately two days of backlog built into the timelines because of cashiering and image-scanning tasks that must be performed before the application or document can be pulled for processing.



CSLB Application Processing Route



Since FY 2008-09, the Licensing division has used a minimal amount of overtime, in contrast to previous fiscal years when overtime was a regular occurrence. Despite the minimal amount of overtime and the 15 percent reductions in staff hours due to the three-day-a-month furloughs, the Licensing division has maintained acceptable processing times. This can be attributed to the significant decrease in applications as shown on the first page of this program update.



Fingerprinting/Criminal Background Unit

Since January 2005, all applicants for a CSLB license and each officer, partner, owner, and responsible managing employee, as well as all applicants to be home improvement salespersons, must be fingerprinted and undergo a criminal background check conducted by the California Department of Justice (DOJ). Individuals currently licensed by CSLB who do not apply for any changes to their license and applicants for a joint venture license are not required to be fingerprinted.

CBU staff begins processing Criminal Offender Record Information (CORI) on the same day it is received by conducting a triage and clearing those applicants that have minor, clearable convictions, provided the applicant was honest in disclosing this on the CSLB application. Applicants who did not disclose what would have been considered minor, clearable convictions on their application may be given the opportunity to withdraw the false application and submit a new application and fees on which they accurately disclose their conviction(s). These withdrawal offers also are processed as part of the triage.

Since the fingerprint program began, CSLB has received more than 254,000 transmittals from DOJ. These include clear codes and conviction information.

Of the applicants who were fingerprinted during that time period, CSLB’s Criminal Background Unit (CBU) received CORI for more than 43,000 applicants. That means that DOJ and/or the Federal Bureau of Investigation reported that the individual had a criminal conviction(s) on record.

As a result of CORI files received through February 2012, CBU denied 1,069 applications and issued 1,193 probationary licenses. Of the denied licenses, 532 applicants appealed their denials.

CBU has seen a reduction in the number of fingerprint submissions as a result of the decline in applications, as well as those adding classifications that have already undergone a background check.

Below is a breakdown of CBU statistics by fiscal year.

Criminal Background Unit Statistics									
	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12*	TOTALS
DOJ Records Received	9,524	58,007	46,735	39,361	35,220	27,330	24,730	11,866	254,370
CORI RAPP Received	949	8,410	8,057	6,484	6,253	5,254	5,201	2,490	43,395
Denials	224	219	237	88	76	63	108	46	1,069
Appeals	71	113	130	45	47	29	62	26	532
Probationary Licenses Issued	0	0	126	290	206	203	243	113	1,193

*Through February 29, 2012



Licensing Information Center (LIC)

Ongoing Vacancies

LIC has continued to experience a high number of staff vacancies due to attrition and the state's hiring freeze. There are currently seven vacant positions, two of which are on hold due to the mandatory five percent budget reduction, and one position on loan to the Department of Consumer Affairs.

Additionally, the LIC has two long-time veteran staff members who retired at the end of August. Due to the limited staffing in LIC, call wait times have increased. The average call wait time was 14:38 in February, reflecting the highest wait time in the last year.

With the recent end to the hiring freeze, recruitment of new staff is a top priority. A new Staff Services Manager I was hired in June and two new call center agents have also been hired. However, LIC will continue to face significant headwinds with the veteran staff retirements and being staffed at half-capacity, with only eight of 16 positions filled.

Automated Call Distribution (ACD)

The ACD telephone system that was implemented in November 2010 has proven to be effective in managing call volume. The system has useful features such as simple "drag-and-drop" call transfer capability and storage of call history data. In addition, incoming callers no longer get busy signals because the capacity of incoming calls into ACD has been increased to 50 – a level that can accommodate all incoming traffic.

The Interaction Supervisor program available to managers and supervisors has been an effective call center managerial tool. Supervisors now have the ability to monitor all incoming calls, the number of all active agents on the system, number of callers waiting in the queue, and the average wait time and agent talk time. All of this information is available in real time and workflow can be adjusted accordingly to meet changing demand during the course of the day.

Silent Monitoring Program

Interaction Supervisor also has a silent monitoring feature that gives managers and supervisors the ability to listen in on calls for training purposes. This feature will be a valuable training tool to analyze the type of call received, the appropriate agent response, and the rapport between the agent and the caller. The program will increase the knowledge and skills of existing call center agents, will help cultivate new staff, and help gauge the quality of customer service.

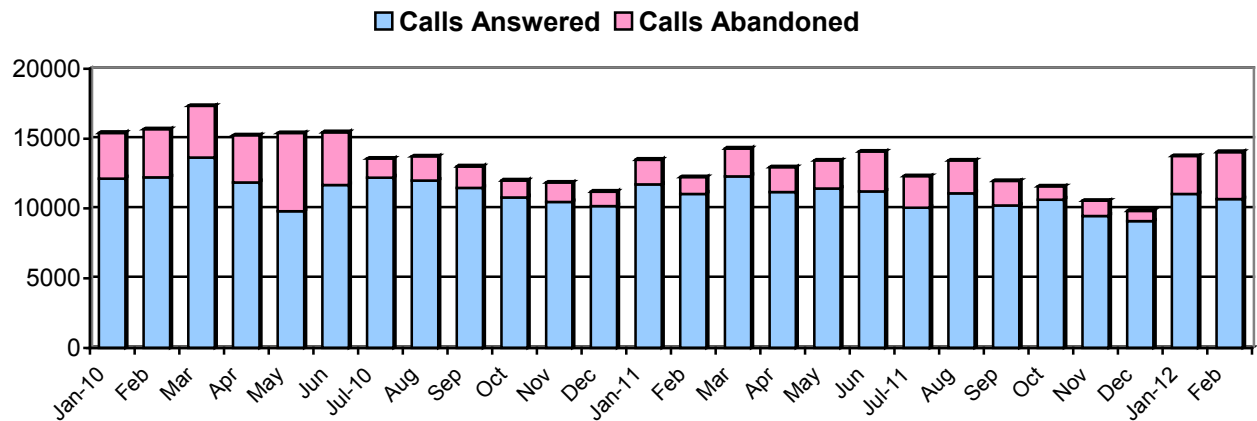
Increased Training

LIC continues to strive to provide timely, efficient, and professional services to its customers. In working toward this goal, LIC established a position to serve as a trainer and expert resource to other LIC staff. This position is responsible for updating internal call center policies, developing call center scripts for consistency, training new agents, and cross-training existing staff.



The training coordinator has developed introductory training materials based on direct feedback from current call center staff. The introductory training will be followed with a more in-depth, 40-hour training course offered to all new CSLB employees and existing employees who wish to increase their knowledge base.

Licensing Information Center Call Data



	Feb 2011	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Calls Received	12,240	14,297	12,977	13,463	14,085	12,328	13,433	11,963	11,577	10,552	9,880	13,698	14,042
Calls Answered	11,044	12,297	11,164	11,423	11,214	10,047	11,090	10,203	10,629	9,465	9,080	11,036	10,667
Calls Abandoned	1,195	1,996	1,792	2,010	2,867	2,270	2,342	1,759	948	1,086	746	2,714	3,372
Longest Wait Time	20:26	24:25	17:26	19:36	22:09	27:18	20:39	20:49	17:18	12:25	10:39	25:20	39:00
Shortest Wait Time	0:59	1:02	1:19	2:28	3:07	4:16	3:39	3:10	0:30	1:34	1:02	4:41	4:03
Average Wait Time	4:58	6:44	6:57	7:41	10:31	10:01	9:43	9:16	8:07	7:39	4:21	7:44	14:38



Judgment Unit

Judgment Unit staff process all outstanding liabilities, judgments, and payment of claims reported to CSLB by licensees, consumers, attorneys, credit recovery firms, bonding companies, CSLB's Enforcement division, and other governmental agencies. In addition, the Judgment Unit processes all documentation and correspondence related to resolving these issues, such as satisfactions, payment plans, bankruptcies, accords, motions to vacate, etc.

Outstanding liabilities are reported to CSLB by:

- Employment Development Department
- Department of Industrial Relations
 - Division of Occupational Safety and Health
 - Division of Labor Standards Enforcement
- Franchise Tax Board
- CSLB Cashiering Unit

Unsatisfied judgments are reported to CSLB by:

- Contractors
- Consumers
- Attorneys

Payments of claims are reported to CSLB by:

- Bonding companies

When CSLB receives timely notification of an outstanding liability, judgment or payment of claim, an initial letter is sent to the licensee explaining options and a timeframe for complying, which are 90 days for judgments and payment of claims and 60 days for outstanding liabilities.

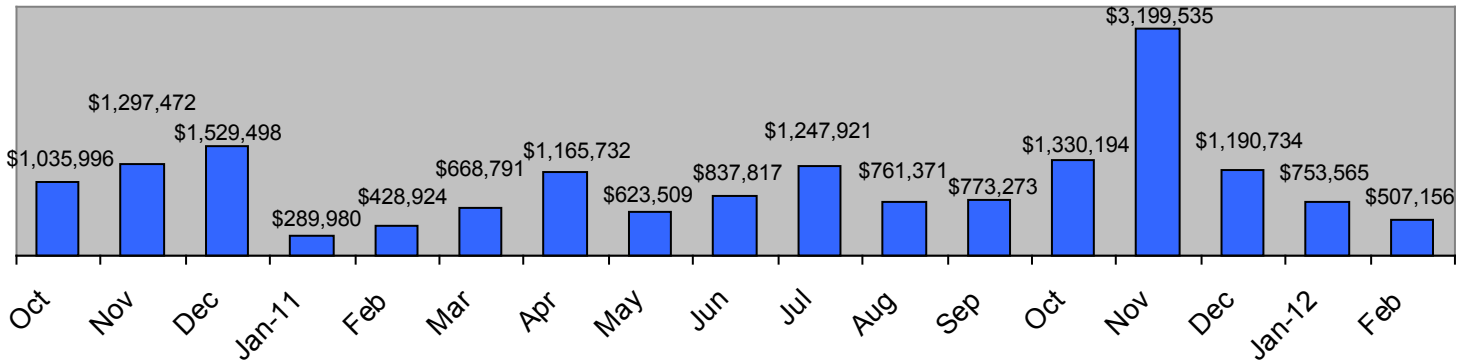
If compliance is not made within the allowed timeframe, the license is suspended and a suspend letter is sent to the contractor. A reinstatement letter is sent when compliance is met.



OUTSTANDING LIABILITIES

Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	51	58	54	46	83	140	62	71	89	62	73	71	48	71	174	98	56
Suspend	92	68	88	54	52	50	30	104	56	36	57	56	64	42	89	79	66
Reinstate	31	37	31	15	40	91	70	84	59	28	38	52	41	32	117	48	35

SAVINGS TO THE PUBLIC

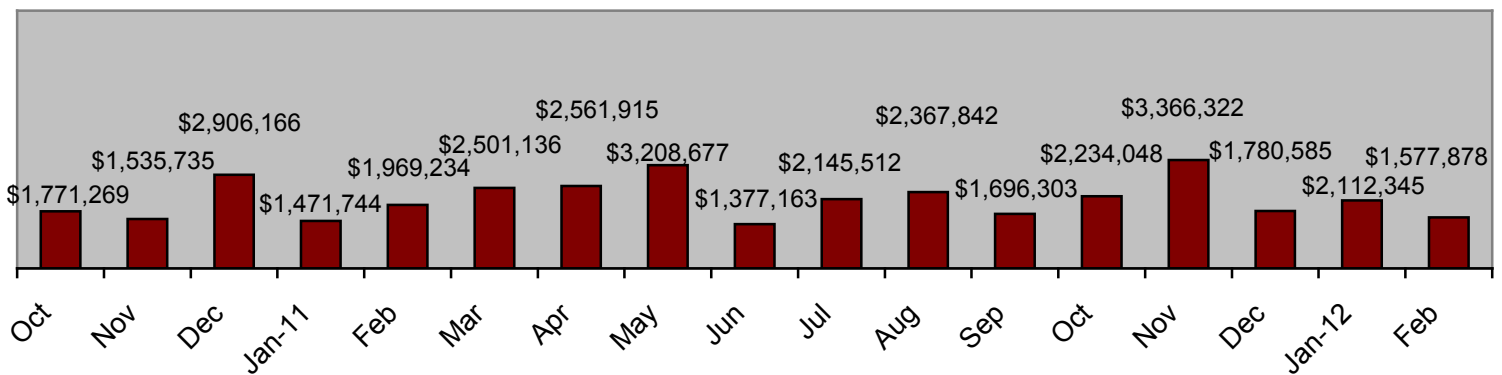




JUDGMENTS

Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	224	240	239	183	208	224	212	220	227	222	205	225	219	170	192	186	177
Suspend	94	126	78	89	91	109	84	84	77	92	114	82	84	81	93	85	74
Reinstate	151	184	162	98	154	191	165	165	135	131	186	145	162	132	127	156	153

SAVINGS TO THE PUBLIC

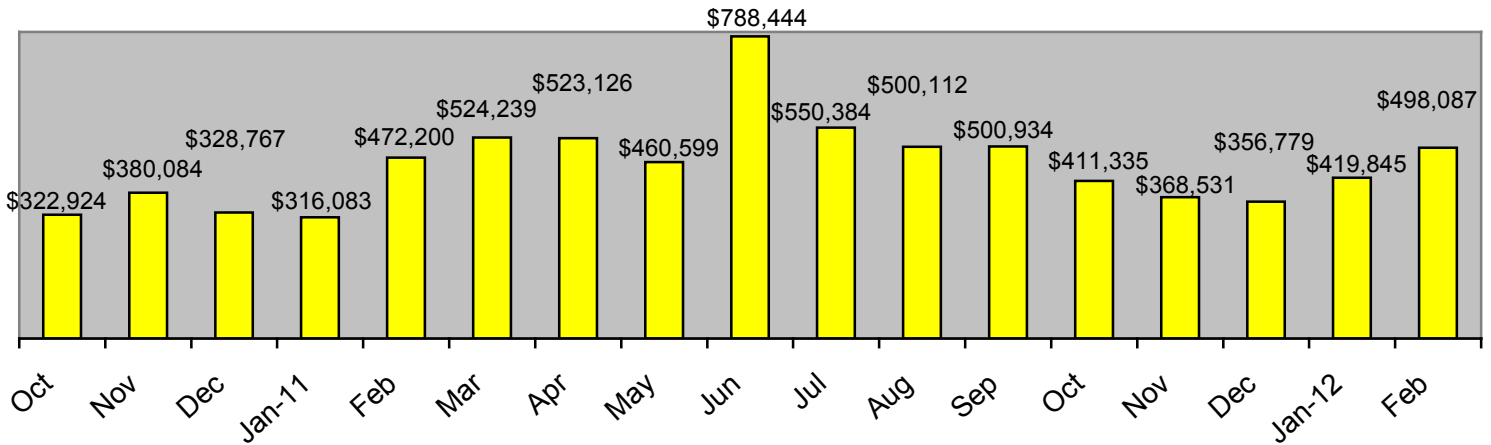




PAYMENT OF CLAIMS

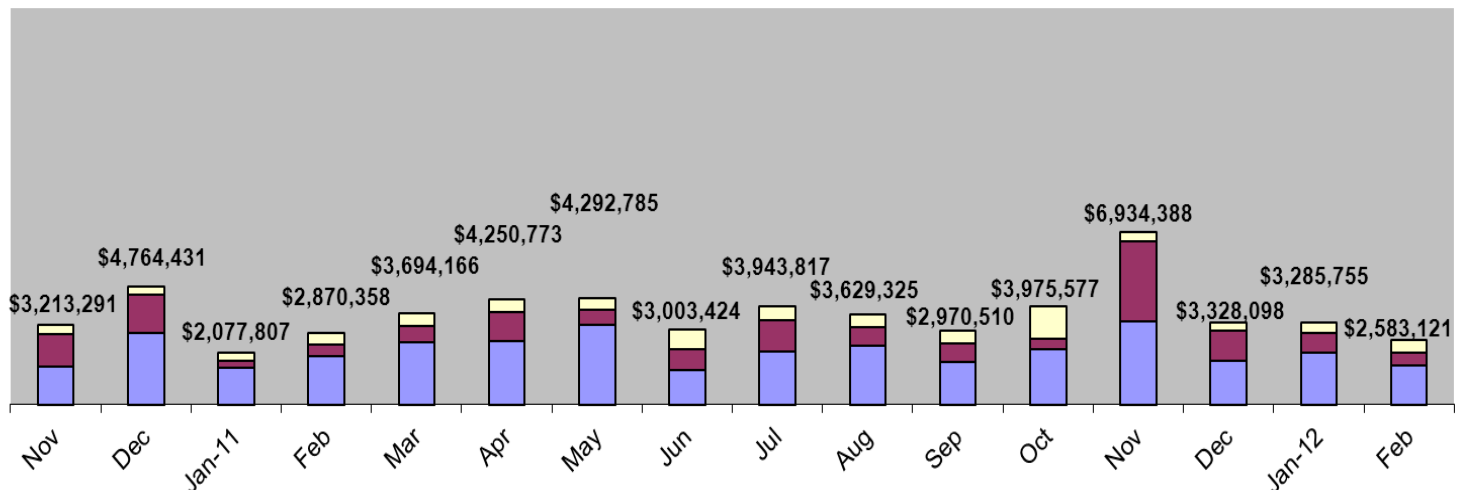
Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	93	149	310	218	205	251	220	213	234	188	177	120	224	155	152	106	124
Suspend	141	142	74	60	96	226	182	163	171	161	159	116	139	103	86	174	99
Reinstate	73	75	70	68	109	119	136	110	137	130	110	114	84	78	85	87	116

SAVINGS TO THE PUBLIC



TOTAL SAVINGS TO PUBLIC

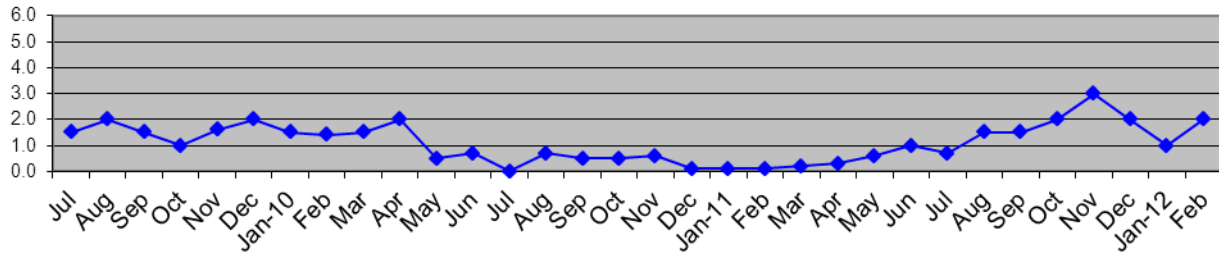
■ Judgments ■ Outstanding Liabilities □ Payment of Claims



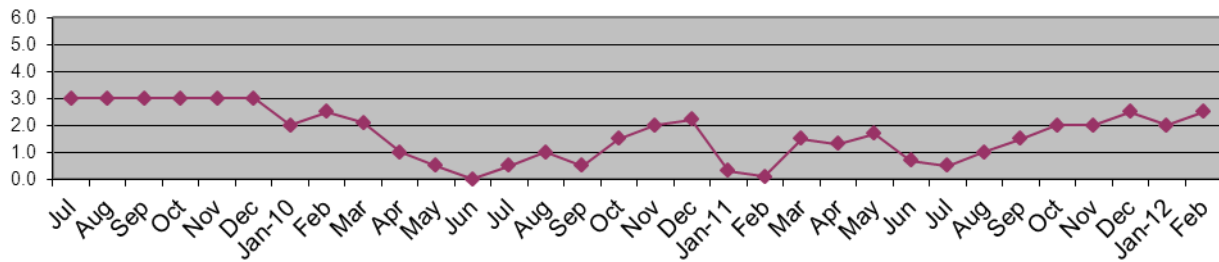


Number of Weeks Before Being Pulled for Processing

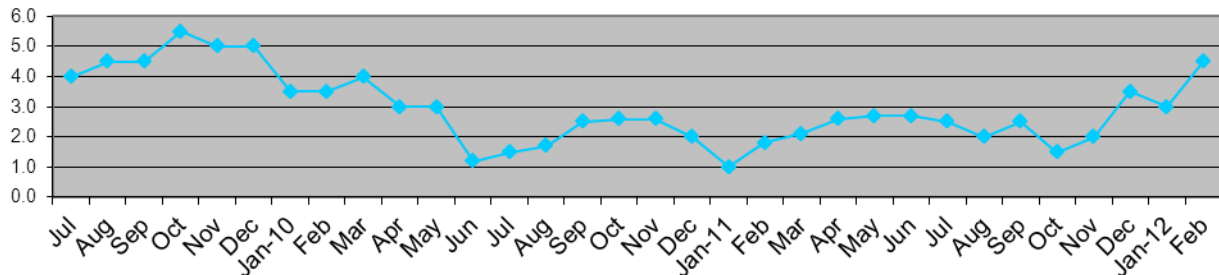
Application for Original License - Exam



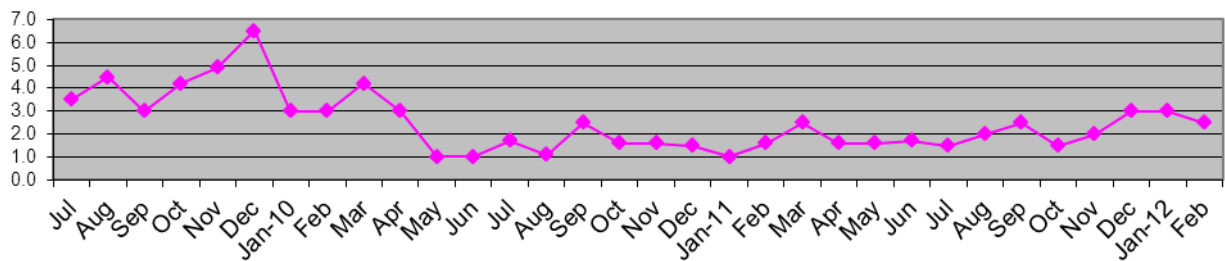
Application for Original License - Waiver



Application for Additional Classification



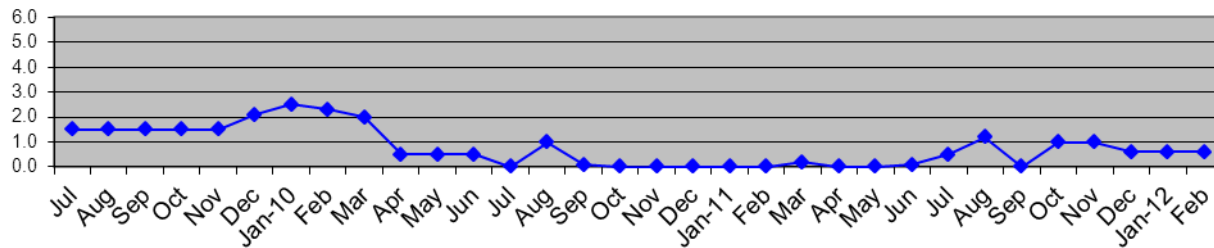
Application to Replace the Qualifier



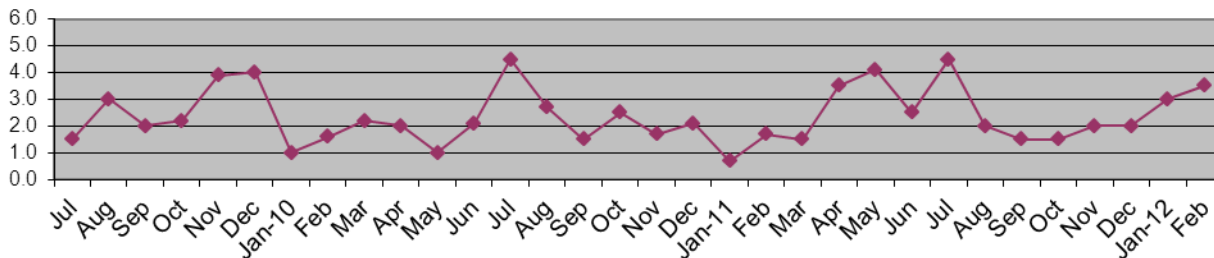
Number of Weeks Before Being Pulled for Processing



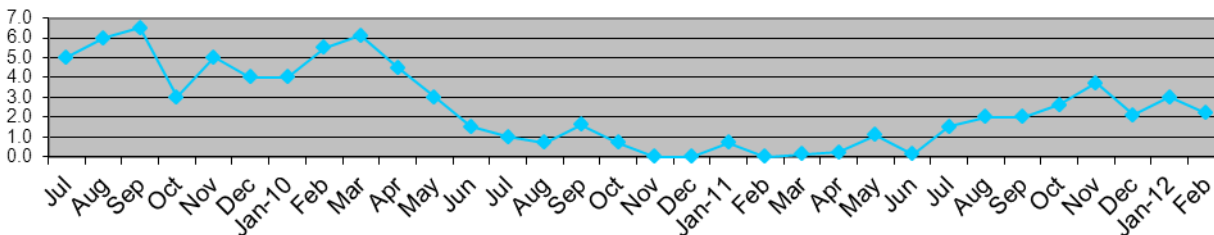
Application for Renewal



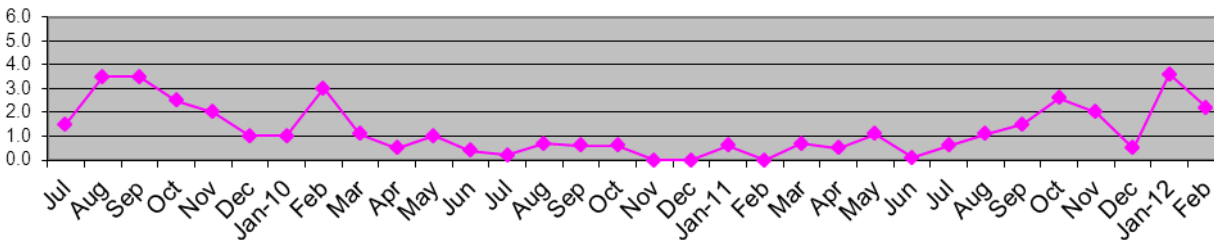
Home Improvement Salesperson (HIS) Application



Application to Report/Change Officers



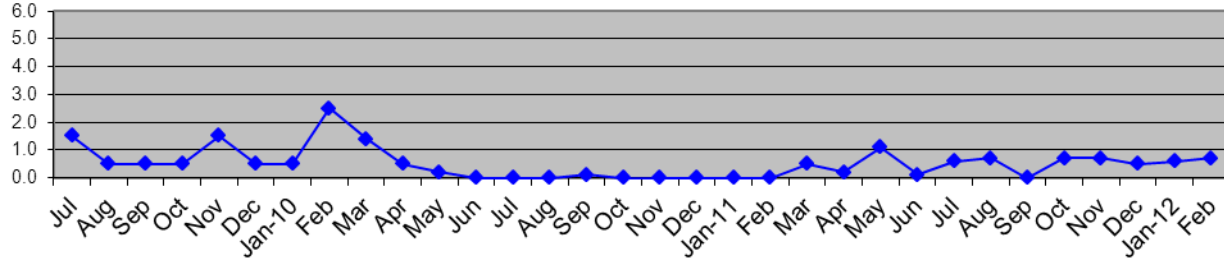
Application to Change Business Name or Address



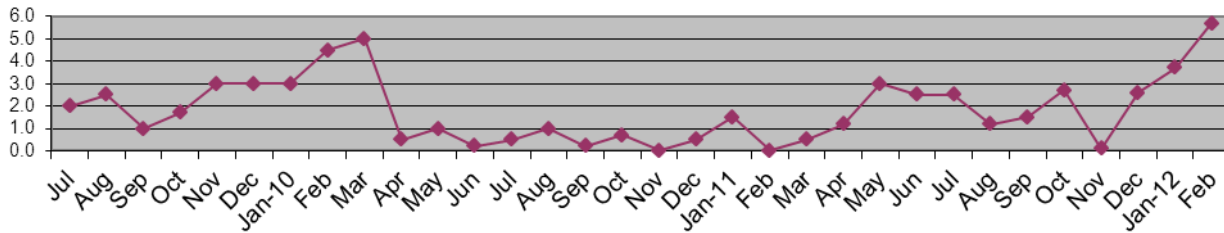
Number of Weeks Before Being Pulled for Processing



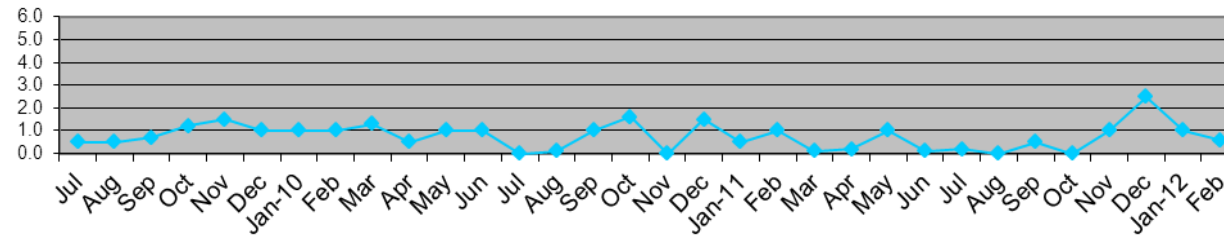
Contractor's Bond and Bond of Qualifying Individual



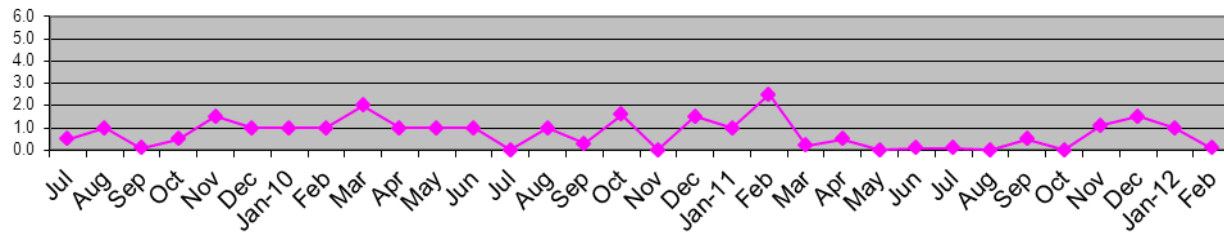
Workers' Compensation Certificates and Exemptions



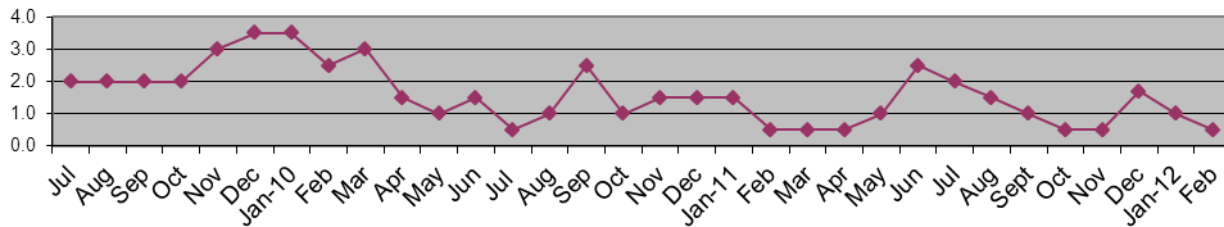
Certified License History



Request for Copies of Documents



Criminal Background Unit - CORI Review





CONTRACTORS STATE LICENSE BOARD

STATISTICS SUMMARY

Applications Received

	2009/10	2010/11	2011/12
July	3,154	2,966	2,082
August	3,105	3,137	2,801
September	2,953	2,904	2,572
October	2,914	2,702	2,688
November	2,736	2,852	2,257
December	2,453	2,531	2,269
January	2,806	2,705	2,599
February	3,113	2,973	2,884
Total	23,234	22,770	20,152

Original Licenses Issued

	2009/10	2010/11	2011/12
July	1,090	1,134	1,118
August	1,210	1,138	1,234
September	1,115	1,140	1,097
October	1,295	1,067	921
November	787	1,108	770
December	1,237	1,089	861
January	1,425	1,106	935
February	1,058	1,108	945
Total	9,217	8,890	7,881

Licenses Renewed

	2009/10	2010/11	2011/12
July	9,287	13,287	9,291
August	9,439	10,710	11,856
September	9,957	10,816	9,863
October	10,735	9,772	9,634
November	6,600	8,364	8,373
December	8,913	10,365	8,828
January	10,456	9,552	9,850
February	9,812	9,377	9,062
Total	75,199	82,243	76,757

**HIS Registrations Renewed**

	2009/10	2010/11	2011/12
July	108	132	99
August	89	110	139
September	117	113	114
October	95	82	120
November	70	117	89
December	93	100	121
January	21	131	113
February	166	154	155
Total	759	939	950

License Population by Status

	March 2010	March 2011	March 2012
Active	244,613	239,015	232,844
Inactive	63,567	66,942	67,865
Subtotal	308,180	305,957	300,709
Other /1	396,404	412,832	430,273
Expired	342,008	355,598	370,231
Expired % of Other	86.3%	86.1%	86.0%
Grand Total	704,584	718,789	730,982

/1 "Other" includes the following license status categories: cancelled, cancelled due to death, expired, or revoked.

HIS Registration Population by Status

	March 2010	March 2011	March 2012
Active	7,259	7,966	8,625
Other	75,155	77,803	80,693
Total	82,414	85,769	89,318

**Complaints By Fiscal Year**

	2008/09	2009/10	2010/11
Received	20,939	19,876	21,320
Reopened	1,088	1,010	1,076
Closed	22,523	21,532	22,483
Pending (As of June 30)	4,567	3,958	3,891

CSLB Position Vacancies

	March 2011	March 2012
Administration	5.0	4.0
Executive/Public Affairs	3.0	3.0
IT	3.0	3.0
Licensing	15.0	18.0
Enforcement	24.0	27.8
Testing	2.0	5.5
Total	52.0	61.3



CONTRACTORS STATE LICENSE BOARD

BUDGET UPDATE

❖ Fiscal Year (FY) 2011-12 CSLB Budget and Expenditures

- Through February 29, 2012, CSLB spent or encumbered \$36.8 million, roughly 63 percent of its FY 2011-12 final budget.

The following chart provides a summary of the final FY 2011-12 CSLB budget, along with the FY 2011-12 expenditures through February 2012:

EXPENDITURE DESCRIPTION	FY 2011/12 FINAL BUDGET	FEBRUARY 2012 EXPENSES	BALANCE	% OF BUDGET REMAINING
PERSONNEL SERVICES				
Salary & Wages (Staff)	21,926,048	12,740,076	9,185,972	41.9%
Board Members	15,900	7,400	8,500	53.5%
Temp Help	12,100	752,524	-740,424	-6119.2%
Exam Proctor	41,168	88,660	-47,492	-115.4%
Overtime	6,575	61,690	-55,115	-838.3%
Staff Benefits	8,684,602	5,403,401	3,281,201	37.8%
Salary Savings	-1,228,071	0	-1,228,071	
TOTALS, PERSONNEL	29,458,322	19,053,751	10,404,571	35.3%
OPERATING EXPENSES AND EQUIPMENT				
Operating Expenses	20,619,431	15,173,032	5,446,399	26.4%
Exams	435,882	189,997	245,885	56.4%
Enforcement	8,279,124	2,883,790	5,395,334	65.2%
TOTALS, OE&E	29,334,437	18,246,819	11,087,618	37.8%
TOTALS	58,792,759	37,300,570	21,492,189	36.6%
Scheduled Reimbursements	-353,000	-120,056	-232,944	
Unscheduled Reimbursements		-377,174	377,174	
TOTALS, NET REIMBURSEMENTS	58,439,759	36,803,340	21,636,419	37.0%

❖ Revenue

- CSLB received the following revenue amounts through February 29, 2012:

Revenue Category	Through 2/29/2012	Percent of Revenue	Change from prior year (2/28/2011)
Duplicate License/Wall Certificate Fees	\$74,417	0.2%	8.6%
New License and Application Fees	\$6,388,779	17.1%	4.8%
License and Registration Renewal Fees	\$28,561,092	76.7%	9.0%
Delinquent Renewal Fees	\$1,532,556	4.1%	3.2%
Interest	\$46,213	0.1%	1.9%
Penalty Assessments	\$604,191	1.6%	24.4%
Misc. Revenue	\$80,515	0.2%	-15.4%
Total	\$37,287,763	100.0%	8.2%



Fund Condition

- Attached below is the fund condition for the Contractors' License Fund, which shows the final FY 2010-11 reserve (\$14.9 million – approximately three months' reserve), along with the projected reversion amounts for FY 2011-12 through FY 2013-14:

	Final FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13	Proj. FY 2013/14
Beginning Balance	\$20,958	\$14,859	\$20,425	\$15,295
Prior Year Adjustment	\$372	\$0	\$0	\$0
Adjusted Beginning Balance	\$21,330	\$14,859	\$20,425	\$15,295
Revenues and Transfers				
Revenue	\$48,437	\$53,519	\$54,430	\$54,782
Transfer from General Fund		\$10,737		
Totals, Resources	\$69,767	\$79,115	\$74,855	\$70,077
Expenditures				
Disbursements:				
Program Expenditures (State Operations)	\$54,783	\$58,440	\$59,454	\$60,643
State Controller (State Operations)	\$89	\$64	\$57	
Financial Info System Charges	\$36	\$186	\$49	
Total Expenditures	\$54,908	\$58,690	\$59,560	\$60,643
Fund Balance				
Reserve for economic uncertainties	\$14,859	\$20,425	\$15,295	\$9,434
Months in Reserve	3.0	4.1	3.0	1.9

Note: Assumes 1.2% interest. All dollars in thousands. Revenue projections based on Fiscal Year 2011-12 receipts received through February 2012.



❖ **Construction Management Education Account (CMEA) FY 2011-12 Budget and Expenditures**

- Through February 29, 2012, CMEA expended roughly \$9,900 in pro rata charges. The following table provides a budget and expenditure summary for CMEA:

EXPENDITURE DESCRIPTION	FY 2011/12 FINAL BUDGET	FEBRUARY 2012 EXPENSES	BALANCE	% OF BUDGET REMAINING
OPERATING EXPENSES AND EQUIPMENT				
Operating Expenses	14,331	0	14,331	100.0%
Pro Rata	13,669	9,884	3,785	27.7%
TOTALS, OE&E	28,000	9,884	18,116	64.7%
GRANT AWARDS				
Grant Awards	150,000	40,968	109,032	72.7%
TOTALS, GRANT AWARDS	150,000	40,968	109,032	72.7%
TOTALS	178,000	50,852	127,148	71.4%

Note: The pro rata charges to the CMEA fund reflect "billable" costs resulting from grant disbursement beginning in FY 2009-10 (pro rata is billed on a 2-year "roll forward" basis).

❖ **CMEA Fund Condition**

- Attached below is the CMEA fund condition, which shows the final FY 2010-11 reserve, along with projected reversion amounts for FY 2011-12 through FY 2013-14:

	Final FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13	Proj. FY 2013/14
Beginning Balance	\$405	\$338	\$218	\$94
Prior Year Adjustment	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$405	\$338	\$218	\$94
Revenues and Transfers				
Revenue	\$65	\$58	\$55	\$53
Totals, Resources	\$470	\$396	\$273	\$147
Expenditures				
Disbursements:				
Grants	\$132	\$150	\$150	\$150
State Operations	\$0	\$28	\$29	\$29
Total Disbursements	\$132	\$178	\$179	\$179
Fund Balance				
Reserve for economic uncertainties	\$338	\$218	\$94	(\$32)
Months in Reserve	22.8	14.6	6.3	-2.1

Note: Assumes 1.2% interest. All dollars in thousands. Revenue projections based on Fiscal Year 2011-12 receipts received through February 2012.



CONTRACTORS STATE LICENSE BOARD

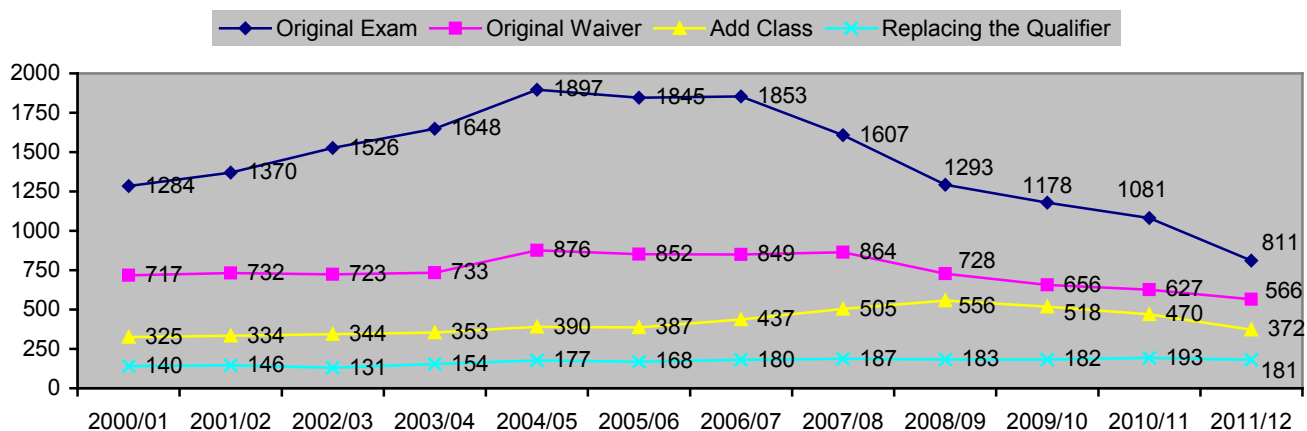
LICENSING PROGRAM UPDATE

License Application Workload

The following chart shows the average number of applications received per month for the past 11 fiscal years (FY). Fingerprint requirements went into effect January 2005.

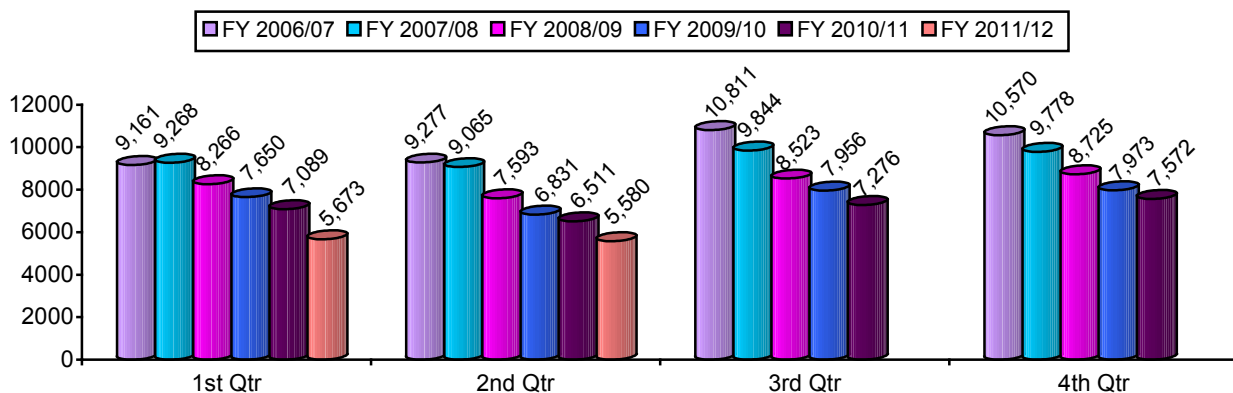
The number of applications received continues to decline due to the economic recession and housing downturn. The average number of original applications received per month for FY 2010-11 is down 30 percent from the overall average for the previous 10 years.

AVERAGE NUMBER OF APPLICATIONS RECEIVED PER MONTH



The following chart compares the total number of applications received by quarter for the past five FY.

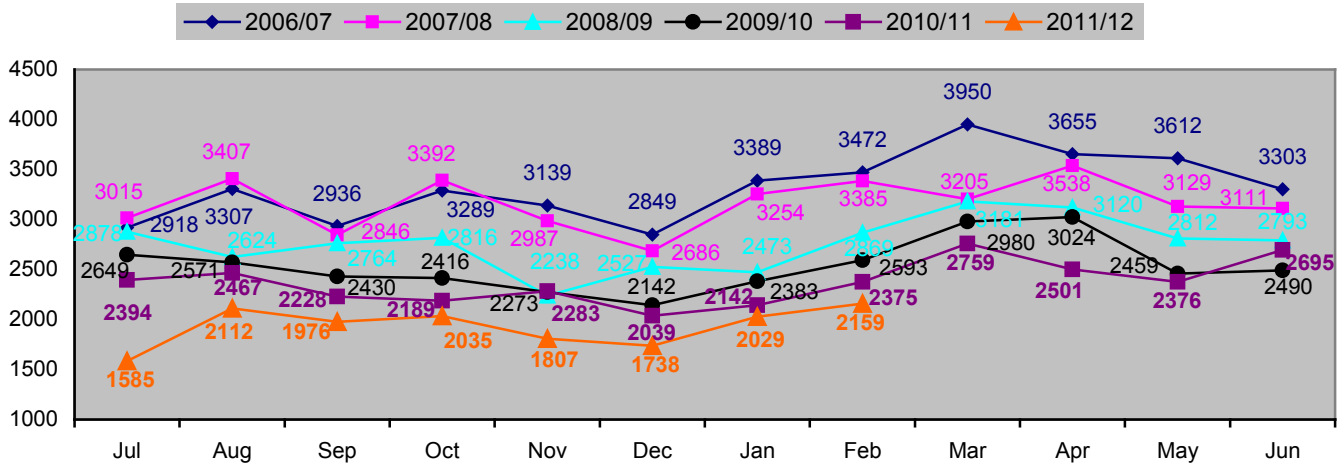
COMPARISON OF APPLICATIONS RECEIVED PER QUARTER
(Original Exam, Original Waiver, Add Class, Replacing the Qualifier)



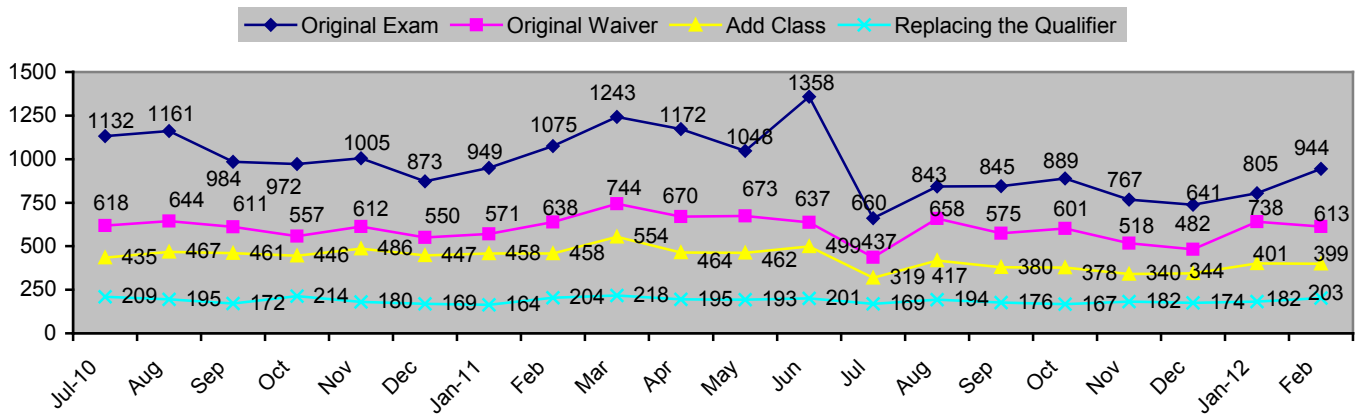
Decrease of 6.5% for total applications received for 2010-11 as compared to 2009-10



TOTAL NUMBER OF APPLICATIONS RECEIVED PER MONTH (Original Exam, Original Waiver, Add Class, Replacing the Qualifier)



NUMBER OF APPLICATIONS RECEIVED





Limited Liability Companies (LLCs)

The new LLC program has been implemented. The passage of Senate Bill 392 (Statutes of 2010, Chapter 698) authorizes CSLB to issue contractor licenses to limited liability companies (LLCs). The law required CSLB to begin processing LLC applications no later than January 1, 2012. The LLC applications were made available on the CSLB website on December 28, 2011.

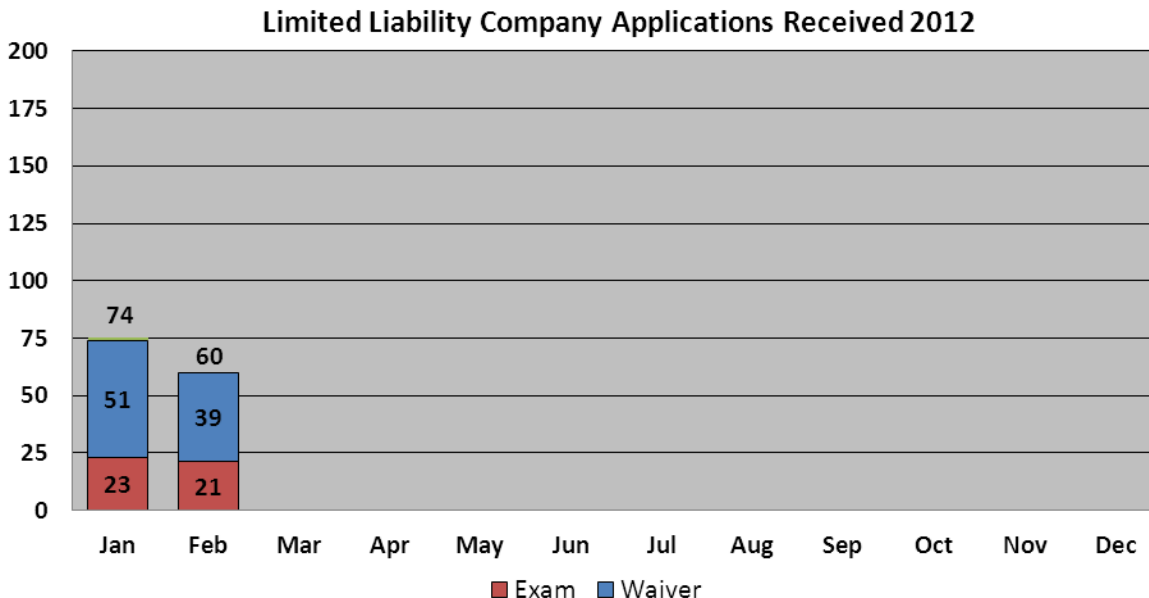
In the bill, the Legislature noted that contractors have been allowed to operate as corporations, and to be designated as “S” or “C” corporations for many years, with well-established case law regarding the ability to “pierce the corporate veil.”

It was the intent of the Legislature that this doctrine shall also apply to LLCs. Since there is not yet case law establishing this principle in California an additional \$100,000 bond requirement for the benefit of workers relative to payment of wages and fringe benefits was established. This will ensure that workers are protected despite the absence of case law dealing with LLCs. This bond is in addition to the \$12,500 contractor bond.

LLCs will be qualified by responsible managing officers, responsible managing members, responsible managing managers, or responsible managing employees. All officers, members, managers, directors, and qualifiers of LLCs must be listed on the application as personnel of record.

LLCs will also be required to have \$1,000,000 in liability insurance when five or fewer persons are listed as personnel; with an additional \$100,000 required for each additional personnel, not to exceed \$5 million.

The chart below and on page 4 illustrates the number of LLC applications received from January 1, 2012 through February 29, 2012 and the disposition of those applications.





LLC APPLICATION PROCESSING - 2012

	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr	Exm	Wvr
Received	23	51	21	39								
Rejected	7	25	16	18								
Issued	0	4	0	1								
Post / Sched for Exam No Reject	7	0	3	0								
Post / Sched for Exam After Reject	8	0	1	1								
Post / Bond & Fee Sent No Reject	0	6	0	8								
Post / Bond & Fee Sent After Reject	0	13	0	2								
App Void or Withdrawn	0	3	0	0								
App Not Yet Processed	0	0	0	9								
	JAN		FEB		MAR		APR		MAY		JUN	

Source: Teale Program A768 – Action Codes

Most Common Reasons for Rejection:

1. Personnel listed on the application needs to match the personnel listed on SOS records. (32) (34)
2. The personnel information needs clarification or is missing, i.e., DOB, middle name, title. (10) (9)
3. The LLC / SOS registration number is missing or incorrect. (9) (9)
4. The business name on the application does not match LLC / SOS registration information. (8) (9)
5. Questions (page 2 of application, #10-14) are missing or incomplete. (8) (9)

The most common reason for rejection is staff’s inability to confirm and match the name(s,) title(s) and total count of LLC personnel. The California Secretary of State (SOS) is still experiencing a delay in entering Statements of Information (SOI) into its database. This four-month backlog is beyond CSLB’s control. The SOI information is required for processing the LLC application, as it provides staff with the total number and names of LLC personnel, crucial in determining the appropriate amount for the LLC liability insurance requirement (between \$1 million and \$5 million.) SOS offers expedited 24-hour processing of the SOI for an additional fee.

Applicants also are failing to furnish the required LLC business name and / or LLC registration number provided by SOS.



Fee Increases and Application Revisions

Regulations were recently changed to increase the application and licensure fees to their statutory limit, effective July 1, 2011. The table below outlines the previous and new fees.

In response to the fee increases, eight applications recently were revised (06/11 revision date) to reflect those new fees. The updated applications have been available on CSLB’s website since the end of June. Bulk quantities of the hardcopy applications were printed by the Office of State Publishing and were delivered to CSLB headquarters in mid- and late-July. Supplies will be distributed to CSLB’s various field offices.

2011 CSLB FEE INCREASES

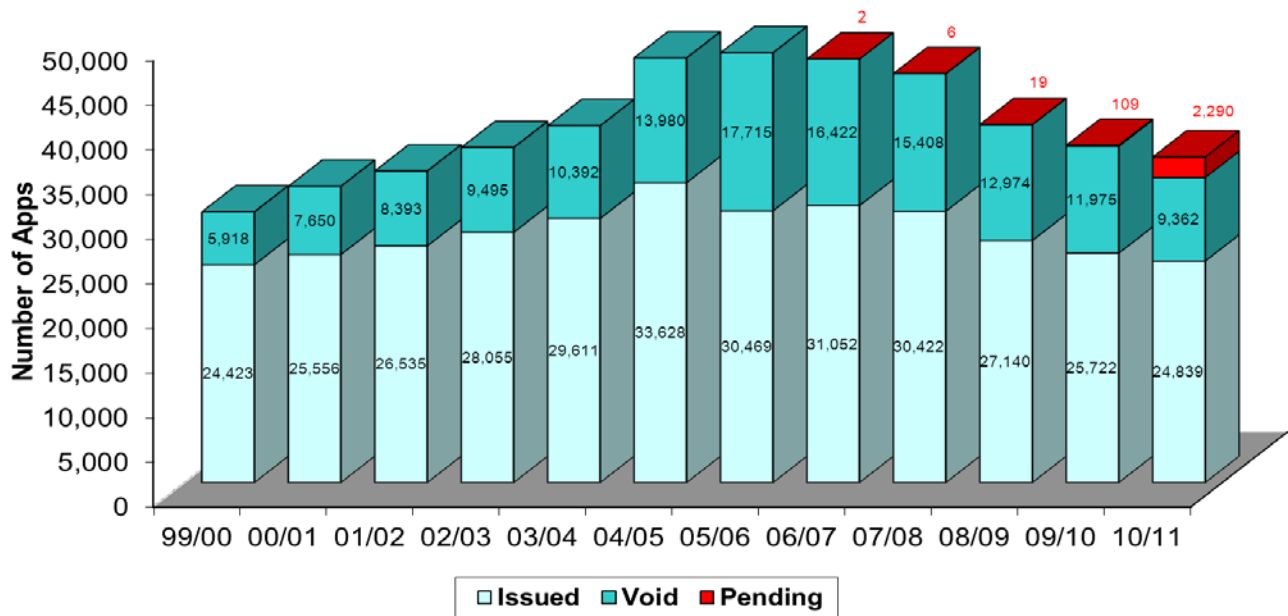
Fee	Previous Amount	New Amount	\$ Amount of Increase	% of Increase
Application for Original Contractor License	\$250.00	\$300.00	\$50.00	20%
Application to Add a Supplemental Classification or to Replace the Responsible Managing Officer or Employee on an Existing License	\$50.00	\$75.00	\$25.00	50%
Rescheduling an Examination	\$50.00	\$60.00	\$10.00	20%
Initial License Fee	\$150.00	\$180.00	\$30.00	20%
Renewal – Contractor License (Biennial)	\$300.00	\$360.00	\$60.00	20%
Renewal – 4-Year Inactive License	\$150.00	\$180.00	\$30.00	20%
Reactivate Contractor License	\$300.00	\$360.00	\$60.00	20%
Home Improvement Salesperson (HIS) Registration Fee	\$50.00	\$75.00	\$25.00	50%
Asbestos Certification Fee	\$50.00	\$75.00	\$25.00	50%
Hazardous Substance Removal Certificate	\$50.00	\$75.00	\$25.00	50%
Delinquent Fee Renewal – Contactor License ¹	\$150.00	\$180.00	\$30.00	20%
Delinquent Fee Renewal – 4-Year Inactive License ¹	\$75.00	\$90.00	\$15.00	20%
Delinquent Fee Renewal – HIS Registration ¹	\$25.00	\$37.50	\$12.50	50%

¹B&P Code section 7137(f) sets the delinquency fee as a percentage of the applicable renewal fee: “The delinquency fee is an amount equal to 50 percent of the renewal fee, if the license is renewed after its expiration.”



Disposition of Applications by Fiscal Year Teale Report S724: Run Date 03/01/2012

(Includes: Original, Add Class, Replacing the Qualifier, Home Improvement Salesperson, Officer Changes*)



License Transaction Processing Times

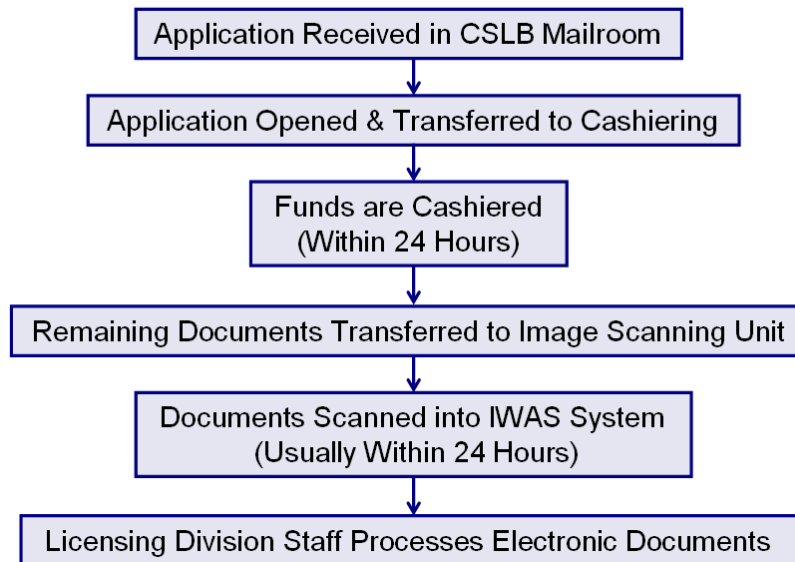
CSLB management continues to monitor processing times for the various units on a weekly and monthly basis. The charts on pages 15-17 track the “weeks to process” for the various application and license maintenance/transaction units.

The charts indicate the average number of weeks to process for that particular month. Processing times, or “weeks to process,” refers to the number of weeks after an application or document is received in the Board office before that application or document is initially pulled for processing by a technician.

When considering the weeks-to-process timelines, it is important to understand that CSLB’s application and renewal processing schedule automatically has approximately two days of backlog built into the timelines because of cashing and image-scanning tasks that must be performed before the application or document can be pulled for processing.



CSLB Application Processing Route



Since FY 2008-09, the Licensing division has used a minimal amount of overtime, in contrast to previous fiscal years when overtime was a regular occurrence. Despite the minimal amount of overtime and the 15 percent reductions in staff hours due to the three-day-a-month furloughs, the Licensing division has maintained acceptable processing times. This can be attributed to the significant decrease in applications as shown on the first page of this program update.



Fingerprinting/Criminal Background Unit

Since January 2005, all applicants for a CSLB license and each officer, partner, owner, and responsible managing employee, as well as all applicants to be home improvement salespersons, must be fingerprinted and undergo a criminal background check conducted by the California Department of Justice (DOJ). Individuals currently licensed by CSLB who do not apply for any changes to their license and applicants for a joint venture license are not required to be fingerprinted.

CBU staff begins processing Criminal Offender Record Information (CORI) on the same day it is received by conducting a triage and clearing those applicants that have minor, clearable convictions, provided the applicant was honest in disclosing this on the CSLB application. Applicants who did not disclose what would have been considered minor, clearable convictions on their application may be given the opportunity to withdraw the false application and submit a new application and fees on which they accurately disclose their conviction(s). These withdrawal offers also are processed as part of the triage.

Since the fingerprint program began, CSLB has received more than 254,000 transmittals from DOJ. These include clear codes and conviction information.

Of the applicants who were fingerprinted during that time period, CSLB’s Criminal Background Unit (CBU) received CORI for more than 43,000 applicants. That means that DOJ and/or the Federal Bureau of Investigation reported that the individual had a criminal conviction(s) on record.

As a result of CORI files received through February 2012, CBU denied 1,069 applications and issued 1,193 probationary licenses. Of the denied licenses, 532 applicants appealed their denials.

CBU has seen a reduction in the number of fingerprint submissions as a result of the decline in applications, as well as those adding classifications that have already undergone a background check.

Below is a breakdown of CBU statistics by fiscal year.

Criminal Background Unit Statistics									
	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12*	TOTALS
DOJ Records Received	9,524	58,007	46,735	39,361	35,220	27,330	24,730	11,866	254,370
CORI RAPP Received	949	8,410	8,057	6,484	6,253	5,254	5,201	2,490	43,395
Denials	224	219	237	88	76	63	108	46	1,069
Appeals	71	113	130	45	47	29	62	26	532
Probationary Licenses Issued	0	0	126	290	206	203	243	113	1,193

*Through February 29, 2012



Licensing Information Center (LIC)

Ongoing Vacancies

LIC has continued to experience a high number of staff vacancies due to attrition and the state's hiring freeze. There are currently seven vacant positions, two of which are on hold due to the mandatory five percent budget reduction, and one position on loan to the Department of Consumer Affairs.

Additionally, the LIC has two long-time veteran staff members who retired at the end of August. Due to the limited staffing in LIC, call wait times have increased. The average call wait time was 14:38 in February, reflecting the highest wait time in the last year.

With the recent end to the hiring freeze, recruitment of new staff is a top priority. A new Staff Services Manager I was hired in June and two new call center agents have also been hired. However, LIC will continue to face significant headwinds with the veteran staff retirements and being staffed at half-capacity, with only eight of 16 positions filled.

Automated Call Distribution (ACD)

The ACD telephone system that was implemented in November 2010 has proven to be effective in managing call volume. The system has useful features such as simple "drag-and-drop" call transfer capability and storage of call history data. In addition, incoming callers no longer get busy signals because the capacity of incoming calls into ACD has been increased to 50 – a level that can accommodate all incoming traffic.

The Interaction Supervisor program available to managers and supervisors has been an effective call center managerial tool. Supervisors now have the ability to monitor all incoming calls, the number of all active agents on the system, number of callers waiting in the queue, and the average wait time and agent talk time. All of this information is available in real time and workflow can be adjusted accordingly to meet changing demand during the course of the day.

Silent Monitoring Program

Interaction Supervisor also has a silent monitoring feature that gives managers and supervisors the ability to listen in on calls for training purposes. This feature will be a valuable training tool to analyze the type of call received, the appropriate agent response, and the rapport between the agent and the caller. The program will increase the knowledge and skills of existing call center agents, will help cultivate new staff, and help gauge the quality of customer service.

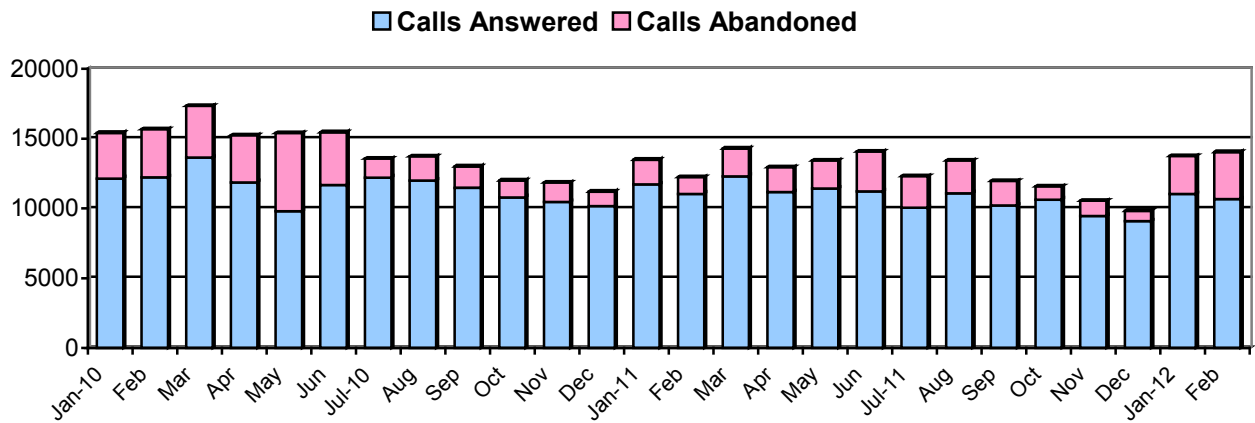
Increased Training

LIC continues to strive to provide timely, efficient, and professional services to its customers. In working toward this goal, LIC established a position to serve as a trainer and expert resource to other LIC staff. This position is responsible for updating internal call center policies, developing call center scripts for consistency, training new agents, and cross-training existing staff.



The training coordinator has developed introductory training materials based on direct feedback from current call center staff. The introductory training will be followed with a more in-depth, 40-hour training course offered to all new CSLB employees and existing employees who wish to increase their knowledge base.

Licensing Information Center Call Data



	Feb 2011	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Calls Received	12,240	14,297	12,977	13,463	14,085	12,328	13,433	11,963	11,577	10,552	9,880	13,698	14,042
Calls Answered	11,044	12,297	11,164	11,423	11,214	10,047	11,090	10,203	10,629	9,465	9,080	11,036	10,667
Calls Abandoned	1,195	1,996	1,792	2,010	2,867	2,270	2,342	1,759	948	1,086	746	2,714	3,372
Longest Wait Time	20:26	24:25	17:26	19:36	22:09	27:18	20:39	20:49	17:18	12:25	10:39	25:20	39:00
Shortest Wait Time	0:59	1:02	1:19	2:28	3:07	4:16	3:39	3:10	0:30	1:34	1:02	4:41	4:03
Average Wait Time	4:58	6:44	6:57	7:41	10:31	10:01	9:43	9:16	8:07	7:39	4:21	7:44	14:38



Judgment Unit

Judgment Unit staff process all outstanding liabilities, judgments, and payment of claims reported to CSLB by licensees, consumers, attorneys, credit recovery firms, bonding companies, CSLB's Enforcement division, and other governmental agencies. In addition, the Judgment Unit processes all documentation and correspondence related to resolving these issues, such as satisfactions, payment plans, bankruptcies, accords, motions to vacate, etc.

Outstanding liabilities are reported to CSLB by:

- Employment Development Department
- Department of Industrial Relations
 - Division of Occupational Safety and Health
 - Division of Labor Standards Enforcement
- Franchise Tax Board
- CSLB Cashiering Unit

Unsatisfied judgments are reported to CSLB by:

- Contractors
- Consumers
- Attorneys

Payments of claims are reported to CSLB by:

- Bonding companies

When CSLB receives timely notification of an outstanding liability, judgment or payment of claim, an initial letter is sent to the licensee explaining options and a timeframe for complying, which are 90 days for judgments and payment of claims and 60 days for outstanding liabilities.

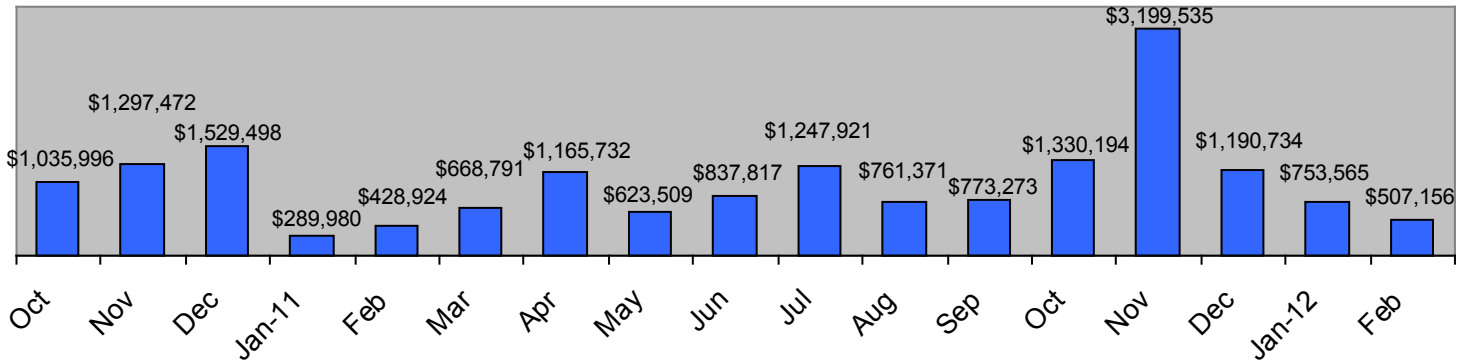
If compliance is not made within the allowed timeframe, the license is suspended and a suspend letter is sent to the contractor. A reinstatement letter is sent when compliance is met.



OUTSTANDING LIABILITIES

Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	51	58	54	46	83	140	62	71	89	62	73	71	48	71	174	98	56
Suspend	92	68	88	54	52	50	30	104	56	36	57	56	64	42	89	79	66
Reinstate	31	37	31	15	40	91	70	84	59	28	38	52	41	32	117	48	35

SAVINGS TO THE PUBLIC

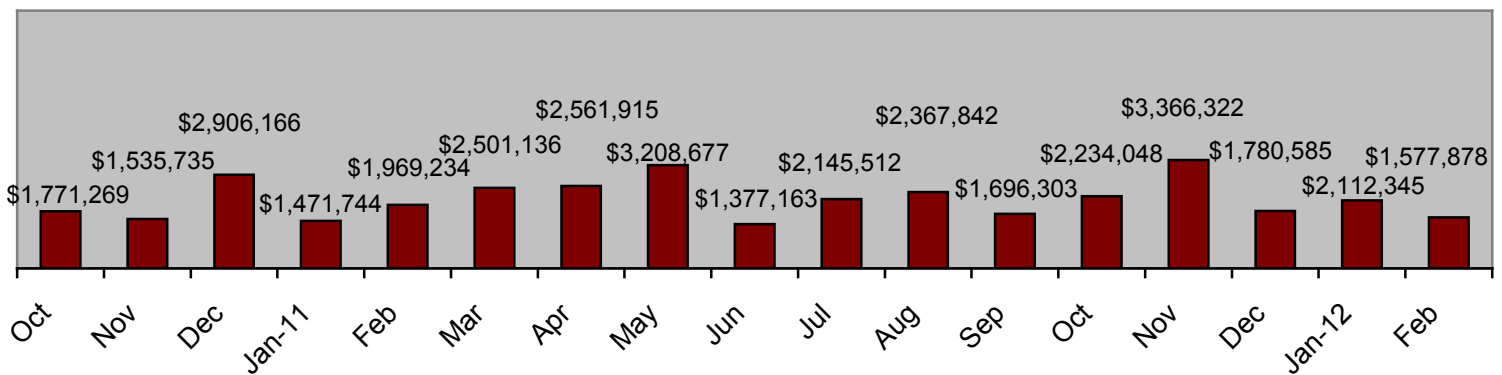




JUDGMENTS

Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	224	240	239	183	208	224	212	220	227	222	205	225	219	170	192	186	177
Suspend	94	126	78	89	91	109	84	84	77	92	114	82	84	81	93	85	74
Reinstate	151	184	162	98	154	191	165	165	135	131	186	145	162	132	127	156	153

SAVINGS TO THE PUBLIC

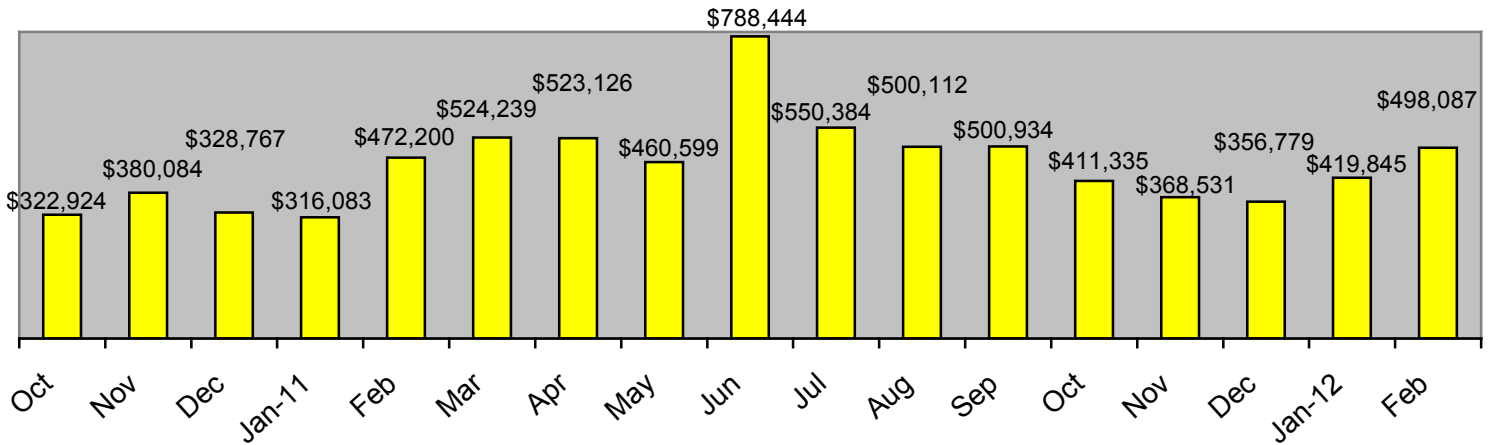




PAYMENT OF CLAIMS

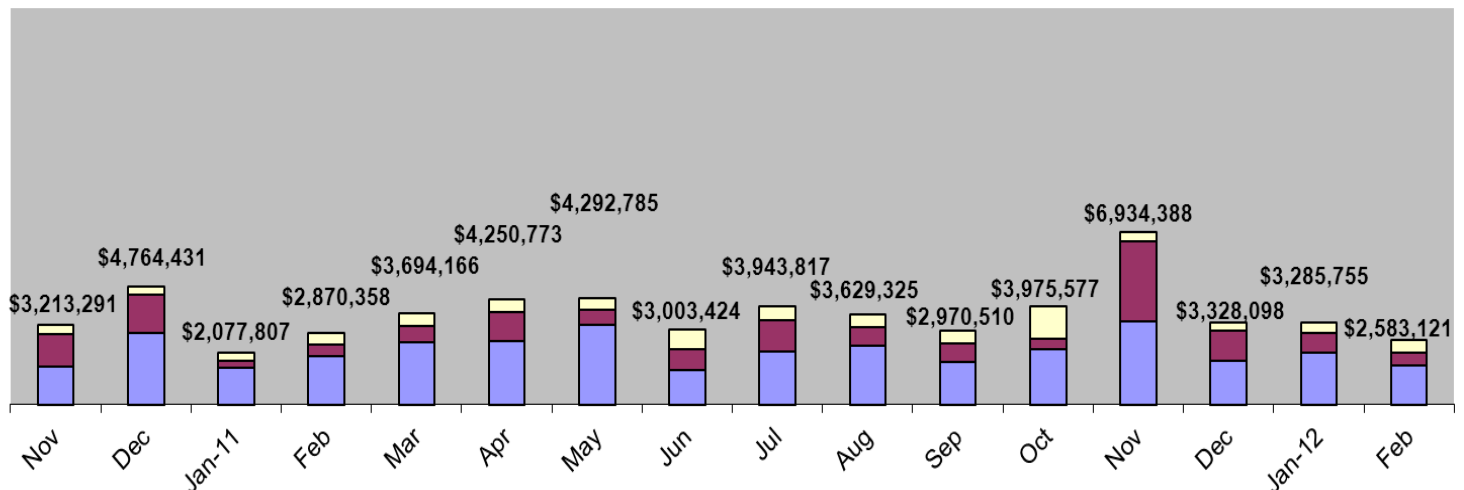
Letter Type Sent	Oct 2010	Nov	Dec	Jan 2011	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2012	Feb
Initial	93	149	310	218	205	251	220	213	234	188	177	120	224	155	152	106	124
Suspend	141	142	74	60	96	226	182	163	171	161	159	116	139	103	86	174	99
Reinstate	73	75	70	68	109	119	136	110	137	130	110	114	84	78	85	87	116

SAVINGS TO THE PUBLIC



TOTAL SAVINGS TO PUBLIC

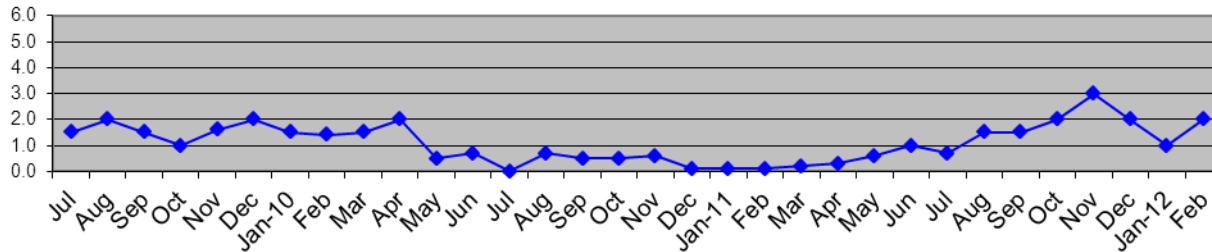
■ Judgments ■ Outstanding Liabilities □ Payment of Claims



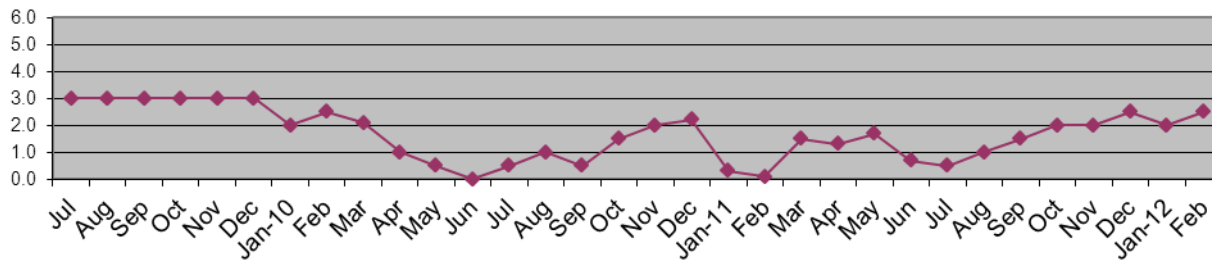


Number of Weeks Before Being Pulled for Processing

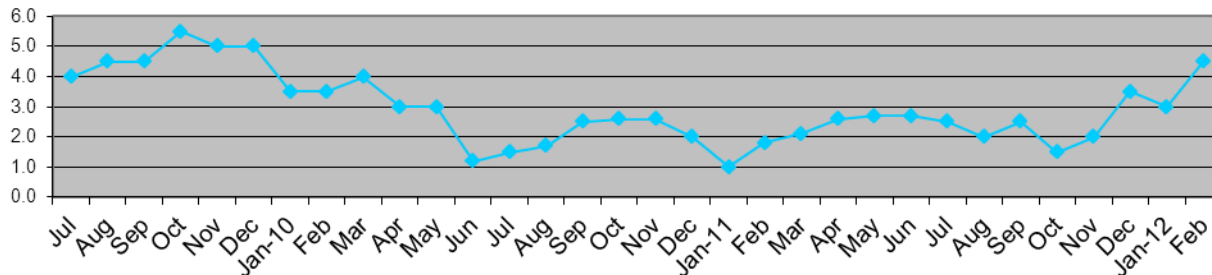
Application for Original License - Exam



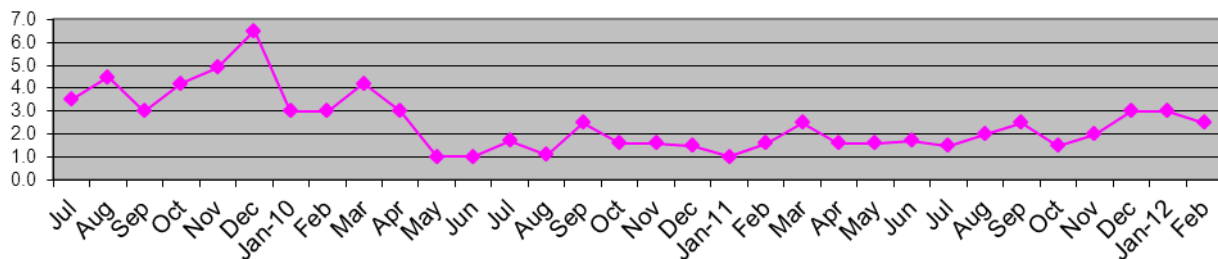
Application for Original License - Waiver



Application for Additional Classification



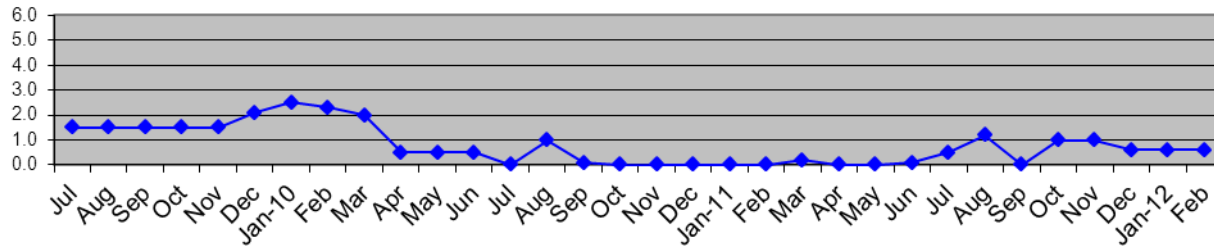
Application to Replace the Qualifier



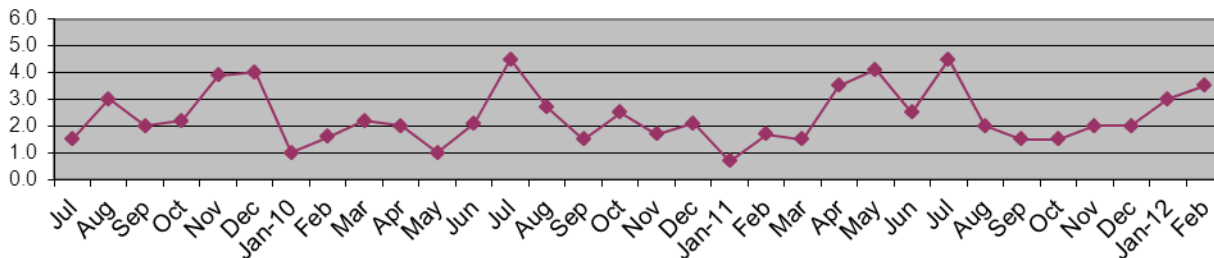
Number of Weeks Before Being Pulled for Processing



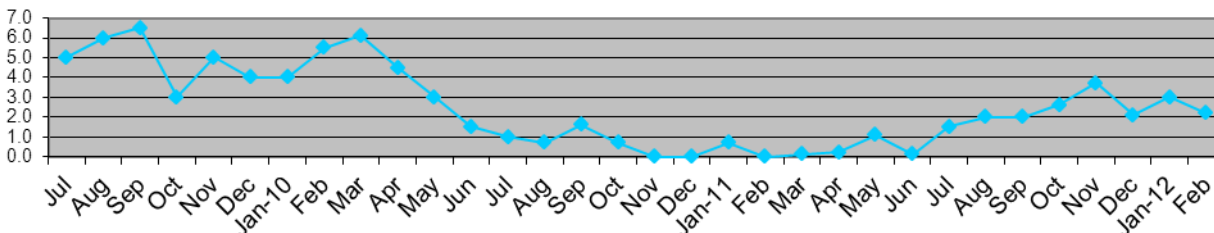
Application for Renewal



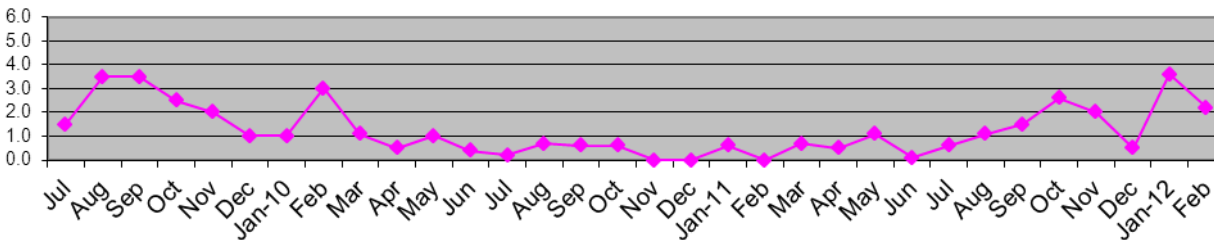
Home Improvement Salesperson (HIS) Application



Application to Report/Change Officers



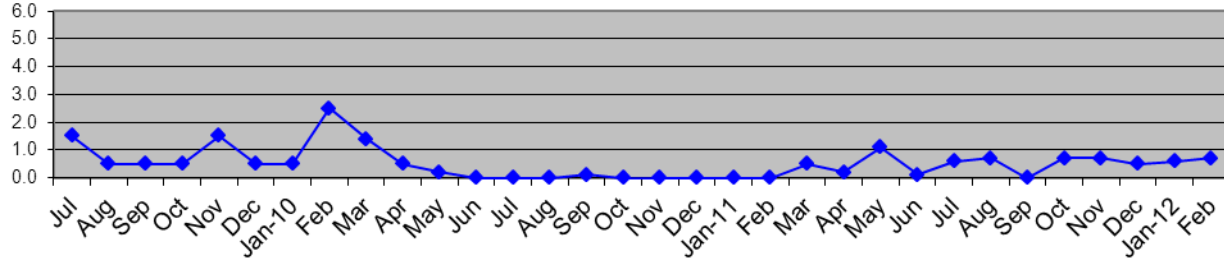
Application to Change Business Name or Address



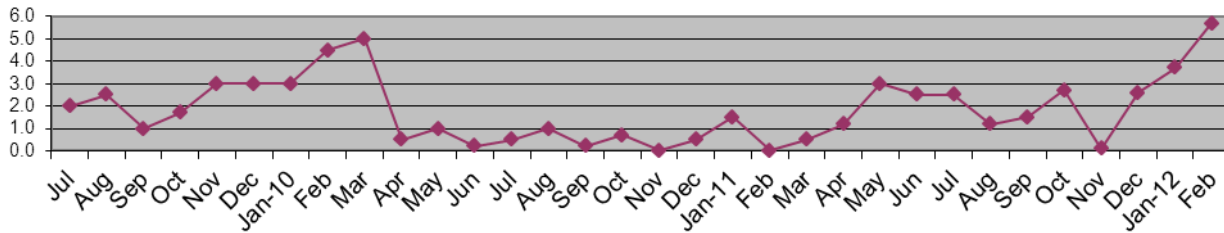
Number of Weeks Before Being Pulled for Processing



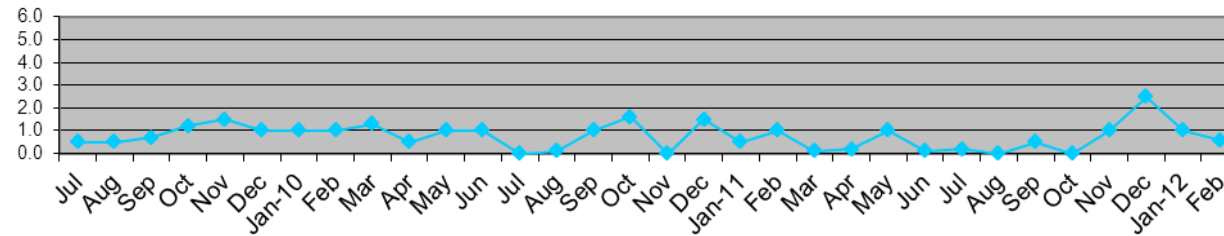
Contractor's Bond and Bond of Qualifying Individual



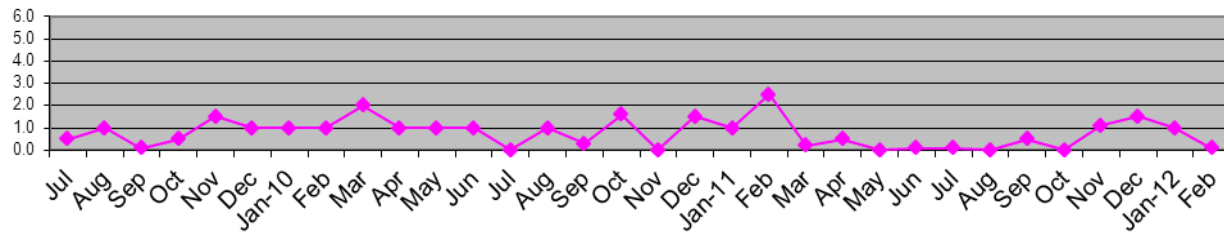
Workers' Compensation Certificates and Exemptions



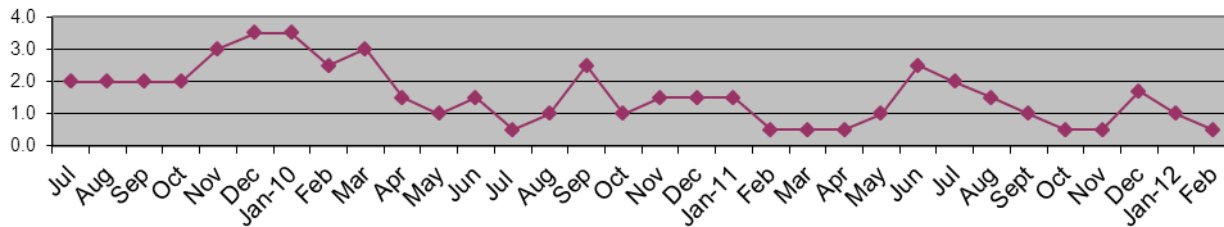
Certified License History



Request for Copies of Documents



Criminal Background Unit - CORI Review





CONTRACTORS STATE LICENSE BOARD

STATISTICS SUMMARY

Applications Received

	2009/10	2010/11	2011/12
July	3,154	2,966	2,082
August	3,105	3,137	2,801
September	2,953	2,904	2,572
October	2,914	2,702	2,688
November	2,736	2,852	2,257
December	2,453	2,531	2,269
January	2,806	2,705	2,599
February	3,113	2,973	2,884
Total	23,234	22,770	20,152

Original Licenses Issued

	2009/10	2010/11	2011/12
July	1,090	1,134	1,118
August	1,210	1,138	1,234
September	1,115	1,140	1,097
October	1,295	1,067	921
November	787	1,108	770
December	1,237	1,089	861
January	1,425	1,106	935
February	1,058	1,108	945
Total	9,217	8,890	7,881

Licenses Renewed

	2009/10	2010/11	2011/12
July	9,287	13,287	9,291
August	9,439	10,710	11,856
September	9,957	10,816	9,863
October	10,735	9,772	9,634
November	6,600	8,364	8,373
December	8,913	10,365	8,828
January	10,456	9,552	9,850
February	9,812	9,377	9,062
Total	75,199	82,243	76,757

**HIS Registrations Renewed**

	2009/10	2010/11	2011/12
July	108	132	99
August	89	110	139
September	117	113	114
October	95	82	120
November	70	117	89
December	93	100	121
January	21	131	113
February	166	154	155
Total	759	939	950

License Population by Status

	March 2010	March 2011	March 2012
Active	244,613	239,015	232,844
Inactive	63,567	66,942	67,865
Subtotal	308,180	305,957	300,709
Other /1	396,404	412,832	430,273
Expired	342,008	355,598	370,231
Expired % of Other	86.3%	86.1%	86.0%
Grand Total	704,584	718,789	730,982

/1 "Other" includes the following license status categories: cancelled, cancelled due to death, expired, or revoked.

HIS Registration Population by Status

	March 2010	March 2011	March 2012
Active	7,259	7,966	8,625
Other	75,155	77,803	80,693
Total	82,414	85,769	89,318

**Complaints By Fiscal Year**

	2008/09	2009/10	2010/11
Received	20,939	19,876	21,320
Reopened	1,088	1,010	1,076
Closed	22,523	21,532	22,483
Pending (As of June 30)	4,567	3,958	3,891

CSLB Position Vacancies

	March 2011	March 2012
Administration	5.0	4.0
Executive/Public Affairs	3.0	3.0
IT	3.0	3.0
Licensing	15.0	18.0
Enforcement	24.0	27.8
Testing	2.0	5.5
Total	52.0	61.3



CONTRACTORS STATE LICENSE BOARD

BUDGET UPDATE

❖ Fiscal Year (FY) 2011-12 CSLB Budget and Expenditures

- Through February 29, 2012, CSLB spent or encumbered \$36.8 million, roughly 63 percent of its FY 2011-12 final budget.

The following chart provides a summary of the final FY 2011-12 CSLB budget, along with the FY 2011-12 expenditures through February 2012:

EXPENDITURE DESCRIPTION	FY 2011/12 FINAL BUDGET	FEBRUARY 2012 EXPENSES	BALANCE	% OF BUDGET REMAINING
PERSONNEL SERVICES				
Salary & Wages (Staff)	21,926,048	12,740,076	9,185,972	41.9%
Board Members	15,900	7,400	8,500	53.5%
Temp Help	12,100	752,524	-740,424	-6119.2%
Exam Proctor	41,168	88,660	-47,492	-115.4%
Overtime	6,575	61,690	-55,115	-838.3%
Staff Benefits	8,684,602	5,403,401	3,281,201	37.8%
Salary Savings	-1,228,071	0	-1,228,071	
TOTALS, PERSONNEL	29,458,322	19,053,751	10,404,571	35.3%
OPERATING EXPENSES AND EQUIPMENT				
Operating Expenses	20,619,431	15,173,032	5,446,399	26.4%
Exams	435,882	189,997	245,885	56.4%
Enforcement	8,279,124	2,883,790	5,395,334	65.2%
TOTALS, OE&E	29,334,437	18,246,819	11,087,618	37.8%
TOTALS	58,792,759	37,300,570	21,492,189	36.6%
Scheduled Reimbursements	-353,000	-120,056	-232,944	
Unscheduled Reimbursements		-377,174	377,174	
TOTALS, NET REIMBURSEMENTS	58,439,759	36,803,340	21,636,419	37.0%

❖ Revenue

- CSLB received the following revenue amounts through February 29, 2012:

Revenue Category	Through 2/29/2012	Percent of Revenue	Change from prior year (2/28/2011)
Duplicate License/Wall Certificate Fees	\$74,417	0.2%	8.6%
New License and Application Fees	\$6,388,779	17.1%	4.8%
License and Registration Renewal Fees	\$28,561,092	76.7%	9.0%
Delinquent Renewal Fees	\$1,532,556	4.1%	3.2%
Interest	\$46,213	0.1%	1.9%
Penalty Assessments	\$604,191	1.6%	24.4%
Misc. Revenue	\$80,515	0.2%	-15.4%
Total	\$37,287,763	100.0%	8.2%



Fund Condition

- Attached below is the fund condition for the Contractors' License Fund, which shows the final FY 2010-11 reserve (\$14.9 million – approximately three months' reserve), along with the projected reversion amounts for FY 2011-12 through FY 2013-14:

	Final FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13	Proj. FY 2013/14
Beginning Balance	\$20,958	\$14,859	\$20,425	\$15,295
Prior Year Adjustment	\$372	\$0	\$0	\$0
Adjusted Beginning Balance	\$21,330	\$14,859	\$20,425	\$15,295
Revenues and Transfers				
Revenue	\$48,437	\$53,519	\$54,430	\$54,782
Transfer from General Fund		\$10,737		
Totals, Resources	\$69,767	\$79,115	\$74,855	\$70,077
Expenditures				
Disbursements:				
Program Expenditures (State Operations)	\$54,783	\$58,440	\$59,454	\$60,643
State Controller (State Operations)	\$89	\$64	\$57	
Financial Info System Charges	\$36	\$186	\$49	
Total Expenditures	\$54,908	\$58,690	\$59,560	\$60,643
Fund Balance				
Reserve for economic uncertainties	\$14,859	\$20,425	\$15,295	\$9,434
Months in Reserve	3.0	4.1	3.0	1.9

Note: Assumes 1.2% interest. All dollars in thousands. Revenue projections based on Fiscal Year 2011-12 receipts received through February 2012.



❖ **Construction Management Education Account (CMEA) FY 2011-12 Budget and Expenditures**

- Through February 29, 2012, CMEA expended roughly \$9,900 in pro rata charges. The following table provides a budget and expenditure summary for CMEA:

EXPENDITURE DESCRIPTION	FY 2011/12 FINAL BUDGET	FEBRUARY 2012 EXPENSES	BALANCE	% OF BUDGET REMAINING
OPERATING EXPENSES AND EQUIPMENT				
Operating Expenses	14,331	0	14,331	100.0%
Pro Rata	13,669	9,884	3,785	27.7%
TOTALS, OE&E	28,000	9,884	18,116	64.7%
GRANT AWARDS				
Grant Awards	150,000	40,968	109,032	72.7%
TOTALS, GRANT AWARDS	150,000	40,968	109,032	72.7%
TOTALS	178,000	50,852	127,148	71.4%

Note: The pro rata charges to the CMEA fund reflect "billable" costs resulting from grant disbursement beginning in FY 2009-10 (pro rata is billed on a 2-year "roll forward" basis).

❖ **CMEA Fund Condition**

- Attached below is the CMEA fund condition, which shows the final FY 2010-11 reserve, along with projected reversion amounts for FY 2011-12 through FY 2013-14:

	Final FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13	Proj. FY 2013/14
Beginning Balance	\$405	\$338	\$218	\$94
Prior Year Adjustment	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$405	\$338	\$218	\$94
Revenues and Transfers				
Revenue	\$65	\$58	\$55	\$53
Totals, Resources	\$470	\$396	\$273	\$147
Expenditures				
Disbursements:				
Grants	\$132	\$150	\$150	\$150
State Operations	\$0	\$28	\$29	\$29
Total Disbursements	\$132	\$178	\$179	\$179
Fund Balance				
Reserve for economic uncertainties	\$338	\$218	\$94	(\$32)
Months in Reserve	22.8	14.6	6.3	-2.1

Note: Assumes 1.2% interest. All dollars in thousands. Revenue projections based on Fiscal Year 2011-12 receipts received through February 2012.

AGENDA ITEM E

Review and Approval of February 7, 2012 Board Meeting Minutes





CONTRACTORS STATE LICENSE BOARD

BOARD MEETING MINUTES

BOARD MEETING MINUTES

February 7, 2012

A. CALL TO ORDER

Board Chair Robert Lamb called the meeting of the Contractors State License Board (CSLB) to order at 9:00 a.m. on February 7, 2012, in the Monterey Meeting Room at the Dolce Hayes Mansion, 200 Edenvale Avenue, San Jose, CA 95136. A quorum was established.

Board Member Joan Hancock led the Board in the Pledge of Allegiance.

Board Members Present

Robert Lamb, Chair
Paul Schifino, Vice Chair
Joan Hancock, Secretary
Dave Dias
Pastor Herrera
Matthew Kelly
Louise Kirkbride

Ed Lang
James Miller
Lisa Miller-Strunk
Bruce Rust
Frank Schetter
Mark Thurman

Board Members Excused

Robert Brown
John O'Rourke

DCA/CSLB Staff Present

Stephen Sands, Registrar
Cindi Christenson, Chief Deputy Registrar
Don Chang, Legal Counsel
Amy Cox-O'Farrell, IT Chief
Mike Franklin, Deputy Attorney General

David Fogt, Enforcement Chief
Rick Lopes, Public Affairs Chief
Tara Maggi, Licensing
Karen Ollinger, Licensing Chief
Laura Zuniga, Legislation Chief

B. CHAIR'S REMARKS AND BOARD MEMBER COMMENTS

Board Chair Bob Lamb welcomed the audience on behalf of the Board. Mr. Lamb presented Information Technology Chief Amy Cox-O'Farrell with a plaque to recognize her contributions to CSLB. Ms. Cox-O'Farrell has accepted a new position with the Department of Consumer Affairs' IT department, but will continue to assist CSLB as much as possible.

C. PUBLIC COMMENT SESSION

Public comment was made by Karen Hughes, a concerned home owner. Ms. Hughes and her husband were unhappy with the CSLB Arbitration process.



D. REVIEW AND APPROVAL OF DECEMBER 6, 2011, BOARD MEETING MINUTES

Motion to Approve the December 6, 2011, Board Meeting Minutes

MOTION: A motion was made by Board Member Matt Kelly and seconded by Board Member Dave Dias to approve the December 6, 2011, Board Meeting Minutes. The motion carried unanimously, 13-0.

E. LEGISLATIVE COMMITTEE REPORT

Chair Bob Lamb introduced Legislative Committee Chair Mark Thurman and Chief of Legislation Laura Zuniga to provide the Legislative Report.

1. Status of Legislative Proposals for the upcoming Legislative Session

Chair Mark Thurman and Chief of Legislation Laura Zuniga provided a report on the upcoming Legislative Session.

2. Motion to Approve the Recommended Position on SB 691

MOTION: A motion was made by Board Member Matt Kelly and seconded by Board Member James Miller to approve the Recommended Position on SB 691. The motion carried unanimously, 13-0.

3. Motion to Approve the Recommended Position on SB 957

MOTION: A motion was made by Board Member Matt Kelly and seconded by Board Member Ed Lang to approve the Recommended Position on SB 957. The motion carried unanimously, 13-0.

F. LICENSING COMMITTEE REPORT

Licensing Committee Chair Dave Dias provided the board with a brief overview of the Licensing Committee meeting held at CSLB Headquarters on January 18, 2012. He then introduced Licensing Chief Karen Ollinger, who provided the Licensing Committee Report.

Motion to Approve the January 18, 2012, Licensing Committee Summary Report

MOTION: A motion was made by Board Member Pastor Herrera and seconded by Board Member Bruce Rust to approve the January 18, 2012, Licensing Committee Summary Report. The motion carried unanimously, 13-0.

1. Licensing Program Update

Ms. Ollinger provided updates on the application workload, limited liability companies, and the fee increases. She also reviewed various charts and reports located in the Board packet.



2. Testing Division Update

Ms. Ollinger also provided the Testing division update. She touched on staffing issues, testing centers, examination wait times, and examination development.

G. PUBLIC AFFAIRS COMMITTEE REPORT

Public Affairs Chair Joan Hancock and Chief of Public Affairs Rick Lopes provided the Public Affairs Committee Report.

1. Public Affairs Program Update

Mr. Lopes provided updates on staffing, website highlights, media relations, disaster outreach, publication highlights, community outreach, and employee wellness program highlights.

H. ENFORCEMENT COMMITTEE REPORT

Chair Matt Kelly provided the Board with updates from the January Enforcement Committee Meeting in Sacramento. Mr. Kelly asked Board Chair Bob Lamb for a motion to approve the Enforcement Committee Summary Report. He then introduced Enforcement Chief David Fogt to provide the program update.

1. Review and Approval of January 18, 2012, Enforcement Committee Summary Report

Motion to approve the January 18, 2012, Enforcement Committee Summary Report

MOTION: A motion was made by Board Member Mark Thurman and seconded by Board Member Dave Dias to approve the January 18, 2012, Enforcement Committee Summary Report. The motion carried unanimously, 13-0.

2. Enforcement Program Update

Mr. Fogt reported on staff vacancies, Intake and Mediation Centers, Investigative Centers, Case Management, Statewide Investigative Fraud Team (SWIFT), and training.

3. Review and Approval of Changes to Proactive Enforcement Strategy

Enforcement Chief David Fogt presented proposed proactive enforcement changes to the Board and requested a motion to approve 11 SWIFT investigators to partner with the Labor Enforcement Task Force.

Motion to approve Changes to the Proactive Enforcement Strategy

MOTION: A motion was made by Board Member Matt Kelly and seconded by Board Member Ed Lang to approve the amended Proactive Enforcement Strategy. The motion carried unanimously, 13-0.



I. EXECUTIVE COMMITTEE REPORT

Board Chair Bob Lamb introduced Registrar Steve Sands to provide the Executive Committee Report.

1. Administration and Information Technology Update

Registrar Steve Sands gave the Board an update on Personnel Examinations under way, vacant positions within the Board and Business Services Unit. Mr. Sands then introduced Information Technology Chief Amy Cox-O’Farrell who presented the IT division update. Ms. Cox-O’Farrell covered activity related to limited liability company processing, BreZE, and the California Email Services system.

2. Budget Update

Mr. Sands updated the Board on the status of revenue and expenditures through detailed charts located in the Board packet.

3. Update of 2011-2012 Strategic Plan Objectives

Registrar Steve Sands provided the Board with a brief overview of the current objectives that will be discussed at the April 2012 Strategic Planning session.

4. 2012-2013 Strategic Planning Meeting

Mr. Sands touched on meeting material that will be up for discussion at April’s 2012-2013 Strategic Planning meeting. He also informed the Board that the meeting will begin at 1:00 p.m. on the first day to provide plenty of time for travel.

J. REVIEW OF TENTATIVE SCHEDULE

Mr. Sands advised the Board that the next meeting will be held in Monterey. He advised the Board that the meeting will be held at a different location than last year, and that the Strategic Planning coordinator, Steve Sphar, would be in contact with them soon for their one-on-one interviews.

K. ADJOURNMENT

Board Chair Robert Lamb adjourned the Board meeting at 10:45 a.m.

Robert Lamb, Chair

Date

Stephen P. Sands, Registrar

Date

AGENDA ITEM F

Review and Approval of the Legislative Committee Report



AGENDA ITEM F-1

Review and Approval of
March 28, 2012
Legislative Committee
Summary Report





CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE COMMITTEE SUMMARY REPORT

CSLB LEGISLATIVE COMMITTEE MEETING

March 28, 2012
Sacramento, CA

A. Call to Order

Committee Chair Mark Thurman called the meeting to order at approximately 1:35 p.m.

Committee Members in Attendance:

Mark Thurman, Committee Chair
Robert Brown, Committee Member
Paul Schiffino, Committee Member

Committee Members Absent:

Louise Kirkbride
Jim Miller

CSLB Staff Present:

Steve Sands, Registrar
Cindi Christenson, Chief Deputy Registrar
David Fogt, Chief of Enforcement
Karen Ollinger, Chief of Licensing
Rick Lopes, Chief of Public Affairs
Laura Zuniga, Chief of Legislation
Tara Maggi, Licensing
Venus Stromberg, Public Affairs
Jane Kreidler, Public Affairs
Sarah Martin, Public Affairs

DCA Staff Present:

Don Chang, Legal Counsel
Simone Renteria, Staff Counsel

B. There was no public comment.

C. Legislation

Chief of Legislation Laura Zuniga presented the agenda items for review and approval of recommended Board positions.

1. AB 1588 (Atkins) Mr. Brown asked if any non-DCA entities provide this waiver, and asked if we could consider supporting this when it goes to the full Board. The committee unanimously approved the staff recommendation (watch).



2. AB 1655 (Dickinson) Mr. Thurman asked if other DCA programs have expressed concerns with this bill. Mr. Sands stated that staff's concerns with this bill are focused on the impact it will have to CSLB, not the broader goals of the bill. The Committee unanimously approved the staff recommendation (oppose).
3. AB 1750 (Solorio) The Committee unanimously approved the staff recommendation (watch).
4. AB 1794 (Williams) Mr. Schifino asked if this bill is taking us in a new direction. Currently, new employee information is reconciled annually. Insurers are not going to want to report this more frequently. He is concerned about increased costs being passed on to consumers. Mr. Fogt explained the benefit to investigating premium insurance fraud. The Committee unanimously approved the staff recommendation (support).
5. AB 1810 (Norby) Not presented as the bill has been amended to address a different subject.
6. AB 1904 (Block) The Committee unanimously approved the staff recommendation (watch).
7. AB 1920 (Berryhill) Parke Terry spoke in support of the bill, representing a co-sponsor, the California Landscape Contractors Association (CLCA). He stated CLCA has tried to address this issue for the last few years. The issue involves concern that a minor violation of the Contractors State License Law can destroy a contractor's business. Existing law is very strict. Contractors can be exposed to enormous civil liability for potentially minor violations, such as failure to change a business name. He provided an example of a landscape contractor who performed a small portion of a contract out of class and, as a result, received no payment for the entire job. Mr. Terry emphasized that the bill is tailored to make the penalties proportionate so they fit the wrongdoing, and that it makes no change to the Board's administrative penalties.

Phil Vermulen, representing the other sponsors, talked about how common the problem is with current law, and the volume of minor violations that can lead to disgorgement. He stated that the sponsors want assistance in order to address any technicalities. Ms. Ollinger explained how the current practice works-- if a bond or workers' comp policy expires, the Board can retroactively renew the license. Mr. Schifino asked what this bill is going to change, as he didn't think it will impact the courts' decision making. He thought the problem is the 90-day limit on retroactive renewals, as it can take years to discover the problem. He suggested having the Board determine whether a licensee is in compliance with the law.



Larry Rohlfes, representing the California Landscape Contractors Association (CLCA), stated that licensees are easily confused as to what is within the scope of a classification and what is not.

David Kalb, representing Capitol Services, stated that he believes Business & Professions Code section 7031 is a significant problem. He did not suggest a particular solution, but believed it needed to be addressed.

Mr. Thurman stated that he saw this as a work in progress and that it didn't appear the Board's process needed to be changed. The Committee unanimously approved the staff recommendation (watch).

8. AB 2219 (Knight) The Committee unanimously approved the staff recommendation (watch).
9. AB 2237 (Monning) Ms. Zuniga explained this bill will likely be amended to address concerns from the commercial property interests. The Committee unanimously approved the staff recommendation (sponsor/support).
10. AB 2482 (Ma) The Committee unanimously approved the staff recommendation (oppose).
11. AB 2554 (Berryhill) The Committee unanimously approved the staff recommendation (sponsor/support).
12. AB 2570 (Hill) The Committee unanimously approved the staff recommendation (watch).

D. The Committee adjourned at approximately 2:30 p.m.

AGENDA ITEM F-2

Review and Approval of Recommended Position on Legislation, including

AB 1588 AB 1920

AB 1655 AB 2219

AB 1750 AB 2237

AB 1794 AB 2482

AB 1810 AB 2554

AB 1904 AB 2570





CONTRACTORS STATE LICENSE BOARD

PENDING LEGISLATION

2012 Legislation

CA AB 1588	AUTHOR:	Atkins [D]
	TITLE:	Professions and Vocations: Reservist Licensees
	INTRODUCED:	02/06/2012
	LAST AMEND:	03/05/2012
	DISPOSITION:	Pending
	LOCATION:	Assembly Appropriations Committee
	SUMMARY:	<p>Requires boards, commissions, or bureaus within the Department of Consumer Affairs to waive renewal fees and continuing education requirements of any licensee or registrant who is a reservist called to active duty as a member of the Military Reserve or the California National Guard if certain requirements are met.</p>
	STATUS:	
	03/28/2012	In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.
	NOTES:	Sponsor - Author
CA AB 1655	AUTHOR:	Dickinson [D]
	TITLE:	Public Employees: Rights
	INTRODUCED:	02/13/2012
	LAST AMEND:	03/20/2012
	DISPOSITION:	Pending
	LOCATION:	Assembly Appropriations Committee
	SUMMARY:	<p>Enacts the Public Employees' Bill of Rights Act. Informs public employees of their rights and terms of employment in order to promote harmonious personnel relations between public employees and their employers. Provides that state employees shall be entitled to priority over contractors in filling permanent, overtime, and on-call positions. Prescribes certain rights for employees who are required to maintain a professional license. Authorizes the formation of a peer review committee for professionals.</p>
	STATUS:	
	03/28/2012	From ASSEMBLY Committee on PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY: Do pass to Committee on APPROPRIATIONS. (4-1)
	NOTES:	Sponsor - Author



CA AB 1750

AUTHOR: Solorio [D]
TITLE: Rainwater Capture Act of 2012
INTRODUCED: 02/17/2012
DISPOSITION: Pending
COMMITTEE: Assembly Water, Parks and Wildlife Committee
HEARING: 04/24/2012 9:00 am

SUMMARY:

Enacts the Rainwater Capture Act of 2012. Authorizes residential, commercial and governmental landowners to install, maintain, and operate rain barrel systems and rainwater capture systems for specified purposes, provided that the systems comply with specified requirements. Authorizes a landscape contractor working within the classification of his or her license to enter into a prime contract for the construction of a rainwater capture system if the system is used exclusively for landscape irrigation.

STATUS:

03/27/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION: Do pass to Committee on WATER, PARKS & WILDLIFE. (9-0)

NOTES: Sponsor - Author

CA AB 1794

AUTHOR: Williams [D]
TITLE: Contractors: Workers' Compensation Insurance Reporting
INTRODUCED: 02/21/2012
DISPOSITION: Pending
COMMITTEE: Assembly Insurance Committee
HEARING: 04/18/2012 9:00 am

SUMMARY:

Makes it a misdemeanor for a licensed contractor or a qualifier for a license to fail to notify his or her workers' compensation insurance carrier within a specified number of days of hiring an employee. Requires an insurer who issues a workers' compensation insurance policy to any contractor to require that the contractor report the hiring of new workers within a specified number of days and extends those provisions, as specified.

STATUS:

03/01/2012 To ASSEMBLY Committees on INSURANCE and BUSINESS, PROFESSIONS AND CONSUMER PROTECTION.

NOTES: Sponsor - CA State Council of Laborers



CA AB 1904

AUTHOR: Block [D]
TITLE: Professions and Vocations: Military Spouses
INTRODUCED: 02/22/2012
DISPOSITION: Pending
LOCATION: Assembly Appropriations Committee

SUMMARY:

Relates to the issuance of reciprocal licenses, regulated by the Department of Consumer Affairs, in certain fields. Authorizes a board within the Department of Consumer Affairs to issue a temporary license to an applicant who holds an equivalent license in another jurisdiction and is married to an active duty member of the Armed Forces of the United States.

STATUS:

03/27/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION: Do pass to Committee on APPROPRIATIONS. (9-0)

NOTES: Sponsor - Author

CA AB 1920

AUTHOR: Berryhill B [R]
TITLE: Contractors: Compensation
INTRODUCED: 02/22/2012
LAST AMEND: 03/13/2012
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:

Relates to the Contractor's State License Law. Authorizes a person acting in the capacity of a contractor without a license to bring or maintain an action for recovery of compensation for any act or contract if the person had previously been licensed as a contractor in the state. Limits the liability of a contractor performing work outside the scope of his or her license to the value of the unlicensed work under certain conditions. Provides factors for a court to consider relative to the loss of a license.

STATUS:

03/13/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION with author's amendments.

03/13/2012 In ASSEMBLY. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

NOTES: Sponsor – Engineering Contractors Association and Landscape Contractors Association



CA AB 2219

AUTHOR: Knight [R]
TITLE: Contractors' Workers' Compensation Insurance Coverage
INTRODUCED: 02/24/2012
LAST AMEND: 03/27/2012
DISPOSITION: Pending
COMMITTEE: Assembly Business, Professions and Consumer Protection Committee
HEARING: 04/10/2012 9:30 am

SUMMARY:

Amends existing law requiring every licensed contractor to have on file at all times with the Contractors' State License Board, a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or a statement certifying that he or she has no employees and is not required to obtain or maintain workers' compensation insurance and requires certain roofing contractors to have such insurance even if he or she has no employees to extend these provisions. Relates to audit data.

STATUS:

03/27/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION with author's amendments.
03/27/2012 In ASSEMBLY. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

NOTES: Sponsor – Roofing Contractors Association of California

CA AB 2237

AUTHOR: Monning [D]
TITLE: Contractors: Definition
INTRODUCED: 02/24/2012
LAST AMEND: 03/15/2012
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:

Defines the term consultant for purposes of the definition of a contractor to include a person who provides or oversees a bid, arranges for and sets up work schedules, or maintains oversight of a construction.

STATUS:

03/15/2012 To ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.
03/15/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION with author's amendments.
03/15/2012 In ASSEMBLY. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & CONSUMER



PROTECTION.

NOTES: Sponsor - CSLB
POSITION: SPONSOR

CA AB 2482

AUTHOR: Ma [D]
TITLE: Registered Interior Designers
INTRODUCED: 02/24/2012
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:

Creates the California Registered Interior Designers Board within the Department of Consumer Affairs. Requires the board to issue a license to a person who meets specified requirements. Authorizes licensees, architects, landscape architects, and engineers to join or form business organizations or associations with persons outside their field of practice if certain requirements are met.

STATUS:

03/15/2012 To ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

NOTES: Sponsor – Interior Design Coalition of California

CA AB 2554

AUTHOR: Berryhill B [R]
TITLE: Contractors
INTRODUCED: 02/24/2012
LAST AMEND: 03/27/2012
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:

Specifies that revocation of a license, under the Contractors' State License Law, does not deprive the Contractors' State License Board of jurisdiction to proceed with, among other things, any investigation or disciplinary proceeding against the licensee. Provides for the renaming of the enforcement unit as the enforcement division.

STATUS:

03/27/2012 From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION with author's amendments.

03/27/2012 In ASSEMBLY. Read second time and amended. Re-referred to Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

NOTES: Sponsor - CSLB



CA AB 2570

AUTHOR: Hill [D]
TITLE: Licensees: Settlement Agreements
INTRODUCED: 02/24/2012
DISPOSITION: Pending
LOCATION: Assembly Business, Professions and Consumer Protection Committee

SUMMARY:

Relates to professional misconduct by an attorney. Prohibits a licensee who is regulated by the Department of Consumer Affairs or various boards, bureaus, or programs from including a provision in an agreement to settle a civil dispute that prohibits the other party in that dispute from contacting, filing a complaint with, or cooperating with the department, board, bureau, or program.

STATUS:

03/19/2012 To ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.

NOTES: Sponsor - Author

CA SB 691

AUTHOR: Lieu [D]
TITLE: Unemployment Insurance: Compensation
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
INTRODUCED: 02/18/2011
LAST AMEND: 01/04/2012
DISPOSITION: Pending
LOCATION: ASSEMBLY

SUMMARY:

Amends the Unemployment Insurance Code. Expands the definition of authorized governmental agency to include the Contractors' State License Board.

STATUS:

01/23/2012 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY. (33-0)



Bill Number: AB 1588 (Atkins)
Status/Location: Amended 3/5/12; Assembly Appropriations Committee
Sponsor: Author
Subject: Fee Waivers for Military Reservists
Code Section: Business and Professions Code Section 114.3

Summary:

Existing law authorizes any licensee within the Department of Consumer Affairs (DCA) whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if specified requirements are met.

This bill requires every DCA board, commission, or bureau to waive the renewal fees and continuing education requirements for any licensee or registrant who is a reservist called to active duty as a member of the United State Military Reserve or the California National Guard, if all of the following requirements are met:

1. The licensee or registrant was in good standing with the board at the time the reservist was called to active duty.
2. The renewal fees or continuing education requirements are waived only for the period during which the reservist is on active duty service.
3. The active duty reservist, or his or her spouse or registered domestic partner, provides written notice satisfactory to the board that substantiates the active duty service.

Background:

According to the author, AB 1588 ensures military professionals will not be penalized for their military service by allowing their professional licenses to fall into delinquency and possible suspension during their service period. It is important to find ways to support our military reservists' civilian lives while they serve our nation. Military professionals should not be expected to pay to renew an expensive license or fulfill continuing education requirements for a professional license they cannot use on active duty.

Fiscal Impact for CSLB:

Unknown, but potentially resulting in a minor reduction in license/registration renewal and minor and absorbable workload increases for the Contractors State License Board (CSLB) Licensing Division. Additionally, minor but absorbable cost/workload to CSLB's Information Technology Division, as it is assumed that the information would be entered manually into the CSLB licensing system.

There could be a potential impact to BreEze implementation, but CSLB has no way of estimating those workload impacts or associated costs.



Staff Recommendation and Comments:

WATCH. This bill should not have a significant impact on CSLB. However, the number of licensees that would benefit from this bill is unknown, as CSLB does not track military status for its licensees.

The bill should be amended to more clearly state its intent. Currently, the bill provides that the waiver is only for the time in which the reservist is on active duty. As this period is not likely to correspond exactly to the renewal period, presumably the licensee would be responsible for paying the fee upon leaving active duty status. Would the licensee pay the full fee or a prorated portion?

Date: April 2, 2012



Bill Number: AB 1655 (Dickinson)
Status/Location: Introduced 2/12/13; Assembly Appropriations Committee
Sponsor: Author
Subject: Public Employees: Rights
Code Section: Government Code Section 3524.1

Summary:

Enacts the Public Employees' Bill of Rights Act.

Existing Law:

1. The Bill of Rights for State Excluded Employees prescribes various rights and terms and conditions of employment for excluded employees, defined as certain supervisory, managerial and confidential state employees.
2. Requires notice of any adverse action against any state employee for any cause for discipline based on any civil service law to be served within 3 years after the cause for discipline first arose.
3. Provides that an adverse action based on fraud, embezzlement, or the falsification of records is valid if notice of the adverse action is served within 3 years after the discovery of the fraud, embezzlement, or falsification.

This Bill:

1. States that its purpose is to inform public employees of their rights and terms of employment, and to inspire dedicated service and promote harmonious personnel relations between public employees and their employer.
2. Requires an employer to provide each employee at the onset of his or her employment, and at reasonable intervals, a current, detailed and accurate job description, including a complete description of the scope of his or her duties, salary and benefits information.
3. Provides that the work of the employee shall not be standardized in relation to any given period of time, and unreasonable quotas shall not be imposed.
4. Prohibits an employer from unreasonably preventing the employee from using his or her daily rest and lunch periods as well as his or her leave.
5. Provides that an employee shall not be compelled to perform extra work, including work caused by vacancies, furloughs, or layoffs, without fair compensation.
6. Grants an employee priority in filling permanent, overtime and on-call positions over contractors.
7. Gives employees the rights to a safe and healthy working environment, and provides that grievances relating to this right shall be given a priority status.
8. Prohibits reprisals against any employee who exercises his or her rights under this bill.
9. Grants an employee the right to sue an employer for damages for violations of the Americans with Disabilities Act, the federal Age Discrimination in Employment Act, the federal Family and Medical Leave Act, the California Family Rights Act and the federal Fair Labor Standards Act.



10. Stats that an employee is entitled to be fairly and progressively disciplined for any deficient or inappropriate behavior or job performance.
11. Requires employers to adhere to strict due process and periodic written notice procedures while investigating employees.
12. Requires the employer to honor the memorandum of understanding under which each employee is covered. Provides that any grievance filed by an employee is deemed to be resolved in the employee's favor if the employer violates any of the contractual timelines.
13. Provides additional, specified protections for an employee required to maintain a professional license as a condition of employment.
14. Requires a notice of adverse action and subsequent investigation to be completed within one year after the discovery of the cause for discipline, rather than the current three years.
15. Provides that adverse action based on fraud, embezzlement, or the falsification of records shall be valid if notice of the adverse action is served within one year after discovery.

Need for the bill

According to the author,

Currently, state employee rights and work conditions may be bargained for and included within an MOU. Unfortunately not all bargained for working conditions are uniformly enforced or understood across all departments and agencies, which negatively impacts employee morale and undermines expectations of public employees. In turn employer – employee relations tend to be unsettled and unstable.

Among other improvements to state employee working conditions, clearly delineating state employee rights, through statute, and thereby improving both the employer's and worker's understanding of what is expected of both sides, will promote harmonious personnel relations. Ensuring that employees have a priority over contractors in filling positions will create a sense of stability and result in more dedicated service to the state. It also will reduce an excessive amount of state contracting-out activities, which has burdened the state with millions of dollars in unnecessary costs. Finally, by requiring adverse actions to be resolved within a year of their alleged occurrence will prevent the abuse of the investigatory process, which some agencies delay for years in order to prevent the employee from defending him or herself.

Support:

SEIU Local 1000
Union of American Physicians and Dentists

Opposition:

None on file, although several newspapers have editorialize against it (Merced Sun, Sacramento Bee, Los Angeles Daily News)

Fiscal Impact for CSLB:

Pending.



Staff Recommendation and Comments:

OPPOSE. This bill could potentially make it more difficult and expensive for government to operate. Of particular note, this bill is intended to make it more difficult for the state to contract out for services, which in turn will potentially impede our ability to get the services we need, particularly in regards to IT projects.

The provision in the bill providing that the work of the employee shall not be standardized in relation to any given period of time will likely impact the Enforcement Division, as staff there have monthly goals.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 1750

Bill Number: AB 1750 (Solorio)
Status/Location: Introduced 2/17/12; Assembly Water, Parks and Wildlife Committee
Sponsor: Author
Subject: Rainwater Capture Act of 2012
Code Section: Business and Professions Code Section 7027.5; Water Code Section 10570

Summary:

1. Authorizes a C-27 landscape contractor to enter into a prime contract for a rainwater capture system that is exclusively used for landscape irrigation.
2. Further authorizes a C-27 to design and install all exterior components of a rainwater capture system that are not a part of, or attached to, a structure.
3. Contains findings and declarations regarding the need to collect rainwater and stormwater.
4. Specifies that this bill does not authorize a C-27 to engage in or perform activities that require a license under the Professional Engineers Act.
5. Defines “rainwater capture system” as a facility designed to capture, retain and store rainwater flowing off a building, parking lot, or any other manmade, impervious surface, for subsequent onsite use.
6. Authorizes any residential, commercial, or governmental landowner to install, maintain and operate a rainwater capture system, under specified conditions.

Background

According to the author, current law does not authorize a landowner, at least explicitly, to capture rainwater in a cistern or water tank, although plumbing regulations have taken some steps in that direction. State law needs to be clear that Californians are allowed – even encouraged – to capture and use rainwater on their property, to reduce demand on our precious drinking water supplies.

Legislative History:

AB 275 (Solorio, 2011) was substantially the same as AB 1750. CSLB took a watch position on AB 275. The Governor vetoed the bill, stating, “This measure seeks to adopt an interim standard for rainwater capture outside the established Building Standards Commission process. Without some urgency or a more compelling reason, I think it is better to stick with the process and follow existing California law.”

AB 1834 (Solorio, 2010) was similar to AB 275. CSLB did not take a position on this bill. The final version had no opposition. The Governor vetoed the bill primarily due to the fact the bill included rainwater capture systems for eligibility under the Property Assessed Clean Energy Program.



Fiscal Impact for CSLB:

This bill is keyed non-fiscal.

Minor fiscal impact by requiring an exam update with one or two subject matter expert (SME) meetings at a cost of less than \$10,000. Exam administration impact would be minimal. Also, it is possible there would some Enforcement costs for additional complaint processing and investigation resulting from the expansion of the classification.

Staff Recommendation and Comments:

WATCH. This bill would not result in a significant change. It is already CSLB's policy that C-27 licensees are authorized to install rainwater capture systems at a single family residence. Existing law already provides that projects outside of the C-27 scope must be done by a B contractor or the appropriate specialty contractor.

The Landscape Contractors Association previously indicated they wanted to amend BPC 7027.5 to make it clear C-27s could do this work themselves and don't need to subcontract, but as that is already the opinion of CSLB, it does not provide any new authority.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 1794

Bill Number: AB 1794 (Williams)
Status/Location: Introduced 2/21/12; Assembly Committees on Insurance and Business, Professions and Consumer Protection
Sponsor: California State Council of Laborers
Subject: Worker's Compensation Insurance Reporting
Code Section: Business and Professions Section Code 7125.4, Insurance Code Section 11665

Summary:

Existing Law:

1. Provides that it is a misdemeanor for a licensed contractor or qualifier on a license to file with the Contractors State License Board (CSLB) a false worker's compensation insurance exemption certificate.
2. Until January 1, 2013, requires an insurer who issues a workers' compensation insurance policy to a roofing contractor (C-39) to perform an annual payroll audit for the contractor.

This Bill:

1. Provides that a licensee or qualifier is guilty of a misdemeanor for failing to notify his or her worker's compensation insurance carrier within 15 days of hiring an employee.
2. Until January 1, 2015, requires an insurer who issues a workers' compensation insurance policy to any licensed contractor to require the reporting of workers within 15 days of hire and perform an annual payroll audit for all contractors.

Background:

Underreporting of worker's compensation (WC) insurance is a serious problem in California. A significant number of employers either report no employees or misreport the type of employees they have, such as calling a roofer a receptionist, to qualify for a lower premium, which is known as premium insurance fraud. According to the Center for the Study of Social Insurance at UC Berkeley, this has led to premium rates that are unfairly high for employers of high risk workers, such as construction, premiums that are as much as 2-3 times as high as they should be if all employees were reported accurately.

Premium insurance fraud also has a significant negative impact on the state, as it contributes to an underreporting of payroll. The Center for the Study of Social Insurance estimates that from 1997-2005, an average of \$15 to \$68 billion of California payroll was annually underreported.

Unlike automobile or health insurance policies that require immediate notification to the insurance carrier when adding a vehicle or seeking to add a family member to insurance policies, WC carriers only require periodic reporting of payroll and an annual reconciliation. WC



carriers do not currently require notification by an employer when a worker is hired. Subsequently, many employers have minimum policies and only add an injured worker after the injury occurs, thus increasing the cost for premium paying contractors who legitimately report employees.

However, prosecution of premium fraud is a long, arduous process, typically requiring a search warrant and a forensic audit. A premium fraud conviction can take years to adjudicate. Because of the resources required, many prosecutors will not pursue premium fraud cases unless the underreporting involves amounts that exceed \$100,000 to \$500,000, and even when those amounts are met or exceeded, some prosecutors will not pursue a premium fraud case because of complexity and resource challenges. District attorneys (DAs) have said that prosecuting a premium fraud case is more difficult than prosecuting a homicide case.

Fiscal Impact for CSLB:

Pending.

Staff Recommendation and Comments:

SUPPORT. This bill will ensure that more current information on construction employees is available, which will assist with the enforcement of the existing worker’s compensation insurance requirement.

The approximate premium a roofing contractor pays to insure their labor (not clerical) is 20% on every dollar of payroll. A roofing contractor who pays four (4) employees \$50,000 per year, for a total payroll of \$200,000, would typically pay the WC provider a \$40,000 premium. A sample of 64 roofing contractors (C39 classification), who are required to carry WC to have a clear, active license, determined that more than half or approximately 54% have either a minimum or nearly minimum WC policy:

- 29 (approx. 45%) have minimum WC policies
 - Average premium paid is approx. \$866.
- 6 (approx. 9%) have nearly minimum WC policies
 - Average premium paid is approx. \$2,803
 - Average estimated reported payroll is \$14,010

Insurance companies need to be aware of how many employees they are insuring. Underreporting of employees is significant, and currently, there is no enforcement tool to address the problem, short of waiting an excessive amount of time. CSLB records indicate that, currently, there are 4,791 active C39 licenses. However, meetings with SCIF and the roofing industry revealed that approximately the same number of roofers that lacked WC insurance prior to AB881 (≈1,400) have now purchased a minimum policy for the nominal sum of approximately \$650 but still do not report having any employees and have never paid any premium for employed workers. It is common knowledge in the roofing industry workers are required to remove, replace and install roofs.



Enforcement efforts are compromised by the lack of an employee reporting requirement:

- Consumers filing complaints against licensed contractors routinely provide the names of employees. A random sample of completed licensee investigations recommended for accusation to suspend and/or revoke the license determined that 100% of the licensees with employees did not pay any premiums to their WC insurance carrier. Current law requires an audit (and typically a search warrant) to substantiate a charge of premium insurance fraud.
- CSLB routinely partners with District Attorney Investigators to verify WC coverage at active construction sites, but actions are not taken against roofing contractors (or other contractors) that have employees on site and have never paid any premiums towards their policy because existing law does not require employee reporting to the carrier. Proving an employee was not covered by WC would require an audit and that the employer had misrepresented the premium upon the 12-month reconciliation certification. Basically, it is difficult to prove, as employers can retroactively report employee payroll at end of the 12-month reconciliation period.

Amending the law will allow CSLB, the Division of Labor Standards Enforcement, or the California Department of Insurance to work more effectively with local prosecutors to achieve criminal filings for premium fraud violations or to provide for an administrative violation by a state agency.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 1904

Bill Number: AB 1904 (Block)
Status/Location: Introduced 2/22/12; Assembly Appropriations Committee
Sponsor: None
Subject: Military Spouses: Temporary Licenses
Code Section: Business and Professions Code Section 115.5

Summary:

Authorizes a board within the Department of Consumer Affairs (DCA) to issue a temporary license to the spouse of an activity duty member of the US Armed Forces who is stationed in California.

Existing Law:

1. Provides for the issuance of reciprocal licenses in certain fields where the applicant, among other requirements, has a license to practice within that field in another jurisdiction.
2. For the Contractors State License Board (CSLB), authorizes the acceptance of qualifications of a contractor licensed in another state, if CSLB determines, on a case by case basis, that the professional qualifications and conditions of good standing for licensure and continued licensure are at least the same or greater in that state as in California.

This Bill:

1. Provides that a board within DCA may issue a temporary license to an applicant who meets all of the following requirements:
 - (a) Submits the required application.
 - (b) Supplies satisfactory evidence that he or she is married to, or is in a domestic partnership or other legal union with, an active duty member of the US Armed Forces who is assigned to a duty station in California under official active duty military orders.
 - (c) Holds a current license in another state, district, or territory of the US with the requirements that the board determines are substantially equivalent to its own requirements.
 - (d) Has not committed an act in any jurisdiction that would have constituted grounds for denial, suspension, or revocation of the license at the time the act was committed.
 - (e) Has not been disciplined by a licensing entity in another jurisdiction and is not the subject of an unresolved complaint, review procedure, or disciplinary proceeding conducted by a licensing entity in another jurisdiction.
 - (f) Pays any required fees.
 - (g) Submits fingerprints and any applicable fee.



2. Requires a board to expedite the procedure for issuing a temporary license under these provisions.
3. Provides that a temporary license shall be valid for 180 days, except that the license may, at the discretion of the board, be extended for an additional 180-day period on application of the license holder.

Fiscal Impact for CSLB:

Unknown but potentially significant impact to IT workload as a result of programming requirements to establish a temporary license, impacting both current CSLB IT workload and BreEze implementation.

Staff Recommendation and Comments:

WATCH. The issuance of temporary licenses under this bill's provisions would result in extensive programming change and impact to the Information Technology Division in order to establish a temporary license program for a limited license term. This bill would take effect as DCA is working on implementation of the BreEze system, which would make it difficult to implement until the system is fully operational.

This bill seems unnecessary for CSLB, as we already have provisions for reciprocal licensure with select states. This bill would only expand on the existing provisions by mandating the expedited processing of an application for such a temporary license. However, it would also significantly limit existing provisions by making the license temporary for only a 180 day period. Under existing law, reciprocity applicants are granted full licenses for the full two-year active license period. AB 1904 requires applicants to pay what will likely be the same fee as all other reciprocity applicants, but they would receive a license that would only be valid for 1/4th the amount of time.

However, the current version of the bill is permissive, rather than mandatory, so it seems as if CSLB could choose whether or not to implement.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 1920

Bill Number: AB 1920 (Berryhill)
Status/Location: Amended 3/13/12; Assembly Business and Professions Committee
Sponsor: Engineering Contractors' Association, California Fence Contractor's Association, California Chapter of the American Fence Association, Landscape Contractors Association, Marin Builders' Association, Flasher Barricade Association, and the Engineering and Utility Contractors' Association.
Subject: Contractors: Compensation
Code Section: Business and Professions Code Section 7031

Summary:

This bill limits the ability to recover compensation paid to unlicensed contractors.

Existing Law:

1. Prohibits a contractor from suing to recover compensation for any work performed that requires a license, if the contractor was not licensed at all times during performance of the work.
2. Authorizes a person who utilizes an unlicensed contractor to bring an action in any court of competent jurisdiction for recovery of all compensation paid to the unlicensed contractor for the performance of any act or contract.
3. Authorizes a court to determine whether a contractor has substantially complied with the contractor licensure requirements.

This Bill:

1. Provides that the above provisions of existing law shall not apply if the person performing the work had:
 - (a) Previously been licensed as a contractor in this state in the appropriate classification for the work performed, and
 - (b) The Contractors State License Board (CSLB) has acted to retroactively reinstate the license from the date work commenced through date work completed.
2. Allows a licensed contractor who performed work outside of his or her license classification on a project, to bring an action to recover compensation for the work performed within the proper classification, if the out of class work does not exceed 20% of the contract price



3. Revises the criteria for the court to use to determine whether a contractor has substantially complied with the licensing requirements, and the loss of licensure was not caused by a disciplinary action taken by CSLB, as follows:
 - (a) Whether the contractor acted reasonably and in good faith to maintain proper licensure
 - (b) The contractor knew or should have known of the loss of licensure
 - (c) The contractor took prompt action to request reinstatement of the license after learning that it was invalid
 - (d) Person receiving the benefit of the work would be unjustly enriched.
4. Further provides that a court may consider aggravating factors for a loss for licensure, including,
 - (a) The seriousness of the violation that resulted in the loss of licensure
 - (b) The degree to which the loss of licensure harmed or could have harmed the public

Fiscal Impact for CSLB:

Pending.

Staff Recommendation and Comments:

WATCH. This bill should not have a significant workload impact on CSLB, as CSLB does not have direct responsibility for implementing BPC 7031. The bill does have a potential impact on the Licensing Division, however, as it could result in more contractors seeking retroactive renewal. The sponsor and supporters have referenced numerous abuses of BPC 7031 but have not provided a specific example that this bill would fix.

Retroactive Renewal:

Business and Professions Code Section 7141.5 allows the Registrar to retroactively renew a license, upon the showing of the contractor that the failure to renew was due to circumstances beyond his/her control, for a period not to exceed 90 days from the due date of the renewal.

This bill is a follow-up to AB 249 (Berryhill) from 2011. AB 249, in its last amended version, would have, for purposes of Section 7031 only, defined “unlicensed contractor” as a person who has engaged in the business or acted in the capacity of a contractor and either of the following applies: (a) the person has never been licensed as a contractor under the Contractors State License Law (CSLL) or (b) the person was previously licensed as a contractor under the CSLL and performed an act or contract after his or her license has been revoked or suspended pursuant to a disciplinary action.

In support of AB 249, the sponsors argued that due to its absolute provision, unscrupulous contractors and owners use Section 7031 against other contractors with minor license problems. Consequently, this results in the wholly disproportionate penalty of either not having to pay for work performed or obtaining their money back if they have already paid for performance. These draconian remedies apply notwithstanding the quality of the work or the contractor being licensed some of the time of performance.

The sponsor further argues that the protection provided by existing law (BPC 7031(e)) for contractors to prove that they have substantially complied with licensing requirements is not



sufficient because it requires an evidentiary hearing with complex proof requirements that leave room to keep cases going for significant periods of time.

This bill could lead to potential confusion for consumers. The CSLB consistently advocates that consumers check the contractor's license before commencing work, and the importance of hiring licensed contractors. CSLB would now need to educate consumers that it is at times legal for a contractor to complete work while not properly licensed.

The CSLB requires a contractor to be licensed and hold the appropriate classification(s) to bid on and to perform work. This proposal would move CSLB away from the requirement that a license be held and maintained at all times.

Legislative History:

AB 249 (Berryhill, 2011) limited the ability to recover compensation paid to unlicensed contractors. This bill was heard, but not voted upon, by the Assembly Committee on Business, Professions and Economic Development.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 2219

Bill Number: AB 2219 (Knight)
Status/Location: Introduced 2/24/12; Assembly Business and Professions Committee
Sponsor: Roofing Contractors Association of California
Subject: Contractors: Workers' Compensation Insurance Coverage
Code Section: Business and Professions Code Section 7135; Insurance Code Section 11665

Summary:

Removes the sunset date on the requirement for C-39 licensees (roofers) to carry workers' compensation insurance.

Existing Law:

1. Until January 1, 2013, requires a licensee with a C-39 classification to obtain and maintain workers' compensation insurance.
2. Requires the Registrar to suspend a C-39 license if the holder does not submit a valid certificate of workers' compensation insurance coverage, as of January 1, 2011.
3. Until January 1, 2013, requires automatic suspension of a license that, after January 1, 2011, held a C-39 Roofing classification which was previously removed for failure to provide workers' compensation coverage if that license holds other classifications and is subsequently found to have employees who are working without workers' compensation coverage.
4. Until January 1, 2013, requires an insurer who issues a workers' compensation insurance policy to a C-39 licensee to perform an annual payroll audit.

This Bill:

1. Eliminates the January 1, 2013 sunset date on the requirement that all C-39 licensees maintain workers' comp coverage, thereby extending this requirement indefinitely.
2. Requires the Registrar to suspend any active C-39 license if there is no valid workers' comp policy on file, as of January 1, 2013.
3. Eliminates the January 1, 2013 sunset date on the requirement to automatically suspend a license if the license held a C-39 classification which was previously removed for failure to provide workers' compensation coverage, if that license holds another classification and is subsequently found to have employees who are working without coverage, thereby extending this provision indefinitely.
4. Eliminates the January 1, 2013 sunset date on the requirement for insurers to perform an annual payroll audit of C-39 licensees, thereby extending this requirement indefinitely.
5. Postpones the dates from January 1, 2011 until January 1, 2013 in existing law as the date by which a license must have workers' comp coverage, or it will be suspended.



6. Further requires the annual audit to include an in-person visit to the contractor's place of business to verify that the number of employees reported by the contractor is valid. Also requires the rating organization to track additional roofing classification and data on premiums and losses for specified intervals.

Background:

According to the author's office,

The roofing industry in California has among the highest workers compensation rates of all industries in the state. However, a high incidence of payroll reporting fraud has also helped lead to these exorbitant costs, as many roofing contractors under-report their payroll in order to secure lower workers compensation premiums. When roofing companies under report their payroll and carry substandard levels of workers compensation insurance, their employees are put at an even higher risk without appropriate insurance coverage in place, homeowners are unwittingly subjected to liability if a worker is injured, and honest roofing companies must subsidize the premiums of dishonest companies.

Data from the first two years of implementation of the insurance mandate reflects the effectiveness of the legislation in that 436 more roofing contractors were insured at the end of 2008 than were insured in 2000, despite fewer roofing contractors in business due to economic attrition.

Eliminating the sunset on this program will ensure a comprehensive approach to eliminating fraud in the roofing industry, which increases system efficiency, protects property owners and roofing employees, while also bringing down costs for California's honest roofing contractors. Furthermore, annually verifying reported payroll numbers through in-person visits (as opposed to simply a phone call) by the insurer during the audit period will further deter fraudulent claims, and will provide insurers with a more accurate picture of the size of roofing operations which they are insuring.

Legislative History:

AB 2305 (Knight, Chapter, 423, Statutes of 2010) extends the sunset date, from January 1, 2011 to January 1, 2013, in existing law requiring a roofing contractor to obtain and maintain workers' compensation insurance, even if he or she has no employees, and extends the parallel sunset date requiring the Department of Insurance to report on this effect. Additionally, added as a new requirement the suspension of any license that, after January 1, 2011, is active and has had the C-39 roofing classification removed, of the licensee is found by the registrar of contractors to have employees and to lack a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance.

AB 881 (Emmerson, Chapter 38, Statutes of 2006) established the requirement for all C-39 licensees to maintain workers' compensation coverage.

Fiscal Impact for CSLB:

Pending.



Staff Recommendation and Comments:

WATCH. The cost of workers' compensation insurance continues to escalate, in large part, because of employers who fail to report employees. CSLB has performed a study in select cities to measure roofing contractors' compliance with insurance requirements. The study determined that approximately 50% of roofing contractors insured with State Compensation Insurance Fund (SCIF) have "minimum policies." Basically, a minimum policy is the least amount for which the insurance provider is willing to insure an employer on a given policy. However, the insured is required to notify the carrier when they have payroll, but employers are not reporting payrolls to the insurance carriers.

The approximate premium a roofing contractor pays to insure their labor (not clerical) is 20% on every dollar of payroll. A roofing contractor who pays four (4) employees \$50,000 per year, for a total payroll of \$200,000, would typically pay the WC provider a \$40,000 premium. A sample of 64 roofing contractors (C39 classification), who are required to carry WC to have a clear, active license, determined that more than half or approximately 54% have either a minimum or nearly minimum WC policy:

- 29 (approx. 45%) have minimum WC policies
 - Average premium paid is approx. \$866.
- 6 (approx. 9%) have nearly minimum WC policies
 - Average premium paid is approx. \$2,803
 - Average estimated reported payroll is \$14,010

These numbers may indicate that this requirement is not achieving the desired result.

Additionally, the provisions that change the date from January 1, 2011 to January 1, 2013, as the date by which the license must have coverage or face suspension, can make continued implementation of this law problematic. If the license was not issued until 2014, do they fall under this provision? If the language stated "on or after January 1, 2013," it would cover all licenses that could fall under these circumstances in the future. It is also confusing as to how it would be handled if the C-39 classification was removed from the license in 2011, are they not subject to this suspension? Potentially, but it would be more clear to either remove the "after January 1, 2013" phrase (since the revisions would not take effect until then) or to add an "Effective January 1, 2013," phrase to the beginning of the subsection. That "effective" date phrase could also be a good alternative for subsection (e)(1).

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 2237

Bill Number: AB 2237 (Monning)
Status/Location: Introduced 2/24/12; Assembly Business and Professions Committee
Sponsor: Contractors State License Board (CSLB)
Subject: Construction Consultants
Code Section: Business and Professions Code Section 7026.1

Summary:

This bill specifies that the definition of “consultant” for purposes of the definition of “contractor” includes a person, other than a public agency or owner of privately owned real property to be improved, who meets any of the following criteria:

1. Provides or oversees a bid for a construction project.
2. Arranges for and sets up work schedules for contractors and subcontractors.
3. Maintains oversight of a construction project.

Fiscal Impact for CSLB:

1. Absorbable cost to enforcement to address unlicensed violators.
2. CSLB should enjoy an increase in applications for licensure.

Staff Recommendation and Comments:

SPONSOR/SUPPORT. CSLB’s April 24, 2008 *Precedential Decision No. 1* establishes that someone acting in the capacity of a swimming pool consultant is a contractor.

The March 27, 2009, Appellate Court decision *The Fifth Day v. Bolotin* found that someone acting in the capacity of a construction manager is not required to be licensed as a contractor.

The *Fifth Day v. Bolotin* decision undermines CSLB’s Precedential Decision.

Recently, an unlicensed contractor facing criminal prosecution for violating Business and Professions Code Section 7028 claimed to have been a project coordinator and asserted exemption from licensure, citing *The Fifth Day v. Bolotin* decision. Although the unlicensed contractor was not overseeing a contract between the project owner and a general contractor as in the *Fifth Day v. Bolotin* case, the defense strategy was nonetheless of concern to the prosecutor and ultimately resulted in a plea bargain dismissing the 7028 charge.

A prosecutor may move to dismiss a criminal complaint for unlicensed contracting or accept a plea on another violation where the defense cites *The Fifth Day v. Bolotin* and asserts exemption from licensing as a construction manager, project manager or project coordinator.



Even when the facts and circumstances involved in a criminal case do not actually parallel *The Fifth Day v. Bolotin*, a prosecutor may be reluctant to challenge such a defense, as was the case during a recent court proceeding. Additionally, our precedential decision may have a diminished impact given that the ruling in *The Fifth Day v. Bolotin* occurred subsequent to our decision.

Although we know of only one criminal charge for contracting without a license that was withdrawn as a result of the defense claiming exemption from licensing due to acting as a construction manager, the recent *The Fifth Day v. Bolotin* decision will surely be used as a defense strategy in the future. An amendment to the statute defining a contractor is needed to clearly preclude *The Fifth Day v. Bolotin* from being misapplied as a defense regarding the licensing requirement for those acting as a construction manager, project manager or project coordinator, thereby avoiding either having a prosecutor dismiss a criminal complaint or having to become embroiled in a protracted rebuttal to such a defense.

Note that in *The Fifth Day v. Bolotin* decision the construction manager was overseeing and supervising a general contractor and did not have a contract with the property owner to perform the construction work.

CSLB's precedential decision involved a swimming pool but it is applicable to any construction project because the conduct of someone claiming to be exempt from licensure as a consultant (similar to those calling themselves a construction manager, project manager or project coordinator) was found to be acting in the capacity of a contractor.

The harm to the consumer is that a remedy through criminal prosecution will not be available if the prosecutor chooses not to challenge a *The Fifth Day v. Bolotin* defense.

The intent of this proposal is not to license consultants or construction managers but to protect the public from persons presenting themselves as "consultants" but acting in the capacity of a contractor by scheduling subcontractors and exercising responsibility for the construction project.

Planned Amendments:

The introduced version raised concerns with the California Business Properties Association and the California Building Industry Association. They were concerned about the impact on commercial property, both on owners and tenants, who often use property management companies or other staff to address repairs and improvements. To address their concerns, the bill will be amended to limit the definition to work performed under a home improvement contract.

Date: April 2, 2012



Bill Number: AB 2482 (Ma)
Status/Location: Introduced 2/24/12; Assembly Business and Professions Committee
Sponsor: Interior Design Coalition of California
Subject: Registered Interior Designers
Code Section: Business and Professions Code Section 5700

Summary:

Creates the California Registered Interior Designers Board (ID Board) within the Department of Consumer Affairs (DCA).

Specifically, this bill:

1. Establishes the ID Board, composed of an unspecified number of members, appointed by the Governor and the Legislature.
2. Defines various terms, including:
 - (a) “Contract documents” as the set of documents that form a part of the legal contract for services between two or more parties. These documents may include, but are not limited to, detailed instructions to the contractor, tender forms, construction documents and specifications.
 - (b) “Practice of registered interior design” as including the development and presentation of final designs...that are appropriate for the alterations or construction of the interior area;” “the preparation and administration of bids or contract documents for the alteration or construction of the interior area as the agent of a client;” “the review and evaluation of problems relating to the design of the interior area during the alterations or construction of the area and upon completion of that alteration or construction.”
3. Specifies licensing and renewal requirements for applicants and licensees, and the process for issuing and renewing a license.
4. Defines the practice of registered interior design and provides that, notwithstanding any other provision of law, a licensee may, if required by a city, county, or city and county in relation to the issuance of a permit, prepare and seal interior design documents to be submitted for the issuance of a building permit for interior construction, excluding design of any structural, mechanical, plumbing, heating, air-conditioning, ventilating, electrical, or vertical transportation system.
5. Provides that a licensee may collaborate with a licensed architect, or an electrical, structural, or mechanical engineer.
6. Exempts licensed architects and engineers, employees of registered interior designers, and other specified professionals.
7. States that this bill shall not be construed as authorizing a licensed contractor to perform design services beyond what is authorized in existing law or this bill, unless those services are performed by or under the direct supervision of a person licensed to practice registered interior design, or a professional or civil engineer.



8. Further states that this bill does not prohibit any person from furnishing, either alone or with contractors, if required by the Contractors State License Law, labor and materials, with or without plans, drawings, specifications, instruments of service, or other data covering such labor and materials to be used for a variety of specified services.

Legislative History:

SB 1312 (Yee, 2008) would have created, within the California Architects Board, the Registered Interior Design Committee for the registration of registered interior designers. This bill was held on the Senate Floor.

AB 1096 (Romero, 2000) would have created a Board of Interior Design for the purpose of registering interior designers. The Governor vetoed this bill, stating:

This bill creates a new regulatory program for an industry where there is no demonstrated consumer harm. The creation of a new regulatory program and new state agency at a time when the Legislature is eliminating licensing boards and streamlining regulatory programs is inappropriate.

Additionally, this bill does not provide for adequate start-up funding and is unclear as to what, if any, consumer protection would be served. Government intervention in a marketplace should be reserved for cases where there is consumer harm.

SB 153 (Craven, Chapter 396, Statutes of 1990) established the Certified Interior Designer Practice Act, which provides for certification by a private non-profit organization.

Fiscal Impact for CSLB:

Pending.

Staff Recommendation and Comments:

OPPOSE. The practice of registered interior design appears to have some overlap with the Contractors State License Law. Specifically, this bill allows registered interior designers to be responsible for the preparation and administration of bids or contract documents for the alteration or construction of the interior area as the agent of a client. It also appear to allow an interior designer to exercise direction and control over a project, which overlaps with CSLB's jurisdiction. Specifically, CSLB is sponsoring legislation this year (AB 2237, Monning) to clarify that someone who does any of the following is subject to licensure: provides or oversees a bid, arranges for and sets up work schedules, or maintains oversight of a construction project.

Additionally, AB 2482 allows an interior designer to pull permits for a project. In order to be able to pull a permit, the interior designer would need to be an agent of the owner, and the owner would have to be using the owner/builder exemption.

Date: April 2, 2012



CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE ANALYSIS – AB 2554

Bill Number: AB 2554 (Berryhill)
Status/Location: Amended 3/27/12; Assembly Business and Professions Committee
Sponsor: Contractors State License Board (CSLB)
Subject: Contractors: Disciplinary Action
Code Section: Business and Professions Code Section 7011.4 and 7106.5

Summary:

Existing Law:

1. Creates a separate enforcement unit (SWIFT) within CSLB to rigorously enforce the law to prohibit all forms of unlicensed activity.
2. Provides that the expiration, cancellation, forfeiture, suspension, or voluntary surrender of a license does not restrict CSLB's jurisdiction to proceed with any investigation or disciplinary proceeding against a licensee.

This Bill:

1. Provides all enforcement representatives, not just those within SWIFT, the authority to issue a notice to appear (NTA).
2. Further provides that revocation of a license by operation of law does not restrict CSLB's authority to proceed with an investigation or to take disciplinary action against a licensee.

Fiscal Impact for CSLB:

Pending.

Staff Recommendation and Comments:

SUPPORT/SPONSOR. 7011.4 - With the growing population and difficult economic times, there are many complaints filed against unlicensed and illegal contractors, many of whom do not have workers' compensation (WC) insurance for employees. CSLB's Enforcement division has Statewide Investigative Fraud Teams that perform proactive investigations, and conduct undercover sting and sweep operations. However, many complaints received against unlicensed contractors and uninsured contractors are received through the Investigation Centers (ICs). In addition, it is a demonstrated fact that 60% of licensees have filed for exemptions from WC insurance. Contractors who fail to carry WC for employees are considered to be part of the underground economy, and they pose a threat to consumers, legitimate licensees, businesses, and employees.



Pursuant to Business and Professions (B&P) Code section 7125.4 and Labor Code section 3700.5, it is a misdemeanor in the State of California to employ workers without having WC insurance. Further, it is a felony to underreport employees in order to lower WC insurance premium costs. In July 2010, the Fraud Assessment Commission gave the California Department of Insurance (CDI) a \$30 million grant to prosecute WC fraud. CDI, in turn, has partner with CSLB to target unlicensed and illegal contractors who are in violation of WC laws and pose a threat to consumers, legitimate businesses, and employees. On January 1, 2011, CSLB was granted the ability to issue Stop Orders to licensed and unlicensed contractors that have employees and do not have WC insurance.

There is a changing need within CSLB Enforcement, and this is an opportunity to refer more criminal complaints to prosecutors through NTAs. In addition, with the growing need and new focus on WC violations, Enforcement would be enhanced by allowing IC investigators to issue NTAs and Stop Orders so that they can partner with CDI and the Premium Insurance Fraud Task Force to combat unlicensed and uninsured practice. By allowing IC investigators the ability to issue NTAs and Stop Orders, enforcement of Contractors' License Law will be enhanced, thus protecting those who live, work and do business in California.

Business and Professions Code Section 7106.5 grants the Registrar authority to proceed with investigation of a complaint even though the license has been expired, cancelled, forfeited, or suspended by operation of law, or voluntarily surrendered. However, the statute does not provide for pursuing an accusation to revoke the license when the license has already been revoked by operation of law.

An accusation is filed after an investigation by enforcement staff and it is a public written statement of charges CSLB has filed with the Office of the Attorney General that specifies statutes and rules a contractor or home improvement salesperson is alleged to have violated. It may result in a hearing to determine whether a licensee has violated the law and whether the license should be revoked, suspended, and/or placed under some type of restriction by the Registrar.

Revoking a license by operation of law occurs when a licensee fails to comply with a citation or arbitration award. The license is revoked for a minimum of one year. To reinstate the license, the licensee must make restitution or comply with the order of correction, pay civil penalties, and post a minimum disciplinary bond in the amount of \$15,000.00. Often, the amount of restitution is minimal and the civil penalties cannot exceed \$5,000.000.

By not having the clear authority to file an accusation when the license is revoked by operation of law, an individual could evade/avoid discipline because the facts of the grounds for the accusation were never established. For example, if the licensee may not re-apply for licensure for five years after the revocation for non-compliance, the witnesses and evidence of the aforementioned case would not be fresh or the witness may not be located.

With this proposed change, CSLB could proceed with the accusation hearing, and put the discipline and facts of the case on record, which would require the licensee to comply with the Order of the Registrar prior to getting the license re-issued.



The proposed change would protect the public by establishing a financial injury relative to the case, which would allow the consumer to file against the bond. The public would also be more protected when, and if, the licensee re-applied because the egregious act would result in the requirement of a higher disciplinary bond amount, which currently can be imposed up to \$125,000.00.

In addition, the consumer that filed the complaint leading to the accusation would be entitled to restitution before the license is re-issued.

Date: April 2, 2012



Bill Number: AB 2570 (Hill)
Status/Location: Introduced 2/24/12; Assembly Business and Professions Committee
Sponsor: Author
Subject: Settlement Agreements
Code Section: Business and Professions Code Section 143.5

Summary:

Prohibits the inclusion of gag clauses in settlement agreements.

Existing Law:

1. Provides that it is a cause for suspension, disbarment, or other discipline for an attorney to agree or seek agreement that the professional misconduct or the terms of a settlement of a claim for professional misconduct are not to be reported to the disciplinary agency, or to agree to seek agreement that the plaintiff shall withdraw a disciplinary complaint or not cooperate with an investigations or prosecution conducted by the disciplinary agency.
2. Specific to the Medical Board of California, prohibits any physician or surgeon from including in a civil settlement agreement any provision that prohibits another party to the dispute from contacting or cooperating with, or filing a complaint with the Medical Board of California (MBC), or that requires withdrawal of a filed complaint.

This Bill:

1. Provides that no licensee that is regulated by a board, bureau or program within the Department of Consumer Affairs (DCA), nor an entity or person acting as the licensee's authorized representative, shall include or allow the be included in agreement to settle a civil dispute, a provision that either prohibits the other party from contacting, filing a complaint with, or cooperating with DCA or the board, bureau, or program, or that requires the other party to withdraw a complaint already filed.
2. States that such a provision is void as against public policy, and subjects any licensees who includes such a provision to disciplinary action.
3. Further provides that any licensing entity within DCA that takes disciplinary action against a licensee or licensees based on a complaint or a report that has also been subject to civil action and settled for monetary damages providing for full and final satisfaction shall not require its licensee(s) to pay any additional sums to the benefit of any plaintiff in the civil action.



Legislative History:

AB 2260 (Negrete McLeod, Chapter 565, Statutes of 2006) established the existing provision for the Medical Board of California. The Attorney General’s Office supported the bill, and write in support:

The [AG] routinely represents licensing agencies, particularly in our Health Quality Enforcement and Licensing Sections. We have long maintained that such contracts and/or settlement provisions are void as against public policy. Case law supports this view. (See, *Picton v. Anderson Union High School* (1996) 50 Cal.App.4th 726 [non-disclosure agreement in teacher misconduct case held unenforceable and illegal as a matter of public policy]; *Mary R. v. Division of Medical Quality of the Board of Medical Quality Assurance* (1983) 149 Cal.App.3d 308 [gag orders stricken once the Medical Board has intervened and asserted its interest in fulfilling its statutory obligations to supervise and regulate the practice of medicine]; and *Cariveau v. Halferty* (2000) 83 Cal.App.4th 126 [civil settlement agreement which prohibits customers of a securities agent from reporting misconduct to a regulator is void as against public policy].)

AB 446 (Negrete McLeod, 2005) would have prohibited any licensee regulated by the Department of Consumer Affairs, or various boards, bureaus, or programs from including a provision in an agreement to settle a civil dispute that would prohibit the other party to the dispute from contacting, filing a complaint with, or cooperating with the department, board, bureau, or program, or that would require the other party to withdraw a complaint from the department, board, bureau, or program. The Governor vetoed this bill, stating:

I vetoed a similar bill last year because of the negative effect it would have had on the California economy. This bill further erodes the ability to do business in California by creating more uncertainty regarding litigation by prohibiting any licensee or professional overseen by the Department of Consumer Affairs from including in a civil settlement agreement a provision that prohibits the other party from contacting or filing a complaint with the regulatory agency. When parties who are in dispute agree to settle, there should be some assurances that the dispute has been resolved in a satisfactory and final manner for both parties.

AB 320 (Correa, 2004) was virtually identical to AB 446 and was also vetoed, for the same reasons as stated in the veto message for AB 446.

Fiscal Impact for CSLB:

Pending.



Staff Recommendation and Comments:

WATCH. Prior legislation has been supported by the Attorney General’s Office, CalPIRG, and the Center for Public Interest Law and Consumers Union. Supporters generally argue that gag clauses allows licensees to keep their misconduct secret and avoid appropriate oversight, which can potentially harm the public.

Opponents to prior legislation have included engineering groups, the California Building Industry Authority, Associated General Contractors, and other contractor groups. They have argued that contractors and their insurers will not settle unless the settlement is final and that during the delay, all parties will continue to have to pay attorneys’ fee, thereby increasing litigation costs. They also assert that this will also tend to exacerbate the already high costs of insurance for contractors.

Date: March 5, 2012

AGENDA ITEM G

Review and Approval of the Public Affairs Committee Report



AGENDA ITEM G-1

Review and Approval of
March 28, 2012
Public Affairs Committee
Summary Report





CONTRACTORS STATE LICENSE BOARD

PUBLIC AFFAIRS COMMITTEE SUMMARY REPORT

PUBLIC AFFAIRS COMMITTEE MEETING

March 28, 2012
Sacramento, CA

A. Call to Order

Public Affairs Committee Chair Joan Hancock called the meeting to order at 2:40 p.m. in the John C. Hall Hearing Room at CSLB Headquarters, 9821 Business Park Drive, Sacramento, CA 95827.

Committee Members in Attendance:

Joan Hancock, Committee Chair
Robert Brown, Committee Member
Pastor Herrera Jr., Committee Member
Ed Lang, Committee Member

Committee Member Absent:

Louise Kirkbride, Committee Member

Other Board Members Present:

Matt Kelly, Board Member

CSLB Staff Present:

Steve Sands, Registrar
Cindi Christenson, Chief Deputy Registrar
Rick Lopes, Chief of Public Affairs
Melanie Bedwell, Public Affairs Office
Venus Stromberg, Public Affairs Office
Jane Kreidler, Public Affairs Office
Sarah Martin, Public Affairs Office
Rose Avila, Public Affairs Office
Candis Cohen, Public Affairs Office
David Fogt, Chief of Enforcement
Karen Ollinger, Chief of Licensing
Laura Zuniga, Chief of Legislation

DCA Staff Present:

Don Chang, Legal Counsel
Simone Renteria, Staff Counsel

Chair's Remarks

Committee Chair Joan Hancock offered the PAO Committee's sympathy to Committee Member Pastor Herrera for the loss of his mother, for which he thanked the committee. Chair Hancock made several announcements: the *2012 California Contractors License Law & Reference Book* arrived this week and is being distributed to CSLB staff,



prosecutors and other CSLB partners, is available for purchase, and there is a free PDF version of the law book that can be accessed through CSLB's website; there was a successful press conference on March 16 following the 2012 Spring Blitz in Riverside; the spring 2012 edition of the *California Licensed Contractor* newsletter is in final production, and a printed version of the summer 2012 edition will be mailed. Ms. Hancock mentioned the growing list of Senior Scam StopperSM seminars that are set to surpass all of last year's, and that six presentations in two days are set for the beginning of next month in Marin and Sonoma counties.

B. Public Comment Session

Ms. Hancock opened the meeting to public comment; there was none.

C. Public Affairs Program Update

Ms. Hancock asked Public Affairs Chief Rick Lopes to present the Public Affairs Program Update. Mr. Lopes began by individually recognizing PAO staff, noting their number of years with CSLB, and highlighted each person's responsibilities and contributions to CSLB public relations efforts.

Mr. Lopes stated that many CSLB Web postings have been timely due to PAO staff formatting text to alleviate IT workload, and that CSLB's social media following and email listserv participation continues to grow. Mr. Lopes noted that the Enforcement division's Spring Blitz event garnered coverage from Los Angeles and Palm Springs area broadcast media and local Riverside County newspapers, as well as coverage throughout the state in other cities and counties in which the Blitz operations occurred.

Mr. Lopes reviewed social media efforts; recently completed publications and graphics and those in production; and announced that the new Senior Scam StopperSM website had launched earlier in the day and includes event calendars and fliers. Mr. Lopes said PAO is expanding to Consumer Scam StopperSM seminars that will focus on broader consumer groups. Mr. Lopes asked PAO Outreach Coordinator Jane Kreidler to detail the Consumer Scam Stopper program. She explained that the presentations will be broad-based scam stoppers, not just for a senior citizen audience, and would include such demographics as community- and faith-based organizations, service organizations, and neighborhood watch groups.

In concluding the program update, Mr. Lopes mentioned that the previous day's Wellness Program activity was the Free Farmers Market, and he encouraged committee members to review the news clips in the Committee packet that featured articles about CSLB, home improvement, and construction.

D. Expanded Outreach Proposal

Chair Hancock announced that Public Affairs goals and objectives would be an action item on the April strategic planning agenda and asked Mr. Lopes to review a proposal for a redirected outreach program.



Mr. Lopes explained that CSLB was unable to secure an advertising agency contract in the past year due to Department of General Services' legal concerns about the Request for Proposal process. He added that consumer research conducted from the prior contract, which included telephone surveys and focus group discussions with consumers and licensees, could help guide PAO outreach efforts. He noted that the paid advertisements had not provided the anticipated return on investment. Given CSLB has \$700,000 allotted for outreach targeted at 37 million California residents, Mr. Lopes said PAO had to consider better ways to reach consumers. Committee Member Herrera questioned whether the \$700,000 was restricted to a contract with an outside vendor, or whether that money could be used toward outreach efforts. Registrar Steve Sands indicated the funds have some flexibility.

Contractor focus group results indicated that licensees believe CSLB should engage in continuing education for them, and help provide materials to distribute to potential clients when bidding projects. Contractors also indicated that they wanted to personalize the materials with their company name or license number. The focus group participants further added that there was a perception in the contractor community that CSLB only existed to regulate and charge fees, with no benefit to the contractor, and that they believed CSLB made consumers fearful of contractors. Given there are about 300,000 licensees, PAO is considering shifting the outreach focus to contractors to help educate the 37 million California consumers. He added this two-pronged approach to outreach would begin by providing licensees with informational tools for their potential clients that help promote hiring licensed contractors. With a train-the-trainer type education campaign, contractors can participate in both leveling business competition while helping to achieve CSLB's goal of consumer education and protection.

Mr. Lopes highlighted potential elements of the plan. He said the first step might include industry research, online surveys with the 94,000 licensee addresses CSLB currently has captured, as well as meeting with the subject matter experts who consult with CSLB's Testing division. PAO would update printed and online materials, and encourage licensees to seek the materials online versus ordering through the mail.

Chair Hancock questioned whether there would be any issues with CSLB sharing its name with contractors; DCA Legal representative Don Chang indicated contractors could be provided with CSLB materials or images as long as there is no endorsement and, when a logo is developed, it contains an appropriate disclaimer.

Currently in development, according to Mr. Lopes, is a "California Licensed Contractor" logo, separate and distinct from the Board's logo, which would promote status as a licensed contractor, similar to the Bureau of Automotive Repair's check mark symbol and placard that is posted at facilities licensed to test vehicle emissions.

Mr. Lopes continued by adding that the contractor resource section of CSLB's website would be expanded and more user-friendly.



Mr. Lopes then discussed the expansion and development of new videos, which contractors could take from CSLB's website or YouTube channel and embed on their own websites to educate consumers. He mentioned another possibility of a monthly video that would include Board highlights or announcements. Other Web elements included monthly chats, and a Phase Two that would include educating contractors on becoming better business people. He encouraged committee members to provide input on other potential video or Web-based ideas.

Committee Member Lang asked about the perception of the focus changing from consumer to contractor, and whether the benefits could be measured. Mr. Lopes indicated consumer outreach would continue to occur as part of PAO's normal assignments, but that an additional focus would be getting materials to licensees who could then distribute them to the consumer. Committee Member Brown indicated that the contractor education proposal would be ideal, and far easier to accomplish with fewer resources. Member Herrera added that outreach to licensees was a good first step, and suggested development of an advisory committee possibly made up of some of the participants in the 2008-09 focus groups. He inquired as to whether outreach to the unlicensed to encourage them to become licensed, potentially through outreach to ethnic media and partners in the ethnic community, might be an area to consider. Chair Hancock mentioned the possibility of outreach that wouldn't exclude the unlicensed, but that would perhaps include additional access or benefits for those with licenses. Mr. Herrera added that partnering with the SCORE program, which mentors small businesses, might provide insight or assistance for licensees seeking additional training in best business practices.

Mr. Sands mentioned that members of the state's swimming pool contractor association were encouraged to hand out CSLB's "Before You Dive into Swimming Pool Construction" brochure as part of their bid package, and that licensees helping to reach consumers was a shift in focus. He also mentioned the landscape contractor association's efforts to recruit those without licenses to get them to apply for and achieve licensure. He added that Ms. Hancock and the committee would be busy introducing and developing these concepts over the next year or two.

Chair Hancock called for a vote on whether to move the proposed Public Affairs Strategic Plan goals and objectives to the full Board for approval. Member Herrera made the motion; Member Brown seconded. There was no further discussion. The motion passed unanimously.

E. Adjournment

Ms. Hancock asked for a motion to adjourn the Public Affairs Committee meeting. Mr. Brown made the motion; Mr. Lang seconded. The Public Affairs Committee meeting was adjourned at 3:27 p.m.

AGENDA ITEM G-2

Review and Approval of Expanded Outreach Proposal





CONTRACTORS STATE LICENSE BOARD

EXPANDED OUTREACH PROPOSAL

At its March 29, 2012 meeting, the Public Affairs Committee approved staff development of a contractor outreach and education program, including the use of outside vendors, if necessary.

Proposal

PAO recommends development of an outreach campaign aimed at licensees. The primary goal of this proposal is to provide contractors with educational materials that will empower them and enable them to help educate consumers about making informed choices when hiring a contractor. CSLB would partner with licensees so they can serve as an agent to carry CSLB's education messages to consumers at their "point of purchase," when they're actively looking to hire a contractor.

The program would be developed with the following priorities:

1. Provide licensees with tools they can use to educate consumers/potential clients; and
2. Provide licensees with resources that will help ensure that they are aware of laws and best business practices.

This campaign will encourage licensees to share ownership of CSLB's message that promotes the value of hiring a licensed contractor, and will further inform consumers about the risks they take when either hiring an unlicensed operator or a licensee who is cutting corners by operating in the underground economy.

This will give licensees who are following the laws a more competitive business platform, while helping CSLB achieve its consumer protection goal.

In addition, by participating in CSLB's consumer education efforts, and by receiving information on laws and best business practices, licensees would have a greater understanding of the various direct benefits they get by being licensed.

Background

This expanded outreach proposal is the result of an objective in CSLB's 2011-12 Strategic Plan. That objective was to develop an expanded media outreach plan.

Available Research

In late 2008 and early 2009 CSLB conducted a detailed research project. The project was conducted prior to the launch of a statewide advertising campaign.

Public opinion research consisted of telephone interviews with consumers. Focus group research was conducted with licensed contractors, who participated in a total of eight round-table discussions in four different locations around the state. Four sessions were conducted in English, four in Spanish.

The research offered important feedback on licensee sentiments about the state of the construction industry, and consumer attitudes towards construction projects, as well as opinions and impressions of CSLB and its operations. Research results were used to direct the paid advertising campaign that was held from 2009 to 2011.

Due to the mixed results of post-campaign research conducted in 2011, it was determined that CSLB's limited budget (\$700,000) makes it difficult, if not impossible, to educate and inform the state's 37 million residents through traditional paid advertising.

**Focus Group Research**

The January 2009 focus group research identified a number of opportunities to better utilize licensed contractors and give them the tools to help them educate consumers. An added benefit would be to put a system in place to give licensees information on laws and best business practices. Among the research findings are:

- Contractors believe CSLB should educate contractors. This means making information available on a variety of subjects, including information they can use as part of their presentations to potential clients.
- About one-third of the contractors had seen CSLB's printed educational collateral. Most of the research focus group contractors said they would utilize printed materials and hand them out to customers. They also showed interest in personalizing brochures with an individual contractor name and license number.

Potential Campaign Elements

- Conduct Research
 - Determine most wanted/needed materials
 - Determine best way to reach licensees
- Develop (update) Print/Web Materials
 - Including new consumer & contractor booklets
 - Formats optimized for printing CSLB website
 - Opportunity to add contractor name/license number on materials
 - Consumer victim stories
- Develop Online Contractor Resource Center
 - Make resources available in one, centralized place
- Develop "State of California Licensed Contractor" Logo
 - Use to promote "State Licensed Contractor"
 - Determine if legislation is needed to prohibit illegal use by non-licensee
- Develop Videos
 - Contractor can embed on their own website
 - Focus on consumer education material
 - Focus on communication w/licensee (maybe monthly video w/highlights)
 - Industry groups
 - Monthly video noted above
- Other Web Elements
 - Development of monthly topics
 - Live Web chats
 - Development of Opt-In "Find a Contractor" feature

Staff Recommendation

Board Approval of motion for staff to develop of a contractor outreach and education program, including the use of outside vendors, if necessary.

AGENDA ITEM H

Closed Session –
Pending Litigation Pursuant to
Government Code section 11126 (e)(1)



AGENDA ITEM H-1

Kathy Jones vs. State of California
Department of Consumer Affairs, et. al.,
Case No. 34-2009-00065937



AGENDA ITEM I

Strategic Planning Session





CONTRACTORS STATE LICENSE BOARD

2011-12 STRATEGIC PLAN OBJECTIVES UPDATE

Item #	Objective	Original Deadline	Current Status
1	Reorganize Enforcement Division	3 rd Quarter 2011	Contracted executed with Cooperative Personnel Services (CPS) to: 1. Establish a Deputy Chief Position 2. Reclassify CSRs to SSAs 3. Reclassify ER to Special Investigator Scheduled completion date is 5/01/12
2	Establish Expanded Media Outreach Plan	3 rd Quarter 2011	Proposal Approved by Public Affairs Committee on 3/28/12
3	Develop plan to explore licensure for solar/alternative energy contractors	4 th quarter 2011	Staff continues its research this issue and has met with groups involved in the solar/alternative energy industry. New target date is 3 rd quarter 2012.
4	Create new flagship consumer education publication	4 th Quarter 2011	Delayed by Hiring Freeze Final Draft Expected in 3 rd Quarter 2012 Printing Expected in 4 th Quarter 2012
5	Create a training curriculum for new hires that includes basic enforcement procedures, a mentoring program, and specialized training	4 th Quarter 2011	CSLB and Attorney General staff created training modules for new hires and existing employees. Training modules 1 & 2 were provided to staff in 2011.
6	Coordinate with state and local agencies to establish baseline measurements of the underground economy and the effectiveness of enforcement strategies	4 th Quarter 2011	Staff partnered with EDD to perform a study of select contractors to determine underreporting of tax and workers compensation liability (completed 12/11). Data is now being used to identify contractors for enforcement operations and cost effectiveness of enforcement strategies.
7	Implement online licensure tool for credit card payment	1 st quarter 2012	This project is tied to the DCA Breeze project. New target date is 4 th quarter 2013.
8	Develop legislator relationship plan	1 st quarter 2012	To be discussed and reviewed at April 2012 Strategic Planning session.
9	Implement workers' compensation insurance recertification process for contractors exempt from	1 st quarter 2012	Legislation was passed effective Jan 2012 to require recertification for workers' comp exemption. Licensing staff is working with IT on implementation with a target date of 3 rd quarter of 2012.



Item #	Objective	Original Deadline	Current Status
10	Create new flagship applicant/licensee education publication	1 st Quarter 2012	Delayed by Hiring Freeze Final Draft Expected in 4 th Quarter 2012 Printing Expected in 1 st Quarter 2013
11	Produce new education video to assist license applicants	1 st Quarter 2012	In production Completion expected in May 2012
12	Review and revise all MOUs for relevancy, information sharing, and effectiveness	1 st Quarter 2012	MOU with EDD was revised in December 2011 to allow for enhanced sharing of information. Currently pending approval by the agencies' executive officers.
13	Recruit and hire nine (9) peace Officer ERs in designated ICs	2 nd Quarter 2012	Due to DCA delays in getting hiring approval, many candidates have withdrawn their applications and accepted positions elsewhere. In February 2012, CSLB hired a background investigator (retired annuitant) to perform background checks for peace officers candidates. Two Peace Officers have been hired; background checks are currently underway for six potential candidate. Staff is actively recruiting for the remaining position.
14	Staff a Subsequent Arrest Unit through the BCP process	3 rd Quarter 2012	Five (5) Budget Change Proposals (BCP) were submitted and all were rejected. Request has been sent to DCA Personnel to re-allocate an Enforcement Representative (ER) position to assist the Subsequent Arrest Unit
15	Update Enforcement staff classification system	3 rd Quarter 2012	Contracted with CPS to address: <ol style="list-style-type: none"> 1. Establishing a Deputy Chief Position 2. Reclassifying the CSRs to SSAs 3. Reclassifying ER series to Investigator series <p>Scheduled project completion date is 5/01/12.</p>
16	Implement online license exam scheduling tool	4th Quarter 2012	This is tied to a BreZE system requirement. The CSLB is part of Release 3 of the 3-phase implementation, scheduled for 4th Quarter 2013.



CONTRACTORS STATE LICENSE BOARD

ENFORCEMENT PRIORITIZATION

The Board's consumer protection mandate is found in Business and Professions Code 7000.6 - Priority of board; Protection of the public, that reads as follows:

Protection of the public shall be the highest priority for the Contractors' State License Board in exercising its licensing, regulator, and disciplinary functions. Whenever the protection of the public is consistent with other interests sought to be promoted, the protection of the public shall be paramount

In furtherance of this mandate, the Board's Enforcement Division performs reactive investigation of consumer filed complaints and proactive investigation of industry filed complaints.

Consumer Complaints

The approximate 17,000 reactive consumer complaints (Consumer Complaints) filed annually are worked by approximately 30 Consumer Services Representatives (CSR) and 70 Enforcement Representatives (ER). In 2006, the Board established process changes and performance goals that have enabled staff to effectively manage reactive complaint workload and provide a high level of consumer protection and service. Consequently, staff is now requesting prioritization of reactive complaints at this time.

Industry Complaints

The Board has 30 allocated ER positions for reactive investigation of industry complaints. Demands for CSLB resources to combat the underground economy and level the playing field for law-abiding contractors continues to increase. Consequently, Board assistance is needed in prioritizing proactive complaint investigation and approving process changes to manage workload.

Prioritization List

The following is the top "10" list of proactive enforcement activity by "type" for Board Member consideration:

1. Unlicensed Practice
2. Workers' Compensation Violations
3. Labor/Health and Safety Code (Division of Occupational Safety & Health (DOSH) and Division of Labor Standards Enforcement (DLSE) Memorandums of Understanding (MOUs)
4. Licensees Working Out-of-Classification
5. Building Permit Enforcement
6. Public Works Investigations
7. Electrician Certification
8. Illegal Print Advertisements
9. Referral Fees /Kickbacks
10. Outreach



Questions for Board Members’ Consideration:

- Is the list comprehensive and in the proper prioritization?
- Are the proposed controls on the attached matrix appropriate in order to manage workload?

Below is a list of the “Top Ten” proactive enforcement activity by type for board member consideration:

Priority	Controls to Manage Workload
1. Unlicensed Practice at Active Jobsites	Respond to leads with a CSLB Enforcement Representative conducting a site visit.
2. Workers’ Compensation Violations at Active Jobsites	Respond to leads with a CSLB Enforcement Representative conducting a site visit.
3. Labor/Health and Safety Code (DOSH/DSLE MOUs)	CSLB Enforcement Representative and partnering agency investigator conduct a site visit.
4. Out-of-Classification (Licensees)	If there is a health and safety issue or we are unsure if the contractor is licensed, a site visit may be warranted. Otherwise this will be addressed by IMC or IC staff.
5. Building Permit Enforcement	Investigate only when jurisdiction is cooperative. <ul style="list-style-type: none"> • Building Department must be willing to waive fees associated with conducting the investigation. • Jurisdiction must provide CSLB with their work product. Evidence of no permit must be attained. If work is in progress possibly conduct a site visit.
6. Public Works Investigations	SWIFT will respond to leads and perform sweeps with other state agencies as applicable. Otherwise, leads will be referred to the CSLB Public Works Unit.
7. Electrician Certification	Only conduct a site visit to verify certification if we are responding with partnering agencies and/or observe workers’ compensation violations. Otherwise, work product from a labor compliance agency is required.
8. Illegal Print Advertisements	Process through the IMC where a Warning Letter, Stop Order or Telephone Disconnect can be issued. The action taken is then referred to SWIFT for use in future Stings.



Priority	Controls to Manage Workload
9. Referral Fees/Kickbacks	<p>Referral Fee enforcement will be primarily handled by IMC. Contractors will be contacted and educated on B&P §7157 – Referral Fee Restrictions. Warning letters will then be issued and used for more stringent action.</p> <p>IC staff will conduct 2 stings per calendar year to target egregious offenders.</p>
10. Outreach	<p>Public Affairs Office to take the lead. The Enforcement Division will develop a list of Enforcement Representatives available to assist PAO when necessary. To minimize impact on enforcement work load, staff will work with EDD to develop an outreach packet to educate Legislators, contractors and consumers on the dangers of the underground economy.</p>



CONTRACTORS STATE LICENSE BOARD

UNLICENSED PRACTICE INVESTIGATIONS

CSLB is responsible for providing consumer protection by enforcing the laws, regulations and standards governing the construction industry. State law requires that any contractor performing work valued at \$500 or more for labor and materials must be licensed by CSLB. Contracting without a license is grounds for disciplinary action by the Registrar who may impose a civil penalty up to \$15,000. In addition, unlicensed contracting can be charged as a misdemeanor criminal offense punishable by a fine up to \$5,000, up to six months in the county jail, or both a fine and imprisonment.

Background

CSLB receives over 21,000 complaints a year, and 27 percent involve an unlicensed contractor. Many of those complaints are made by consumers who repeatedly hire unlicensed operators and file complaints with CSLB to avoid paying for the services received.

Under Business and Professions (B&P) Code section 7028, a person who used the services of an unlicensed contractor is a victim of crime and is eligible, pursuant to Section 1202.4 (f) of the Penal Code, for restitution for economic losses, regardless of whether that person had knowledge that the contractor was unlicensed. Moreover, B&P 7031 prohibits unlicensed contractors from pursuing compensation.

Historically, CSLB has provided extensive education to consumers on the dangers of hiring unlicensed operators and urging them to hire only licensed contractors who hold clear and active licenses in the proper classification to complete the project. Consumers also are advised to verify the status of the contractor's license via CSLB's website or automated phone system, and to ask to see a photo identification to verify the contractor's identity.

The Board has approved a letter (attached) for consumers, warning them of the serious financial loss and potential liability they expose themselves to when they repeatedly hire unlicensed operators. Despite all these efforts, some homeowners continuously hire unlicensed operators and open multiple complaints when problems arise, monopolizing limited resources.

Question #1 – Educational/Warning Letters:

To discourage consumers from repeatedly hiring unlicensed operators, should staff:

- Send educational/warning letters to **all** consumers filing complaints against unlicensed operators (currently letters are sent only to select consumers)? If so, should the complaint be revised and automated (this will require IT resources).
- Develop criteria regarding the referral of a complaint to a local prosecutor (that may provide a restitution hearing) in lieu of an administrative action?



Question #2 – Referral to Other State Agencies:

Labor Code section 2750.5 establishes that a person performing services who requires a license is an employee, rather than an independent contractor, when the person is not licensed.

- Should a referral be made to EDD (tax withholding), DLSE (workers compensation insurance), and the local building department (permit requirements) when a consumer repeatedly hires unlicensed operators?
- Should staff develop criteria to work cases resulting from consumers who are complicit in aiding their contractor in avoiding business requirements? Example: consumer pays contractor in cash to receive a lower contractor price, obtains an owner building permit, or agrees to perform the work without a building permit.

Question #3 – Minor Work Exemption

B&P Code section 7048 exempts minor (handyman type) work from licensure requirements if the aggregate value of the work is less than \$500. However, pursuant to B&P Code section 7027.2, the \$500 exemption does not apply if the unlicensed contractor solicits for work without stating in a solicitation that he/she is “not a licensed contractor”.

- Should CSLB take administrative action for the unlawful advertisement but not for the contracting activity valued at less than \$500 (Attorney General Recommendation)?
- Should the Board pursue legislation to clarify the minor work exemption?



SACRAMENTO CASE MANAGEMENT
9821 BUSINESS PARK DRIVE
P O BOX 26888
SACRAMENTO, CA 95826
(916)255-4027

FILE NO:**DATE:**

The Contractors State License Board (CSLB) has received your complaint against an unlicensed contractor. A CSLB representative will contact you to obtain additional information.

CSLB is responsible for providing consumer protection by enforcing the laws, regulations, and standards governing the construction industry. In addition, CSLB licenses and regulates 43 different types of contractor licenses. The term "contractor" includes those individuals or firms that offer services to improve real property including, but not limited to, home building, room additions, swimming pools, painting, roofing, tile, flooring, landscaping, plumbing, electrical, heating and air-conditioning, and installation and repair of mobile homes.

Individuals or firms applying for a license must have at least four (4) years of journey-level experience in their trade. Applicants also must take and pass a comprehensive written trade exam. There are other business or management laws and regulations governing contractor activities that include employment, insurance, health and safety, and workers' compensation laws; and city and county permit requirements. Also, since 2005, all new and renewing licensees have been required to undergo a background check.

These laws and regulations were established by the California Legislature to provide increased public protection against unskilled or unscrupulous individuals or firms, as well as provide for a fair and level playing field for the legitimate, licensed contractor. Unfortunately, some individuals or firms operate in violation of these laws, harming you, the consumer, and legitimate businesses.

As you may know, it is illegal for any unlicensed person to perform work on any project for which the combined value of labor and materials is \$500 or more. Some consumers believe they can save money by hiring unlicensed contractors. Many times homeowners are convinced to hire unlicensed individuals and falsify permit documents by stating that they, as homeowners, will complete the work. Unfortunately, the reality is that hiring unlicensed contractors can lead to very serious legal and financial problems.

Each year CSLB receives thousands of consumer complaints of unsatisfactory work performed by unlicensed contractors and millions of dollars are lost. Since CSLB cannot order restitution to be paid by an unlicensed contractor, the loss to consumers is substantial.

If you are currently searching for a replacement contractor, or for future contractor selections, please contact CSLB at 1-800-321-CSLB or visit our website at www.cslb.ca.gov to verify you hire a properly licensed contractor.



Background

In June 2010, Board members unanimously approved establishing a pilot Public Works Investigative Unit. This unit started in August 2010, with two Enforcement Representatives focusing on public works investigations. When the unit commenced, it was anticipated that the focus would be on contractors that:

- 1) Have been disbarred by the Labor Commissioner or awarding agency/local jurisdiction,
- 2) Are working without a license or working out of their classification, and
- 3) Are illegally subcontracting pursuant to the Public Contract Code (PCC).

The Public Works Unit has been very successful. During 2011, 118 public works complaints were initiated, resulting in 28 administrative citations, 18 accusations, two criminal filings, and revocation of nine contractors' licenses.

Unforeseen Workload

The types of complaints being investigated by the Public Works Unit are not what were anticipated. Further, labor compliance organizations have provided information regarding egregious and underground economy activities that are not being addressed by other state agencies on public works projects.

Board members are being asked to consider making policy decisions that would allow Enforcement to address violations independent of other state agencies, including the Division of Labor Standards Enforcement (DLSE) and the California Department of Insurance (CDI).

Policy Issues for Board Members' Consideration:

1. Prevailing Wage Violation Referrals

The DLSE or an Awarding Agency's Labor Compliance Program (LCP) has primary jurisdiction to investigate and take action against construction employees violating prevailing wage requirements.

Pursuant to Business and Professions Code (B&P) §7110.5 – Initiation of action against contractor after receipt of Labor Commissioner's finding of a willful violation of Labor Code -- CSLB can impose discipline on a license based on the final order taken by DLSE/LCP. Unfortunately, the DLSE/ LCP appeal process typically takes more than one year and no license disclosure is present to assist awarding agencies in prequalifying bidders for public works projects.

QUESTION: Should staff develop criteria to take disciplinary action separate from DSLE's action on the more egregious offenders to provide complaint disclosure on the license?



2. Outreach to Awarding Agencies and Public Works Contractors

Complaints received by CSLB from government agencies, LCPs, and public works contractors confirm that many awarding agencies and public works prime contractors do not understand:

1. License Law Requirements (classifications, license structure, etc.)
2. Prequalification's Strategies
3. How to Effectively Use the CSLB website
4. Public Contract Code Requirements
5. Evidence Requirements to File a Complaint

QUESTION: Should staff develop a public works brochure and/or a training module for awarding agencies and public works contractors? If so, what are the top educational/training topics?

3. Legislative Considerations

Should legislative proposals be considered to address the following deficiencies in the law?

- a. Currently, CSLB is unable to disclose a legal action taken by a partner state agency on a license history. Should B&P §7124.6 -- Public Access to Complaints against Licensees; Disclaimer; Limitations of disclosure -- be revised to provide disclosure of a partner state agency's finding of a violation of law without CSLB having to file a formal disciplinary action?
- b. PCC §4017.2 prohibits a subcontractor listed by a prime contractor as furnishing and installing carpeting, from subcontracting any portion of the labor unless the listed subcontractor specified the subcontractor to perform the labor in his/her bid to the prime. With the exception of a listed subcontractor that installs carpet, the PCC does not prohibit the listed subcontractors from bid shopping any portion of their subcontracted work or subcontracting to others who fail to pay prevailing wages. Should the PCC be revised to preclude listed subcontractors from bid shopping or subcontracting to others without approval from the awarding authority?
- c. B&P §7125.4 requires that a licensee have a certificate of WC on file with CSLB *prior* to employing anyone subject to WC coverage. The law does not require that listed subcontractors verify WC coverage prior of unlisted subcontractors that have employees. Should B&P §7125.4 be revised to require that contractors verify WC coverage for their subcontractors who have employees?
- d. The law does not provide for CSLB to discipline contractors who are employers (easily confirmed by certified payroll) and have not registered as employers with the Employment Development Department (EDD). Should contractors' license law be revised to provide for discipline for contractors who are employers and are not registered as employers with EDD?

AGENDA ITEM J

Adjournment



APRIL 18, 2012
MONTEREY, CALIFORNIA



CONTRACTORS STATE LICENSE BOARD

Board Meeting

DAY 2



AGENDA ITEM A

Call to Order – Pledge of Allegiance – Establishment of Quorum

Roll is called by the Board Chair or, in his/her absence, by the Board Vice-Chair or, in his/her absence, by a Board member designated by the Board Chair.

Eight members constitute a quorum at a CSLB Board meeting, per Business and Professions Code Section 7007.

BOARD MEMBER ROSTER

ROBERT BROWN

DAVE DIAS

JOAN HANCOCK

PASTOR HERRERA JR.

MATTHEW KELLY

LOUISE KIRKBRIDE

ROBERT LAMB

ED LANG

JAMES MILLER

LISA MILLER-STRUNK

JOHN O'ROURKE

BRUCE RUST

FRANK SCHETTER

PAUL SCHIFINO

MARK A. THURMAN



AGENDA ITEM B

Strategic Planning Session (continued)



AGENDA ITEM C

Adjournment

