California Department of Consumer Affairs







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BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM

EXECUTIVE SUMMARY

The last Contractors State License Board (CSLB) sunset review was conducted in 2001 with resultant legislation enacted in 2002. In Senate Bill 1953 (Chapter 744, Statutes of 2002), the Joint Legislative Sunset Review Committee (JLSRC) extended CSLB's sunset date and:

- 1. Made public protection the Board's highest priority in its mandate,
- 2. Required applicants to be fingerprinted,
- 3. Established annual reporting of enforcement program performance statistics, and
- 4. Increased the statutory limits on fees.

Challenges

During the past ten years, CSLB's budget has been subject to administration decisions that have challenged the ability to execute its consumer protection mandate. CSLB has met the challenges, though not without adverse effects on the construction industry and consumers.

CSLB has not been exempt from multiple budget reduction decisions, despite the fact that it is:

- A special fund agency;
- An enforcement agency with broad and deep public protection responsibilities; and
- The agency responsible for regulating California's construction industry, which will have a major role in driving the state's economic recovery.

In fiscal year (FY) 2001–02, CSLB had 471 authorized personnel years* (PYs). CSLB was disproportionally affected by the hiring freezes and loss of PYs in FY 2002–03 and 2003–04. In FY 2003–04, CSLB had 382.5 authorized PYs. By FY 2008–09, CSLB's authorized PYs had increased to 432. These included PYs authorized for new programs, such as the Criminal Background Unit (CBU) that processes fingerprints and criminal conviction reports, enforcement staff for the Economic and Employment Enforcement Coalition (EEEC), and a new Statewide Investigative Fraud Team (SWIFT) office in Fresno. With these added programs, CSLB still has 39 fewer authorized PYs than it did in FY 2001–02.

^{*} Personnel Year (PY): The actual or estimated portion of a position expended for the performance of work. For example, a full-time position that was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years. This may also be reffered to as a personnel year equivalent.

However, under the work furloughs invoked in Executive Orders S-13-09 and S-12-10, CSLB currently operates with 114 fewer available PYs than nine years ago, a reduction of more than 24%. (In FY 2009–2010, CSLB operated with the equivalent of 357 PYs).

Expanded Responsibilities

Many additional responsibilities that cover a wide range of consumer and industry issues have been required of CSLB since the 2001 Sunset Review Report.

Year Implemented	Expanded Responsibility					
2002	Imaging & Workflow Automation System (IWAS)					
2005	Applicant Fingerprinting					
2005	Economic & Employment Enforcement Coalition (EEEC)					
2005	Probationary License					
2006	Los Angeles City Attorney Fast Track Criminal Filing Program					
2007	Mandatory Workers' Compensation Insurance for Roofing Contractors (C-39 classification)					
2007	Criminal Investigative Task Force					
2008	Enforcement of Journeyman Electrician Certifications					
2009	Central Valley Statewide Investigative Fraud Team (SWIFT) Office					
	New and/or Enhanced Memoranda of Understanding (MOU) with:					
	Employment Development Department (EDD)					
	Franchise Tax Board (FTB)					
Various	Department of Industrial Relations (DIR)					
various	Division of Labor Standards Enforcement (DLSE)					
	Division of Occupational Safety and Health (DOSH)					
	California Department of Transportation (Caltrans)					
	California Energy Commission (CEC)					

Key Achievements

Despite the loss of resources, CSLB's dedicated workforce has been able to make significant and comprehensive improvements.

CSLB's Licensing division streamlined its processes and has decreased the time it takes to pull an application for review from 30 weeks in 2003 to the current one week. It was able to implement the fingerprinting program and gradually reduced the time it takes to process a criminal conviction report from three months to one week. The reason CSLB has been able to keep licensing processes current is the decrease in applications resulting

from the state's down economy and slow construction industry; the decrease in applications has been matched by the decrease in available staff through the furloughs.

CSLB's Testing division (with industry expert) participation ensures that its 45 examinations are professionally maintained and updated in accordance with testing standards, guidelines, and CSLB regulations. Testing has expanded contractor testing services and has increased the number of testing stations statewide from 142 in 2005 to 270 in 2009.

The Enforcement division is operating with 37 fewer PYs than it did in 2001. Enforcement was able to absorb increased workload and responsibilities and still make tremendous improvements in case processing times. The number of complaints that took over a year to process (from receipt to completion of investigation) decreased from 561 in 2002 to zero in 2010. Enforcement has set and mostly met goals established by the Board to mediate complaints within 60 days in the Intake and Mediation Centers (IMCs), and have fewer than 100 investigation cases that are over 270 days old (of about 20,000 complaints received per year).

Enforcement staff is also among first responders to disaster areas and maintains a consistent presence in regions where devastating property losses and subsequent rebuilding efforts elicit unscrupulous construction operators. A combined Enforcement and Public Affairs effort to educate consumers and contractors about lawful construction practices in disaster areas has had positive results.

The Public Affairs division significantly increased the number of CSLB publications, press contacts, and consumer education efforts since 2001. It increased the number of Senior Scam StopperSM seminars conducted with legislators and the vulnerable senior population, and set new standards for utilizing the Internet to provide services to consumers and contractors.

CSLB's work has received significant, far-reaching attention. CSLB is considered a model regulatory agency within California government, the nation, and the world. Agencies from other states and countries (including China, Israel, and Singapore) have met with CSLB for help in setting up programs or licensing regulations. CSLB's Enforcement program has been recognized twice within the past five years for its innovation in regulation by the National Association of State Contractors Licensing Agencies (NASCLA). The Board's Information Technology Division has been recognized by the Council of State Governments for the development of its State Contractors Official Regulatory Exam (SCORE), an original software program that has potential application in other government agencies. Public Affairs has received recognition for is branding and communication program from the Sacramento Public Relations Association, the State Information Officers Council, and the International Association of Business Communicators.

CSLB continues to embark on new initiatives that will further enhance consumer protection and help the construction industry. The construction industry has been particularly hard hit by the recession for three years. Hundreds of thousands of jobs were lost and new home construction is comparatively at a stand-still.

As such, CSLB faces new challenges:

Contractors who follow the law, pay their taxes, and protect their workers are struggling against those who fail to obtain building permits, do not have workers' compensation insurance, fail to properly withhold payroll taxes or other deductions, and otherwise contribute to the underground economy.

New and expanding types of criminal activity in the construction industry are causing CSLB to refocus some of its resources—organized criminal activity necessitates more criminal task force investigations. Increased workers' compensation violations, permit violations, and implementation of green initiatives involve and stretch CSLB resources.

CSLB depends on state resources and statutory authority to continue to carry out its mandate. The construction industry needs an effective, responsive Board to ensure it can help contribute to the industry rebound and California's economic recovery. Contractors need the Board to actively work to level the playing field for honest licensees. Consumers need the Board to help them resolve complaints, recover from disasters, and prosecute administrative and criminal cases. CSLB stands ready to continue accomplishing this vital state role.



DESCRIPTION OF THE BOARD AND PROFESSION

HISTORY AND FUNCTION OF THE BOARD

The Legislature established the Contractors License Bureau in 1929, under the Department of Professional and Vocational Standards¹ to protect the public from irresponsible contractors. In 1935, the mission and duties of the agency were placed under the auspices of a seven-member Board. The Board increased to 15 members in 1960.

The legal and regulatory role of the Board has changed since the Board's creation. Initially, applicants were not issued specific license classifications. Instead, applicants simply indicated the type of construction work that would be performed under the license, and the license was issued without examination or experience requirements.

In 1938, the Legislature made it mandatory for contractor license applicants to be examined for competence in their designated field. By 1947, the Board had been given authority to establish experience standards and to adopt rules and regulations to affect the classification of contractors "in a manner consistent with established usage and procedure as found in the construction business, and... limit[ing] the field and scope of operations of a licensed contractor to those in which he or she is classified and qualified to engage...".

The mission of the Contractors State License Board (CSLB) is to protect consumers by regulating the construction industry through policies that promote the health, safety, and general welfare of the public in matters relating to construction. The Contractors State License Board accomplishes this by:

- Requiring licensure for any person practicing or offering to practice construction contracting;
- Ensuring that contractors have skills to perform in a safe, competent, and professional manner;
- Licensing contractors and enforcing licensing laws;
- Enforcing laws, regulations, and standards governing construction contracting in a fair and uniform manner:

¹ The Contractors State License Board is now under the Department of Consumer Affairs.

- Providing resolution to disputes that arise from construction activities; and
- Educating consumers so they may make informed choices.

BOARD COMPOSITION

The Board presently comprises 15 members. It has a public majority with ten public members.

Board's composition:

- Ten members represent the public, including one labor representative, one local building official, and one statewide senior citizen organization representative;
- One General Engineering (A) contractor;
- Two General Building (B) contractors; and
- Two Specialty (C) contractors.

The Governor appoints eleven members of the Board that require Senate confirmation. The Assembly Speaker and the Senate Rules Committee appoint two public members each. A list of current Board members is included in Appendix 1.

BOARD COMMITTEES AND THEIR FUNCTIONS

CSLB currently has five standing committees that perform various functions for the Board.

- Enforcement Committee Goal is to reduce, eliminate, or prevent unlicensed activity and unprofessional conduct that pose a threat to public health, safety, and welfare.
- **Licensing Committee** Goal is to ensure that all applicants and licensees are qualified to provide construction services.
- **Executive Committee** Goal is to enhance organizational effectiveness and improve the quality of customer service in all programs.
- Legislative Committee Goal is to ensure that statutes, regulations, policies, and procedures strengthen and support CSLB operations.
- Public Affairs Committee Goal is to educate consumers to make informed choices about construction services, and ensure that licensed contractors strengthen their technical management and service skills.

The organizational chart of the Board's committees is included in Appendix 2.

WHOM THE BOARD LICENSES

All businesses and individuals who construct or alter, or offer to construct or alter, any building, highway, road, parking facility, railroad, excavation, or other structure in California must be licensed by the Board if the total cost (labor and materials) of one or more contracts on the project is \$500 or more. Contractors, including subcontractors, specialty contractors, and persons engaged in the business of home improvement, must be licensed before submitting bids. The Contractors License Law is a practice and title act, protecting both the practice of construction contracting and the title of "contractor."

Under the statutes, the definition of the term "contractor" and the relevant scope of work subject to licensure are very broad. Exemptions are limited. The following situations and individuals represent nearly all of the CSLB licensing requirements exemptions:

- Construction and construction-related improvements under \$500 in value for all labor and materials performed by individuals not licensed under Contractors License Law. Licensed contractors are subject to regulation regardless of the value of the project;
- Employees of licensees whose sole compensation is salary and wages;
- Public personnel working on public projects as employees of the public entity;
- Oil and gas well operations performed by an owner or lessee;
- Owner-builders who improve their property or principal place of residence under conditions that are specified in Contractors License Law;
- Sellers or installers of products that do not become a fixed part of the structure;
- Security alarm company operators and installers of satellite antenna systems
 who perform duties for which they are licensed or registered (regulated by
 other agencies); or
- Architects, engineers, geologists, geophysicists, and structural pest control
 operators who perform duties for which they are licensed or registered
 (regulated by other agencies).

MAJOR CHANGES AND EVENTS SINCE LAST REVIEW

Since the 2002 Sunset Review Report, the Board has worked with the Legislature and Administration to implement a number of major changes. A complete delineation of all major Board activities and accomplishments is included in the 2001 through

2009 Accomplishments and Activities Reports provided on its website at www.cslb. ca.gov. Highlights are listed below.

• Imaging and Workflow Automation System

On September 9, 2002, the Licensing division implemented the initial phase of the Imaging and Workflow Automation System (IWAS). The system went into full production in July 2003. This system is used to scan, route, fax, retrieve (search) and print various documents used by licensing staff who process applications. Enforcement staff also has the ability to scan, retrieve, print, and fax documents for use in their analysis and processing of cases.

• Unlicensed Practice Enforcement

Effective January 1, 2004, the law requires, except in unusual cases, repeat offenders to be confined to the county jail for not less than 90 days.

Arbitration Award – 2004

On November 5, 2004, the California Dispute Resolution Council honored CSLB for its commitment to alternative dispute resolution. CSLB was selected for this award due, in part, to its arbitration programs, as well as its on-site negotiation program, mandatory settlement conference policies, and extensive conciliation efforts.

Fingerprinting

Effective January 1, 2005, the Board began implementing a law that requires all applicants for licensure and home improvement salesperson registration to be fingerprinted.

Surety Bonds

Effective January 1, 2005, the amount of surety the bond increased from \$7,500 to \$10,000; on January 1, 2007, the bond amount increased to \$12,500.

Economic and Employment Enforcement Coalition

In 2005, Governor Arnold Schwarzenegger launched the Economic and Employment Enforcement Coalition (EEEC), a coalition of state and federal agencies charged with overlapping jurisdiction in the area of labor law enforcement. EEEC was created to make a concerted, consistent, and vigorous effort to combat illegal and unscrupulous operators. In addition to the Board, participating agencies include the United States Department of Labor, the California Department of Industrial Relations' (DIR) Division of Labor Standards Enforcement (DLSE) and Division of Occupational Safety and Health (DOSH), and the Employment Development Department (EDD).

Los Angeles Unlicensed Activity Program

A partnership was established in January 2006 with the Los Angeles City Attorney's Office. The partnership streamlines the procedure for processing consumer complaints against unlicensed perpetrators, enabling CSLB to refer cases to the L.A. City Attorney's Office within 60 days of receipt. To expedite the investigation, industry expert testimony is not used to establish the financial injury; instead, the L.A. City Attorney argues for restitution to the complainant for all monies paid pursuant to Business and Professions (B&P) Code 7131(b), which precludes compensation to unlicensed individuals.

NASCLA Award – 2006

In 2006, the Enforcement division received national recognition for its innovative, proactive enforcement efforts to eradicate illegal construction activity. The National Association of State Contractors Licensing Agencies (NASLCA) recognized CSLB as a role model for other states' enforcement programs and presented CSLB with the "2006 Innovation in Regulation" award during its annual meeting held in Scottsdale, Arizona.

National TV Coverage

Over a three-month period in the spring and summer of 2007, CSLB's Public Affairs Office coordinated coverage of the Enforcement division for a documentary that was produced for cable news channel MSNBC. The one-hour program aired on October 24, 2007, where Public Affairs Chief Rick Lopes traveled to New York and appeared live on the Today Show with television anchors Meredith Vieira, Hoda Kotb, and Tiki Barber to promote the program. The segment re-airs on a regular basis and can be viewed on MSNBC.

State Contractors Official Regulatory Exam

In 2007, CSLB began administering all examinations using the State Contractors Official Regulatory Exam (SCORE) software, a new Microsoft Windows-based system developed in-house by Testing division staff. SCORE was designed to replace the aging DOS-based testing system that was in use since 1990. The new system not only provides a more reliable, user-friendly system but provides the technology to automate reports, increase examination security and, in many cases, trouble shoot and fix hardware and software problems without the need for staff to travel to the affected site. Examination results are available in real time and statistical analyses are built into the system, allowing test development staff to perform statistical analysis for each of their assigned examination programs in a matter of minutes.

NASCLA Award – 2009

CSLB was awarded the 2009 Innovation in Regulation award by NASCLA in recognition of its innovation, creativity, and excellence in maintaining fair and balanced regulation of the construction industry. Specifically, CSLB's Service and Repair Task Force was able to bring a sophisticated, organized, and massive fraud ring to justice.

• Credit Card Payments

In August 2010, CSLB began accepting payment by credit card for fees that include license renewal, HIS registration renewal, reactivation, and reexamination at CSLB's headquarters office public counter. Computer terminals devoted exclusively to this purpose allow licensees and applicants to only pay the fees – the individuals must still file the required paperwork with CSLB staff at the front counter.

Memoranda of Understanding

CSLB has been a party to memoranda of understanding (MOUs) for the purpose of sharing enforcement information with the Employment Development Department (EDD), the Department of Industrial Relations' (DIR) Division of Occupational Health and Safety (DOSH), the Division of Labor Standards Enforcement (DLSE), the Division of Apprenticeship Standards (DAS), the Department of Transportation (Caltrans), the Franchise Tax Board (FTB), and the DIR Office of Director – Legal (ODL). During 2009, CSLB worked with each agency to further enhance the existing MOUs; thus, strengthening enforcement of labor, tax, and licensing laws.

MAJOR STUDIES

The Board conducted no major studies since the last Sunset Review.

LICENSING DATA

Through its Practice Act, the Board regulates 43 license classifications and two certifications under which members of the construction industry practice their trades and crafts. A license may be issued to an individual, partnership, corporation, or joint venture. All licenses must have a qualifying individual (also referred to a "qualifier"). A qualifying individual is the person listed on the CSLB records who satisfies the experience and examination requirements for a license. Depending on the type of license, the qualifying individual must be designated as an owner, responsible managing employee, responsible managing officer, or qualifying partner on the license records. A qualifying individual is required for every classification on each license issued by CSLB; the same person may serve as the qualifier for more than one classification. The Board also registers home improvement salespersons (HIS) who are engaged in the sale of home improvement goods and services.

As of June 30, 2010, there were 308,498 contractor licenses (both active and inactive status) and 7,378 active HIS registrations. Licenses for contractors are described within three basic branches of contracting business as defined by statute and by the rules and regulations of the Board.

Those basic branches are:

- Class "A" General Engineering contractor, those who build infrastructure and similar projects requiring specialized engineering knowledge and skill;
- Class "B" General Building contractor, those who build buildings housing, commercial, office, etc.; and
- Class "C" Specialty contractor, those in specific trades, such as painters, plumbers, electricians, etc.

In response to public inquiries, CSLB provides the following information about licensees:

- Business name
- Business address
- Business phone number
- Business entity type
- License number
- License classification(s)
- License issue date
- License expiration date
- License status (active, inactive, suspended, revoked, etc.)
- Qualifying individual's name
- Personnel list
- Disciplinary history
- Bonding information and
- Workers' compensation information

Table 1 below describes CSLB's licensed population over the past four years.

Table 1 - Licensing Data

LICENSING DATA FOR [PROFESSION]	FY 2006–07		FY	FY 2007–08		FY 2008–09		FY 2009–10	
Total Licensed/Registered Licenses /1 HIS Registrations /2	Total:	318,413 311,418 6,995	Total:	321,624 314,508 7,116	Total:	320,761 313,881 6,880	Total:	315,876 308,498 7,378	
Applications Received Exam Waiver of Exam Officer Change HIS	Total:	47,262 26,764 13,090 2,274 5,134	Total:	45,825 24,869 13,150 2,288 5,518	Total:	40,029 21,556 11,623 1,477 5,373	Total:	37,797 19,850 10,594 1,511 5,842	
Applications Denied /3	Total:	375	Total:	558	Total:	531	Total:	265	
Licenses Issued /4 Contractor License HIS Registration	Total:	31,860 29,353 2,507	Total:	32,093 29,630 2,463	Total:	29,176 26,590 2,586	Total:	26,635 23,631 3,004	
Renewals Issued Contractor Licenses HIS Registrations	Total:	125,197 123,454 1,743	Total:	126,257 124,802 1,455	Total:	131,315 129,806 1,509	Total:	122,960 121,691 1,269	
Statement of Issues Filed	Total:	62	Total:	87	Total:	77	Total:	80	
Statement of Issues Withdrawn	Total:	11	Total:	8	Total:	15	Total:	15	
Licenses Denied /5	Total:	62	Total:	55	Total:	47	Total:	87	

Notes:

Counts are as of June 30. Includes contractor licenses and HIS registrations, unless otherwise noted.

- 1/ Includes active and inactive licenses.
- 2/ Includes active HIS Registrations only.
- 3/ 485B application denials (no appeal).
- 4/ The number of licenses issued does not equal the difference between applications received and applications denied due to some applications being voided (neither issued nor denied) and some applications still being reviewed/processed.
- 5/ Denials that went to Statement of Issues.



BUDGET AND STAFF

CURRENT FEE SCHEDULE AND RANGE

CSLB receives no General Fund support, relying solely on fees set by statute and collected from contractors and applicants. The main source of revenue is the renewal fee, which is collected every two years from contractors with active licenses. Active contractor licenses expire two years from the last day of the month in which the license was issued. Inactive licenses are valid for a four-year period.

The statutory limits for nearly all of the application, license, and renewal fees were increased effective January 2003. However, with the exception of the delinquency fee (which increased from \$25 to 50% of the renewal fee), the fees charged by the Board did not increase and have remained the same since 1994.

The Board is in the process of seeking a regulatory change to Section 811 of the California Code of Regulations in order to increase the amount of the fees collected by the Board. The fees are proposed to increase to the statutory limits (with the exception of the Duplicate License/Certificate Fee) due to projected fund shortages. The revenue generated by the current level of licensing fees is no longer sufficient to support the operation of its licensing and enforcement programs. Projections by CSLB indicate that a sustained imbalance between revenues and expenditures will result in the Contractors' License Fund becoming insolvent in FY 2012–13. As a result, CSLB is proposing to raise its licensing fees in order to ensure that sufficient revenue is available to continue its regulatory operations.

The Board's current fee structure is as follows:

Table 2 – Fee Schedule

Fee Schedule	Current Fee	Statutory Limit		
Original Application Fee	\$250	\$300		
Initial License Fee	150	180		
Initial Inactive License Fee	150	180		
Additional Class	50	75		
Replacing the Qualifier	50	75		
Home Improvement Salesperson (HIS) Registration	50	75		
HIS Renewal	75	75		
Asbestos Certification Application	50	75		
Hazardous Substance Removal Application	50	75		
Reactivate Inactive License	300	360		
Active Renewal (2 year cycle)	300	360		
Inactive Renewal (4 year cycle)	150	180		
Exam Rescheduling Fee	50	60		
Delinquency Fee (Active contractor renewal)	150	50% of the renewal fee		
Delinquency Fee (Inactive contractor renewal)	75	50% of the renewal fee		
Delinquency Fee (HIS renewal)	25	50% of the renewal fee		
Duplicate License/Certificate	11	25		

REVENUE AND EXPENDITURE HISTORY

Application, license, and renewal fees compose nearly all of the Board's revenue. The tables below detail CSLB's actual revenue and expenditures for FY 2006–07 through 2009–10 and projections for FY 2010–11 and 2011–12.

Table 3 – Revenue and Expenditures (in thousands)

REVENUES		ACT	PROJECTED			
MEVENUES	FY 2006–07	FY 2007-08	FY 2008–09	FY 2009-10	FY 2010-11	FY 2011–12
Licensing Fees	\$51,877	\$50,371	\$50,146	\$46,935	\$47,329	\$46,731
Fines & Penalties	1,115	1,121	859	636	640	640
Other	135	147	200	187	181	181
Interest	1,978	1,626	632	154	100	0
TOTALS	\$55,105	\$53,265	\$51,837	\$47,912	\$48,250	\$47,552

Table 3 - Revenue and Expenditures (in thousands) continued

EXPENDI- TURES		ACT	PROJECTED			
	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10	FY 2010-11	FY 2011-12
Personnel Services	\$27,773	\$29,408	\$28,832	\$28,832 \$27,015		\$31,110
Operating Expenses	24,185	27,155	26,541	25,362	25,362 30,196	
(-) Reimburse- ments	-527	-493	-786	-999	-353	-353
(-) Distributed Costs	N/A	N/A	N/A	N/A	N/A	N/A
TOTALS	\$51,431	\$56,070	\$54,587	\$54,587 \$51,378		\$61,553

Note: FY 2010–11 budget ties to 2010 Governor's Budget; FY 2011–12 includes projected increase of two percent over previous year's expenditures to account for historic budget increases. Projected expenditures for FY 2010–11 and FY 2011–12 do not include personal services budget reductions as proposed in Executive Order S-01-10.

EXPENDITURES BY PROGRAM COMPONENT

CSLB cautions anyone reviewing expenditures by program component as the delineation is arbitrary and potentially misleading. All of CSLB's expenditures could be considered "enforcement" related. Licensing and examinations are preventative enforcement, as is public affairs. Administration expenditures directly and indirectly support the Board's enforcement component. Different professions require different prioritizations of resources. These figures are provided because they were requested.

During FY 2009–10, the Board spent about \$28.7 million on enforcement (55 percent of its total budget); \$7.5 million on licensing (15 percent of its total budget); \$6 million on administration (11 percent of its total budget); \$3.7 million on examinations (seven percent of its total budget); and \$1.5 million on public affairs (three percent of its total budget). Department of Consumer Affairs' pro rata was nearly \$4.9 million (nine percent of CSLB's total budget).

The detailed breakdown of expenditures by program component is listed in Table 4.

Table 4 – Expenditures by Program Component (in thousands)

EXPENDI- TURES BY PROGRAM COMPONENT	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10	AVERAGE % SPENT BY PROGRAM
Enforcement	\$29,417	\$30,821	\$30,759	\$28,731	55%
Examination	3,629	4,074	3,612	3,711	7%
Licensing	7,792	8,592	7,878	7,490	15%
Administrative*	5,188	6,818	5,679	5,992	11 %
Public Affairs	1,454	1,327	2,303	1,557	3%
Subtotal	\$47,480	\$51,632	\$50,231	\$47,481	91%
DCA Pro Rata	4,478	4,931	5,142	4,896	9%
Diversion (if applicable)	N/A	N/A	N/A	N/A	N/A
TOTALS	\$51,958	\$56,563	\$55,373	\$52,377	

^{*} Administrative component includes costs for executive staff, Board, administrative support, and fiscal services. Statewide pro rata and Information Technology costs are distributed into all component categories (except DCA pro rata).

N/A - Not Applicable

FUND CONDITION

The Board maintains an analysis of the Contractors' License Fund, including reserves, revenue, transfers, and expenditures. CSLB is statutorily authorized to maintain approximately six months of reserve of the Board's annual authorized expenditures. As of June 30, 2010, the Board had a reserve of approximately \$20.6 million, which represents approximately four months of operating reserve. As of June 30, 2011, the Board expects a reserve of approximately \$8.4 million, which represents less than two months of operating reserve.

CSLB's long term fund condition is dependent on the state of the construction industry and the economy, which can be impacted by mortgage rates and other outside influences. The annual increases in the number of applications received over the past few years were completely unprecedented, and have proven to be unsustainable at those inflated levels.

Since 2008, the global recession has been felt throughout California's construction industry. As a result, CSLB has experienced a significant decrease in the volume of applications – the 2009 count of original examination applications are down more than 35% from the 2006 counts and approximately 15% from the 2008 counts.

As previously discussed under Current Fee Schedule and Range, the Board is in the process of seeking a regulatory change in order to increase the amount of the fees collected by the Board. Projections by CSLB indicate that a sustained imbalance between revenues and expenditures will result in the Contractors' License Fund becoming insolvent in FY 2011–12. As a result, CSLB is in the process of raising its licensing fees in order to ensure that sufficient revenue is available for its licensing and regulatory operations.

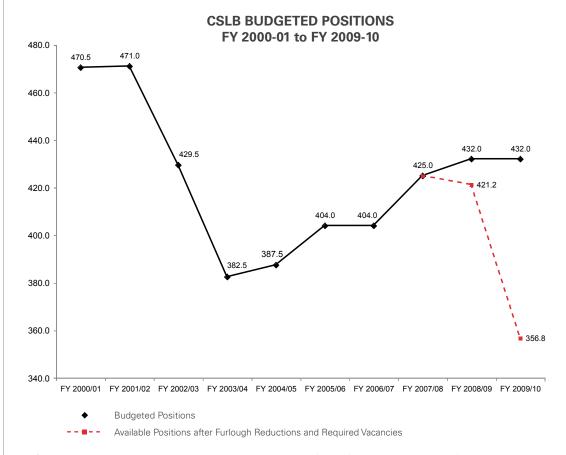
Table 5 – Fund Condition (in thousands)

ANALYSIS OF FUND CONDITION	FY 2007–08	FY 2008–09	FY 2009–10	FY 2010-11 (Projected)	FY 2011-12 (Projected)	FY 2012-13 (Projected)
Total Reserves, July 1	\$38,452	\$36,361	\$24,168	\$20,658	\$8,435	-\$5,566
Total Rev. & Transfers	53,265	51,837	47,912	48,250	47,552	49,014
Total Resources	91,717	88,198	72.080	68,908	55,987	43,448
Total Expenditures	56,110	54,607	51,422	60,473	61,553	62,784
Unreimbursed Loans to General Fund	0	-10,000	0	0	0	0
Accrued Interest Loans to General Fund	0	0	0	0	0	0
Reserve, June 30	\$35,607	\$23,591	\$20,658	\$8,435	-\$5,566	-\$19,336
MONTHS IN RESERVE	7.8	5.5	4.1	1.7	-1.1	-3.7

Notes: FY 2008/09 and 2009–10 includes prior year adjustments of \$754,000 and \$577,000, respectfully. FY 2010–11 Total Expenditures include \$91,000 for State Controller and \$36,000 for the Financial Information System of California, which are separate expenses from the CSLB-support budget listed in the Expenditures table.

STAFFING

In 2009, CSLB continued to be challenged with reduced staffing resources. Due to a previous hiring freeze, staff losses, and work furloughs invoked on July 1, 2009 by Governor Arnold Schwarzenegger's Executive Order S-13-09, CSLB is operating with 110 fewer available staff personnel years (PYs) than nine years ago, a reduction of more than 22 percent.



NOTE: The FY 2010–11 projections are based on the assumption of three furlough days per month for three months (August to October) and 11.5 positions staying vacant for the entire fiscal year.



LICENSURE REQUIREMENTS

EDUCATION, EXPERIENCE, AND EXAMINATION REQUIREMENTS

An applicant for licensure must be at least 18 years of age. The person who is acting as the qualifying individual for the license must have, within the last ten years, at least four years of journey-level work experience in the trade for which the license application is submitted. Technical training, completion of an approved apprenticeship program, or a construction-related college or university education can be substituted for not more than three years of the experience requirement.

Unless an examination waiver is applicable (as described below), the qualifier must successfully complete an examination process consisting of two parts: 1) a relevant trade examination, and 2) the law and business examination. All candidates must also complete the open book examination entitled *Asbestos: A Contractor's Guide and Open Book Examination*.

In addition to the education, experience, and examination requirements, applicants for licensure must certify to having more than \$2,500 in operating capital. Applicants must also provide proof of workers' compensation insurance, or sign a form that certifies that he or she is exempt from the workers' compensation insurance requirement if he or she does not employ anyone in a manner that is subject to the workers' compensation laws of California. Applicants for a C-39 Roofing license must provide proof of workers' compensation coverage – they cannot file an exemption. In addition, applicants must submit a contractor's bond or cash deposit in the amount of \$12,500. An additional \$12,500 bond is required for each Responsible Managing Employee or Responsible Managing Officer (RMO). If, however, the RMO owns 10 percent or more of the voting stock, the additional bond is not required.

EXAM WAIVER

Contractors License Law authorizes the Registrar to waive the exam process (both the general Law and Business examination and the appropriate trade examination) under the conditions outlined below:

Within the five-year period immediately preceding application, the qualifying
individual has either passed the relevant exam or has been the qualifier on another
license holding the classification for which the application was submitted. In
this case, the examination waiver is mandatory. (B&P Code Section 7065)

- For five years of the seven-year period immediately preceding application, the qualifying individual has been associated with a license that is active and in good standing, and meets one of the following conditions (B&P Code Section 7065.1):
 - The qualifying individual has been listed on the CSLB license records as an owner, partner, or corporate officer and is applying for the same trade classification(s) currently held on said license record.
 - 2) Although not listed on the personnel of record, the qualifying individual has been continuously employed in a supervisory capacity by a corporate licensee, and the corporation is applying to replace its qualifier in the same classification for which the employee has provided supervision.
 - 3) The qualifying individual is a family member who has been actively engaged in a licensee's existing family business in the same classification for which the application is submitted and licensure of that person is required in order to continue the family business in the event of the absence or death of the licensee.

VERIFICATION OF QUALIFICATIONS / CRIMINAL HISTORY

The CSLB Licensing division verifies contractors' qualifications by reviewing their work experience as part of processing new applications for licensure and additional license classifications. Experience is documented on the Certification of Work Experience form that is filled out by the applicant and signed by an individual who certifies that he or she has direct knowledge of the work covering the time period outlined on the form. The experience must be verifiable through payroll records or similar documents that may be requested from the applicant by the Licensing or Enforcement Division to further verify the applicant's qualifications as needed. Pursuant to B&P Code Section 7068 and California Code of Regulations Section 824, a random sampling of at least three percent of all applications must undergo a comprehensive field investigation for the protection of the public, covering those areas of experience claimed in statements made by or on behalf of the applicants. Education may be granted credit upon review of the applicant's diploma and/or transcript.

Pursuant to B&P Code Sections 144 and 7069, all applicants for licensure are required to submit a full set of fingerprints for the purpose of conducting a criminal background check. Beginning in January 2005, all applicants for a CSLB license and each officer,

² The asbestos open book exam is a short booklet used to educate applicants with regard to the hazards of handling asbestos. This awareness exam differs from the Asbestos Certification exam that permits licensees to contract for asbestos abatement. The latter is a necessary prerequisite for asbestos removal.

partner, owner, and responsible managing employee, as well as all applicants to be home improvement salespersons, must be fingerprinted and must disclose all criminal convictions. Individuals currently licensed by CSLB who do not apply for any changes to his or her license and applicants for a joint venture license are not required to be fingerprinted. Fingerprints are compared to the records of the California Department of Justice and the Federal Bureau of Investigation to determine whether a criminal history exists and whether the applicant fully disclosed his or her criminal history. CSLB staff refer to the California Code of Regulations Sections 868 and 869 when evaluating whether the crimes are substantially related to the contracting business and whether the applicant has demonstrated sufficient rehabilitation for licensure.

In addition, each application contains a section of required application questions regarding the applicants' background (including financial and disciplinary issues) that all applicants must complete. Prior disciplinary actions, which must be disclosed through the required application questions, can be verified through specific coding on CSLB's database and a review by CSLB's Enforcement division.

EXAMINATION PASSAGE RATES

California is mandated to administer a trade-related and law and business examination as part of the licensure process (Business & Profession Codes 7065 and 7068).

Due to the large volume of examinations and applicants, it is efficient and cost-effective for CSLB to develop and administer its own examinations. Computer generated examinations are administered daily at eight testing centers throughout the state by computer. There are 45 examinations: 42 trade, two certification, and the Law and Business examination.

CSLB has testing specialists on staff to ensure that examinations are maintained in accordance with psychometric standards for licensure examinations. Occupational analyses are performed every five to seven years for all examinations, testing statistics are compiled at regular intervals, and examination forms are updated frequently.

The National Association of State Contractors Licensing Agencies (NASCLA) has an accreditation program to approve examinations for acceptance in multiple states. There is currently one examination for commercial general building contractors that is NASCLA-accredited and being used by a few states. The examination is not appropriate for California because CSLB does not have a separate license classification for commercial general building contractors.

Table 6 shows the passing rates for each examination over the last four years, the dates of the last occupational analyses performed, and the target dates for the next occupational analyses to be performed.

Table 6 – Examination Data

		E	kaminat	ion Pass	sage Ra	tes				Occupational Analysis (OA) Status			
		FY 20	06–07	FY 20	07–08	FY 20	FY 2008–09		09–10		OA	Target	
License Type	Exam Title	# of Candi- dates	Pass %	# of Candi- dates	Pass %	# of Candi- dates	Pass %	# of Candi- dates	Pass %	Last OA Date	De- velop- er**	OA Date	
А	General Engineering	1,332	57%	1,498	57%	1,364	58%	1,315	54%	April 2009	CSLB	2014	
В	General Building	13,962	48%	13,565	49%	11,185	50%	9,625	52%	August 2009	CSLB	2014	
C-2	Insulation & Acoustical	124	37%	119	36%	127	46%	139	50%	June 2006	CSLB	2011	
C-4	Boiler, Hot Water Heating, and Steam Fitting	52	31%	65	38%	64	47%	80	46%	June 2006	CSLB	2011	
C-5	Framing & Rough Carpentry	312	31%	264	36%	150	31%	155	29%	March 2008	CSLB	2013	
C-6	Cabinet, Mill- work & Finish Carpentry	881	53%	873	55%	642	52%	510	54%	November 2009	CSLB	2014	
C-7	Low Voltage Systems	731	55%	864	57%	665	57%	501	66%	June 2005	CSLB	2011	
C-8	Concrete	1,145	39%	1,005	43%	721	44%	609	44%	October 2010	CSLB	2015	
C-9	Drywall	670	17%	799	23%	628	25%	541	27%	September 2010	CSLB	2015	
C-10	Electrical	3,162	53%	3,105	50%	2,708	51%	2,625	47%	February 2008	CSLB	2013	
C-11	Elevator	25	68%	29	41%	23	52%	22	77%	November 2009	CSLB	2014	
C-12	Earthwork & Paving	259	69%	338	30%	360	23%	241	31%	October 2006	CSLB	2011	
C-13	Fencing	189	57%	191	57%	171	55%	192	38%	May 2008	CSLB	2013	
C-15	Flooring and Floor Covering	1036	49%	877	49%	701	41%	673	42%	April 2009	CSLB	2014	
C-16	Fire Protection	254	32%	219	34%	288	27%	238	37%	January 2007	CSLB	2012	
C-17	Glazing	384	58%	422	40%	390	45%	330	48%	September 2010	CSLB	2015	
C-20	Warm-Air Heat- ing, Ventilating & Air-Condi- tioning	1,856	31%	2,061	31%	1,947	33%	1,557	41%	August 2009	CSLB	2014	
C-21	Building Moving & Demolition	171	68%	169	69%	193	48%	166	48%	May 2007	CSLB	2012	

Table 6 – Examination Data continued

Examination Passage Rates											Occupational Analysis (OA) Status		
	Exam Title	FY 2006–07		FY 2007–08		FY 2008–09		FY 2009–10			OA	Target	
License Type		# of Candi- dates	Pass %	Last OA Date	De- velon-	OA Date							
C-23	Ornamental Metal	206	37%	213	34%	193	48%	168	32%	June 2009	CSLB	2014	
C-27	Landscaping	2,094	39%	1,981	40%	1,757	34%	1,572	34%	April 2010	CSLB	2015	
C-28	Lock & Secu- rity Equipment	55	53%	44	55%	77	32%	72	35%	July 2008	CSLB	2013	
C-29	Masonry	500	26%	418	32%	382	32%	261	37%	June 2010	CSLB	2015	
C-31	Construction Zone Traffic Control	26	19%	29	59%	44	32%	37	24%	June 2004	CSLB	2010	
C-32	Parking & High- way Improve- ment	95	20%	123	24%	85	29%	63	41%	June 2010	CSLB	2015	
C-33	Painting & Decorating	2,261	48%	2,163	47%	1,716	45%	1,477	46%	April 2010	CSLB	2015	
C-34	Pipeline	44	59%	76	62%	53	47%	53	26%	August 2007	CSLB	2012	
C-35	Lathing & Plastering	339	38%	322	38%	225	28%	232	34%	December 2008	CSLB	2013	
C-36	Plumbing	1,909	44%	1,895	50%	1,614	51%	1,454	51%	July 2009	CSLB	2014	
C-38	Refrigeration	151	44%	170	46%	192	44%	150	56%	April 2008	CSLB	2013	
C-39	Roofing	681	35%	642	41%	455	46%	357	50%	February 2010	CSLB	2015	
C-42	Sanitation System	105	45%	86	50%	87	31%	72	28%	June 2007	CSLB	2012	
C-43	Sheet Metal	142	43%	131	49%	117	53%	101	42%	August 2009	CSLB	2014	
C-45	Sign	134	28%	140	31%	132	29%	114	31%	August 2007	CSLB	2012	
C-46	Solar	115	38%	226	38%	559	22%	533	43%	August 2007	CSLB	2012	
C-47	General Manufactured Housing	91	32%	73	18%	91	12%	50	18%	May 2006	CSLB	2011	
C-50	Reinforcing Steel	65	28%	49	16%	32	28%	34	50%	November 2007	CSLB	2012	
C-51	Structural Steel	124	77%	119	76%	113	65%	115	59%	May 2009	CSLB	2014	
C-53	Swimming Pool	434	55%	537	33%	420	36%	372	38%	January 2006	CSLB	2011	

Table 6 – Examination Data continued

Examination Passage Rates											Occupational Analysis (OA) Status		
License Type	Exam Title	FY 2006–07		FY 2007-08		FY 2008–09		FY 2009–10			OA	T	
		# of Candi- dates	Pass %	Last OA Date	De- velop- er**	Target OA Date							
C-54	Tile (Ceramic & Mosaic)	1,405	48%	1,520	32%	1,012	43%	699	49%	October 2006	CSLB	2011	
C-55	Water Conditioning	22	82%	21	67%	43	35%	32	38%	August 2007	CSLB	2012	
C-57	Well Drilling (Water)	46	57%	45	73%	34	74%	57	53%	May 2007	CSLB	2012	
C-60	Welding	107	52%	127	50%	131	57%	105	43%	July 2008	CSLB	2013	
C-61	Limited Spe- cialty*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Cert.	Hazardous Certification	125	54%	157	52%	156	57%	147	51%	January 2007	CSLB	2012	
Cert.	Asbestos Certification	137	27%	161	25%	162	35%	158	41%	June 2010	CSLB	2015	
All Types	Law and Business	34,979	46%	33,442	46%	25,941	49%	21,996	51%	June 2010	CSLB	2015	

NOTE: All exams are written and specific to California.

N/A – Not Applicable

TIME FRAME FOR LICENSING

The information in Table 7 below provides the average times to receive a license. The "received date to first exam" data includes the time the application is processed at CSLB and the time it takes for candidates to return a rejected application. A large percentage of applications submitted to CSLB have to be returned to the applicant because the applicant did not follow all of the legal steps necessary for CSLB to process the application. Each time an applicant is asked to correct his or her application or to provide additional information or documentation, an additional 90 days could be added to the individual application's processing time.

The "received date to issuance" data for waiver applications includes 1) the time to process the waiver application (typically more complicated than exam applications); 2) the time for rejected applications to be corrected; 3) the time to provide workers' compensation certificate, requisite bonds, and fees and to get fingerprinted; and 4) the time for the license to be issued.

^{*}The written Limited Specialty exam was eliminated in 2003/04.

The "last exam date to issuance" data includes the time the application is in the "applicant's hands" waiting for the applicant to submit all of the required issuance documents (workers' compensation certificates, bonds, fingerprints, etc.) and the time it takes to actually process the documents.

Application Processing

Given a complete application with complete and accurate documents and fees, as of September 2010, complete exam applications could be pulled for processing in one week, which is down significantly from the time frame for fiscal year (FY) 2004–05 when an application was pulled for processing in an average of 4.8 weeks (actual FY 2004–05 time frames varied from 2.5 weeks to nine weeks). During this time, the application is cashiered, applicant's data is entered into the TEALE data system, and the application is prepped and scanned into CSLB's Imaging Workflow Automation System (IWAS). It is then ready to be "pulled" for processing. These times vary depending on workloads and staffing.

Testing

The goal for assigning a test date for an applicant is three weeks. When the number of applicants and licensees was at an all time high, there was a similar increase in the number of examinations administered. During that period, the time it took to schedule an examination varied from four weeks to 16 weeks depending on the test site where the applicant took the exam. CSLB has expanded the capacity of nearly all of its eight test sites to reduce the wait time and reach the three-week goal. In addition, an applicant who has a scheduled test date may drop in at any test center prior to their scheduled date and take the examination if a seat is available. Given the fact that over ten percent of scheduled applicants fail to appear on any given day, there is usually a seat available.

Issuance

After a candidate passes the exams, he or she submits his or her workers' compensation insurance certificate or exemption, requisite bond(s), fees, and fingerprint documents, if not already submitted. In September 2010, a license was being issued in two weeks after CSLB received the required documents and fees.

Table 7 - Average Days to Receive License (Original Applications)

AVERAGE DAYS TO RECEIVE LICENSE (Original Applications)	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10	
Examination Applications					
Received date to first exam	88	80	65	60	
Last exam date to issuance	81	69	65	63	
Total Average Days*	213	196	178	163	
Waiver Applications					
Received date to issuance	103	97	88	90	
Total Average Days	103	97	88	90	
HIS Applications					
Received date to issuance	78	76	72	66	
Total Average Days	78	76	72	66	

^{*} Total Average Days for Exam Applications does not equal the sum of average days for Received date to first exam and average days for Last exam date to issuance because some of the applicants were required to take their exam multiple times

CONTINUING EDUCATION/COMPETENCY REQUIREMENTS

There is no requirement that contractors participate in continuing education as a condition of license renewal.

RECIPROCITY WITH OTHER STATES

B&P Code Section 7065.4 authorizes the Board to enter into reciprocal agreements with other states for the mutual acceptance of trade qualifications. Under the provisions of this law, the trade portion of the examination may be waived for a particular license classification, provided the following qualifying conditions are met:

- The professional qualifications and conditions defining good standing for licensure are at least the same or greater in that state as in California.
- CSLB must receive a document that was sent directly from the reciprocal state certifying that the applicant's license has been in good standing for the previous five years.

The Board currently has reciprocal agreements with Arizona, Nevada, and Utah. Since the last Sunset Review, the reciprocal agreements with each state were updated and adopted by the respective boards. Under these agreements, applicants are required to pass the law and business exams administered by the individual states, but the relevant trade examinations covered by the respective agreements are subject to waiver, provided the qualifying conditions are met.



ENFORCEMENT ACTIVITY

ENFORCEMENT PROGRAM OVERVIEW

CSLB receives complaints from members of the public, licensees and professional groups, governmental agencies, and others concerning all phases of the construction industry. However, the majority of complaints come from owners of residential property involved in remodeling or repair work. In FY 2009–10, CSLB received 19,876 complaints.

A steady reduction in incoming complaints during FY 2009–10 can be partially attributed to the economic downturn as well as fewer proactive investigations being opened due to mandated employee furloughs that reduced available work hours by 15 percent. In addition, CSLB stopped opening complaints for illegal advertising. To prioritize shrinking resources, illegal advertisement violations were included with other alleged violations or used to target illegal operators in undercover sting operations. In FY 2010–11, complaints are at a manageable level, and the Intake and Mediation Center (IMC) has developed a pilot project directed at revisiting illegal advertising. In this pilot, IMC staff have been redirected to initiate a minimum of 500 complaints from various sources including newspapers, telephone directories, and Internet sites.

CSLB's enforcement process consists of a number of steps through which cases may pass:

- 1. Complaint receipt, screening, and mediation to attempt resolution without disciplinary action;
- 2. Complaint investigation;
- 3. Arbitration of cases meeting certain criteria again, to achieve resolution without disciplinary action in appropriate cases;
- 4. Minor cases, with imposition of a warning letter or citation and fine by Board Enforcement staff;
- 5. Serious cases, with referral of the completed investigation to the Attorney General's (AG) office for filing of an accusation to suspend or revoke the license, and cases involving criminal violations, where referral of the completed investigations to the local district attorney (DA) for the filing of criminal charges;
- 6. An evidentiary hearing before an administrative law judge (ALJ) from the Office of Administrative Hearings;

- 7. Submission of the ALJ's proposed decision to the Registrar of Contractors for final agency decision; and
- 8. Potential judicial review of the Registrar's decision.

Table 8 – Enforcement Data

ENFORCEMENT DATA	FY	2006–07	FY	2007–08	FY	2008–09	FY	2009–10
Inquiries /1	Total:	12,466,340	Total:	13,494,971	Total:	13,459,148	Total:	10,288,219
Telephone		692,949		714,574		673,486		647,202
Internet		11,773,391		12,780,397		12,785,662		9,641,017
Complaints Received (Source)		21,724	Total:	22,999	Total:	20,939	Total:	19,876
Public		15,534		15,673		15,248		13,572
Licensee/Professional Groups		95		806		1,128		1,783
Governmental Agencies		121		144		338		335
Other		5,974		6,376		4,225		4,186
Complaints Closed (By Type)	Total:	23,288	Total:	23,187	Total:	22,523	Total:	21,532
Competence/Negligence		7,261		6,238		6,538		5,545
Unprofessional Conduct		5,220		5,912		6,480		6,496
Fraud		179		216		220		251
Health & Safety		281		202		168		282
Unlicensed Activity		7,206		6,854		5,571		5,349
Personal Conduct		265		405		317		405
Other/Miscellaneous		2,876		3,360		3,229		3,204
Investigations Commenced	Total:	21,724	Total:	22,999	Total:	20,939	Total:	19,876
Complaints Referred for Field Investigation		13,362		13,845		11,255		11,296
Compliance Actions /2	Total:	4,547	Total:	4,280	Total:	3,665	Total:	3,504
ISOs &TROs Issued		NDA		NDA		NDA		NDA
Citations and Fines		2,442		2,100		1,829		1,323
Public Letter of Reprimand		0		0		0		0
Cease & Desist/Warning		3,951		3,688		3,061		2,976
Referred for Diversion		N/A		N/A		N/A		N/A
Compel Examination		NDA		NDA		NDA		NDA
Referred for Criminal Action	Total:	1,956	Total:	1,953	Total:	1,552	Total:	1,264
Referred to AG's Office	Total:	606	Total:	475	Total:	483	Total:	542
Accusations Filed		233		248		174		286
Accusations Withdrawn		29		32		16		20
Accusations Dismissed		2		2		4		2
Stipulated Settlements	Total:	70	Total:	67	Total:	57	Total:	72

Table 8 - Enforcement Data continued

ENFORCEMENT DATA	FY 2006-07	FY 2007–08	FY 2008–09	FY 2009–10	
Disciplinary Actions	Total: 959	Total: 1,380	Total: 1,598	Total: 1,702	
Revocation	488	589	770	860	
Voluntary Surrender	N/A	N/A	N/A	N/A	
Suspension Only	345	500	623	637	
Probation with Suspension	N/A	N/A	N/A	N/A	
Probation	N/A	N/A	N/A	N/A	
Probationary License Issued	126	291	205	205	
Probation Violations	Total: 12	Total: 32	Total: 31	Total: 28	
Suspension or Probation	0	0	0	0	
Revocation or Surrender	12	32	31	28	

NOTES: /1 CSLB switched to a new company that provides website statistic tracking in April 2009; therefore, the Internet statistics reported in FY 2009–10 are not comparable with previous fiscal years' Internet statistics. /2 Sum of Categories does not equal the total for Compliance Actions because of overlap of Citations and Fines and Cease and Desist categories for non-licensees.

INTAKE/MEDIATION

In the intake/mediation phase, CSLB receives complaints about contractors or unlicensed people operating as contractors (referred to as the "respondent"). Licensee workmanship complaints are the largest number of complaints received by CSLB. Complaints are initially processed by Program Technicians (PT), who encode complaint information into CSLB's computer tracking system, send a contact letter to the parties involved in the complaint, set up a complaint file, and assign the complaint to a Consumer Services Representative (CSR). The PT's work is reviewed by the supervisor, who then assigns the complaint to the CSR.

The CSR contacts both the complainant and the respondent and attempts to "mediate" the complaint by:

- Discerning the nature and dollar value of the dispute to determine whether the Board has jurisdiction and/or whether the case qualifies for referral to one of the Board's arbitration programs,
- Determining whether the consumer will permit the respondent contractor to return and fix the problem complained of, and
- Acting as an intermediary in an attempt to smooth relations between the parties so that an amicable resolution can be reached.

If a solution is reached and the respondent contractor performs to the consumer's satisfaction, the CSR closes the complaint (subject to the review of the district office supervisor). Complaints against egregious licensees are not subject to settlement. If the matter is not settled, the CSR gathers relevant documents (such as the contract between the consumer and respondent, the project plans, and photographs of the project) and transfers the case file to "the field" (one of the office's investigators called "Enforcement Representatives" or ERs) for formal investigation (again, subject to review by the office supervisor).

INVESTIGATION

If the case is more complex or no settlement is reached or if the respondent contractor is a repeat or egregious offender, Contractors License Law vests CSLB with certain enforcement responsibilities and authorities. Additionally, CSLB maintains an "Industry Expert Program" through which it assesses departures from trade standards and/or project specifications and quantifies damages to promote dispute resolution. Through these programs, CSLB attempts to persuade the respondent contractor and the homeowner to arrive at a mutually agreeable settlement, whereupon the complaint is closed and no disciplinary action is taken by the Board against the respondent contractor. This resolution is appropriate if the respondent contractor is not a repeat or multiple offender and has not committed serious violations that endanger the health and safety of the homeowner or the public.

The Registrar and Board Enforcement staff are authorized to investigate complaints against licensees and non-licensees acting as contractors. If an investigation uncovers evidence of a possible statutory or regulatory violation, the Registrar has a number of options for possible action: a warning letter, a citation (which may include a fine and/ or an order of abatement or correction), injunctive relief, or the filing of an accusation (which may lead to license revocation, suspension, or probation with terms and conditions). CSLB administrative enforcement actions against licensees are prosecuted pursuant to the Administrative Procedure Act (APA). In addition, CSLB may refer appropriate cases involving criminal or anti-competitive activity to local offices of the DA, which may prosecute such cases under the Penal Code or the Unfair Competition Law (B&P Code Section 17200), respectively. See Table 9 on page 35 for statistics relating to referrals for investigation.

Table 9 - Investigation Activity

NUMBER AND PERCENTAGE OF COMPLAINTS DISMISSED, REFERRED FOR INVESTIGATION, TO ACCUSATION AND FOR DISCIPLINARY ACTION

	FY 2006-07	FY 2007–08	FY 2008–09	FY 2009–10
COMPLAINTS RECEIVED	21,724-100%	22,999-100%	20,939-100%	19,876-100%
Complaints Closed	17,856-82%	18,345-80%	16,691-80%	16,662-84%
Referred for Investigation	12,600-58%	13,125-57%	10,645-51%	10,595-53%
Accusation Filed	31 >1%	43 >1%	29 >1%	63 >1%
Disciplinary Action	1 >1%	9 >1%	0	6 >1%

Note: Data in table are from "Complaints Received" population for that fiscal year only and do not include complaints or cases received in prior fiscal years. Only those complaints that were received and resolved during the same fiscal year are represented in this table.

ARBITRATION

Pursuant to B&P Code Section 7085 et seq., CSLB administers two arbitration programs to encourage the settlement of consumer-contractor and contractor-contractor disputes without disciplinary action. Under Section 7085(b), disputes over contracts worth \$12,500 or less shall be referred to CSLB's Mandatory Arbitration Program (MARB); under Section 7085(a), disputes over contracts worth more than \$12,500 but less than \$50,000 may be referred to CSLB's Voluntary Arbitration Program (VARB) with the concurrence of both the complainant and the contractor. The statute specifies that complaints referred to MARB/VARB must meet several criteria, including the following: 1) the respondent licensee does not have a history of repeated or similar violations; 2) the licensee was in good standing at the time of the alleged violation; and 3) the licensee has no outstanding disciplinary actions filed against him or her. Touted as "fair, fast, and free," CSLB arbitrations are binding - meaning the parties have only a limited ability to challenge the arbitrator's decision in court. CSLB's arbitration decisions are also confidential - meaning they are not disclosed on CSLB's website or elsewhere unless a contractor against whom a monetary award is entered fails to pay the award within 90 days (at which time, CSLB suspends the contractor's license and posts that action on the Board's website).

CSLB has contracted with a private company, Arbitration Mediation Conciliation Center (AMCC), to conduct its arbitration hearings. AMCC hears approximately 650 to 750 CSLB cases per year. AMCC has heard more than 4,000 CSLB arbitration proceedings and has rendered individual monetary decisions of up to \$50,000. The Board's CSRs and ERs refer eligible cases to AMCC and then close them (for purposes of tracking through CSLB statistics). Thereafter, AMCC gathers information about the dispute, sets it for

hearing, and assigns one of its arbitrators to hear the case at a relatively informal hearing (which is frequently put on by the parties themselves without the assistance of counsel). CSLB may pay for the services of one expert witness to testify at the hearing; the parties may pay for additional experts to testify. Following submission of the case, the arbitrator has 30 days in which to issue his or her decision. The entire process averages 55 days.

During 2009, AMCC provided 727 arbitrations: 572 of these were mandatory and 155 were voluntary. Additionally, in 2009, AMCC reduced the time from receipt of a case to the issuing of an award to a record 48 days. Also, in 2009, AMCC was instrumental in assisting CSLB in staff training, industry expert training, form revisions, arbitration guides for the participants, legal updates relating to arbitration, and defining arbitration policies. Of particular note is the manner in which CSLB and AMCC worked under the Governor's Executive Order which suspended service contracts to minimize the effects on both parties to the arbitration and the issuance of awards.

During 2009, AMCC received a 94% satisfaction rating in a survey of participants in the proceedings. Table 10 below represents specific survey ratings, both historical and current (on a scale from 1 to 5, 5 being the highest level of satisfaction):

Table 10 – Arbitration Satisfaction Survey

Year	CSLB Prompt Response	AMCC Efficient Coordination	AMCC Schedule	AMCC Case Facilitator Overall	AMCC Professionalism	AMCC Courtesy	AMCC Efficiency	Arbitrator Overall	Arbitrator Professionalism	Arbitrator Knowledge	Satisfaction w/Process
2008	4.49	4.68	4.72	4.82	4.87	4.87	4.85	4.89	4.94	4.88	4.72
2009	4.38	4.63	4.69	4.77	4.85	4.84	4.80	4.91	4.94	4.88	4.73

DISCIPLINARY ACTIONS

When violations of the B&P Code are substantiated, CSLB has several options for legal action: accusations, licensee citations, non-licensee citations, or referrals to a DA for criminal prosecution. As shown on Table 8 above, in FY 2009–10, legal actions resulted in a total of 860 revocations and 637 suspensions, including those cases where the licensee has not complied with an arbitration award or a citation. By operation of law, those licenses are suspended and, if there is no compliance within 90 days, revoked. The count of 1,702 disciplinary actions taken in FY 2009–10 was comparable to the number of actions taken in recent years.

CITATIONS

CSLB has the authority to issue citations for violations of the B&P Code (see Table 11 below for CSLB citation statistics). The typical citation imposes a civil penalty for the violations and contains a correction order. A correction order may include but is not limited to requirements of the contractor to pay financial restitution to the project owner, obtain workers' compensation insurance, or obtain a permit.

Citations are issued by CSLB legal action staff and are only referred to the AG if the respondent contractor requests an appeal hearing. Once appealed, the citation is heard by an ALJ. The ALJ can uphold, modify, or reject the citation. ALJ decisions go to the Registrar for adoption. Under B&P Code Section 7090.1, the Board has the authority to suspend a contractor's license if there is noncompliance with the correction order and/or fine. After 90 days of suspension, if still not in compliance, the license is revoked by operation of law. If the license is revoked, other licenses with the same qualifying personnel are also revoked. The revocation shall be for a minimum of one year, and the license shall be subject to disclosure to the public for the violations for a period of five years if there are no further reoccurrences of disciplinary action.

CSLB also can issue administrative citations for unlicensed activity. Effective March 2, 2007, California Code of Regulations Section 884 increased the maximum amount allowed for a licensee civil penalty to \$5,000.

Table 11 - Citations

CITATIONS AND FINES	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10
Total Citations	2,442	2,100	1,829	1,323
Total Citations With Fines	2,442	2,100	1,829	1,323
Amount Assessed	\$3,913,900	\$4,115,676	\$3,632,980	\$2,383,850
Reduced, Withdrawn, Dismissed	713	564	389	299
Amount Collected	\$1,109,615	\$1,140,300	\$888,900	\$727,166

ACCUSATIONS

Once a CSLB investigator completes an investigative report recommending an accusation in a given case, and that recommendation is approved by CSLB upper management, the file is transferred to the Licensing Section of the AG's Office, where it is assigned to a deputy attorney general (DAG). The DAG reviews the investigative file and determines whether it is complete and sufficient to prove a disciplinary violation. If so, the DAG prepares the accusation (the written notice of charges) and returns it to Enforcement's Case Management Unit (CMU), an internal support unit that tracks and processes all CSLB legal actions. CMU reviews the accusation and, if it is accurate, signs the

accusation (or, in CSLB terminology, "files" the accusation), and serves it on the respondent contractor.

The accusation filing triggers the adjudication process governed by the APA of the Government Code, which is designed to ensure that an accused licensee is afforded appropriate procedural due process rights before his or her property right (the license) is taken from him or her. According to case law interpreting the APA, the agency is the moving party that has the burden of proof and must prove a disciplinary violation by evidence that is "clear and convincing to a reasonable certainty."

When the accusation is filed, the respondent receives notices and rights to appeal and the respondent may file a notice of defense (NOD). If a NOD is filed and received by CMU, the DAG is notified that a NOD has been received. The DAG then secures a hearing date from the Office of Administrative Hearings (OAH).

Thereafter, the parties may engage in limited discovery and, barring settlement, will present their respective cases at a public evidentiary hearing presided over by an ALJ from OAH. During the hearing, CSLB is represented by the AG, and the respondent contractor may be represented by counsel of his or her choice (paid for by the respondent). Each party has the right to examine and cross-examine witnesses, present documentary evidence, and present oral argument. Following submission of the evidence, the ALJ prepares a written proposed decision including findings of fact, conclusions of law, and recommended discipline. At the Board's request, the ALJ may also recommend that the licensee pay "investigative cost recovery" to reimburse the Board for its investigative and enforcement costs incurred up to the first day of the evidentiary hearing. The ALJ's ruling is a "proposed decision" which is forwarded to the CSLB Registrar, who makes the final agency decision to adopt, non-adopt, or modify the decision as the order of the Registrar.

Often, an accusation may result in a stipulated agreement before the hearing occurs. In these instances, the license is typically revoked and stayed with conditions wherein the license may still operate on a probationary status. The licensee shall be subject to disclosure to the public of the revocation. The license probationary period can be from two years to five years and is monitored by a "probation monitor" for compliance of the terms and conditions of the probation. If the terms and conditions are not being met, CMU will submit a request to the AG to re-impose revocation.

DIVERSION PROGRAM

CSLB does not have a diversion program for contractors.

CONSUMER COMPLAINT REFERRALS TO DISTRICT ATTORNEY

Enforcement staff work closely with the District Attorneys (DAs) in many counties. The majority of investigations referred to the DA involve either unlicensed activity that resulted in financial damage to a homeowner or cases in which the contractor has ignored administrative citations and continued to operate illegally.

Enforcement has developed and fostered close working relationships with consumer protection DAs throughout the State. DAs routinely provide training to investigative staff and participate in industry and consumer workshops to enhance criminal prosecution of construction-related crimes and unfair business practice actions against licensed contractors.

Pursuant to B&P Code Section 7123, conviction of a construction-related crime or a crime that is substantially related to the qualifications, functions, and duties of a contractor is cause for disciplinary action against a licensee, with the record of the conviction being the conclusive evidence. Therefore, CSLB may refer a parallel disciplinary action to revoke a license when a licensee is pending criminal prosecution or immediately following conviction of a substantially-related crime.

Table 12 - DA Referrals

Consumer Complaints Referred to Prosecutor/DA						
	Licensee	Non-Licensee	Total			
2006–07	52	466	518			
2007–08	206	455	661			
2008–09	123	513	636			
2009–10	90	396	486			

ATTORNEY GENERAL CYCLE TIMES

In 2009, Enforcement's CMU implemented a statewide reorganization that consolidated accusation processing into the Sacramento office and citations into the Norwalk office. Previously, accusations and citations were processed at both the Sacramento and Norwalk offices. The reorganization proved to be successful in gaining consistency and more efficient case processing.

As part of the aforementioned process improvements, staff identified appealed citations and accusations that had been at the AG's Office, in some cases many years, without being scheduled for an administrative hearing. In summer 2010, CMUs staff met with AG management to encourage them to schedule identified older cases for hearings. This has resulted in a short term increase in the cycle time to complete the administrative

hearing process. In addition, the focus on the excessively aged cases is precluding the AG's office from scheduling the recently submitted cases for hearing. At the Board's request, case reviews are being completed by supervising DAGs in order to ensure that cases are being processed timely. A substantial reduction in cycle times is anticipated by June 2011.

As shown in Table 13 below, the time frame for the AG's office to draft and file an accusation upon receipt of the completed investigation report is currently at 214 days, which represents a decrease over the previous three years. The average time frame from when an accusation is heard by an ALJ with a decision rendered is approximately 352 days, which is also down from the previous three years. There are extraneous factors not within the Board's control that affect the length of time it takes for an accusation's final disposition.

CASE AGING DATA

Statutory Mandate

B&P Code Section 7011.7 sets the Board's statutory mandate regarding the length of time to complete a complaint investigation. The statutory goal for routine investigations is six months from receipt of complaint to the completion of investigation. The statutory goal for completing the review and investigation of complaints involving complex fraud issues or complex contractual arrangements is one year. As shown in Table 14, Enforcement has consistently met that mandate, averaging 119 days from receipt of complaint to completed investigation—far less than the six-month average goal.

Board-Adopted Performance Goals

In February 2006, the Board adopted complaint-handling performance goals that are more aggressive than the statutory mandate:

The IMC's have a Board-adopted goal to close complaints through mediation and negotiation within 60 days, which they have exceeded by averaging a complaint-handling cycle time of 42 days for the past four years. In addition, IMC CSRs have consistently achieved the goal to settle (with restitution paid) thirty percent of licensee complaints without the need of a comprehensive investigation.

In addition to providing an appropriate disposition for a complaint within six months, the IC's have a goal of reducing complaints exceeding 270 days to less than 100 complaints. The Board continues to meet this goal, having a total of 97 complaints over 270 days in age as of August 2010.

Table 13 - Case Aging Data

AVERAGE DAYS TO PROCESS COMPLAINTS, INVESTIGATE AND PROSECUTE CASES						
	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10		
Complaint Processing – from receipt to initial assignment	5.8	6.5	5.9	2.2		
Investigations – from initial assignment to completed investigation	343.7	326.6	280.9	310.8		
Pre-Accusation*	260.3	244.3	246.0	214.1		
Post-Accusation**	383.7	372.6	447.6	351.7		
TOTAL AVERAGE DAYS***	993.5	950.0	980.4	878.8		

 $\textbf{NOTE:} \ \text{This table covers only cases that went through the disciplinary process.}$

Table 14 – Average Days to Close Complaint

AVERAGE DAYS TO CLOSE A COMPLAINT (From initial receipt)						
Fiscal Year	Intake Mediation Center	Investigative Center				
2006–07	46.6	106.5				
2007–08	40.6	103.2				
2008–09	40.1	125.4				
2009–10	40.5	118.5				

Table 15 - Case Closing Time Frames

INVESTIGATIONS CLOSED WITHIN:	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10	AVERAGE % CASES CLOSED
90 Days	16,683	17,134	15,983	15,385	72.0
180 Days	3,504	3,235	3,012	2,804	13.9
1 Year	2,681	2,570	3,239	3,084	12.8
2 Years	417	245	287	239	1.3
3 Years	1	1	2	16	0.0
Over 3 Years	2	2	0	4	0.0
Total Cases Closed	23,288	23,187	22,523	21,532	

^{*} From completed investigation to formal charges being filed.

^{**} From formal charges filed to conclusion of disciplinary case.

^{***} From date complaint received to date of final disposition of disciplinary case.

Table 15 – Case Closing Time Frames continued

AG CASES CLOSED WITHIN:	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	AVERAGE %CASES CLOSED
1 Year	141	117	108	163	37.9
2 Years	156	169	157	165	46.3
3 Years	31	38	45	49	11.7
4 Years	9	7	8	13	2.7
Over 4 Years	8	4	2	6	1.4
Total Cases Closed	345	335	320	396	
Disciplinary Cases Pending	615	597	608	560	

MANDATORY SETTLEMENT CONFERENCES

During 2009, Enforcement significantly lowered AG's office and OAH expenses by utilizing mandatory settlement conferences (MSCs). MSCs resolve administrative disciplinary actions without incurring the cost of a formal hearing.

Currently, MSCs are scheduled monthly in Norwalk and Sacramento. Because of the success of the MSC program and the savings to the Board in AG costs, Case Management's goal is to expand the MSC program to other geographical areas. This will help reduce Board costs even further and will also be beneficial to respondents facilitating their compliance, thus avoiding additional legal action against them.

Table 16 – 2009 Mandatory Settlement Conferences

2009 MANDATORY SETTLEMENT CONFERENCES				
Cases Scheduled for MSCs	135			
Cases Settled	49			
Failure to Appear by Respondent	33			
Cases Scheduled for Administrative Hearing	53			

Cases where the respondent fails to appear are grouped together and scheduled for an Administrative Hearing. During the Administrative Hearing, a case can be handled as a default judgment decision in accordance with the APA.

UNDERGROUND ECONOMY ENFORCEMENT

Economic and Employment Enforcement Coalition

California suffers from an ever-growing problem of businesses operating in the underground economy. It is estimated that California loses anywhere from \$60 to \$140 billion a year in revenue from the underground economy, a significant portion attributed to the construction industry. No one state agency has the resources or the information to tackle this enforcement problem alone. Therefore, state and federal agencies with overlapping jurisdictions in the areas of labor law enforcement have joined forces to make a concerted, consistent, and effective dent in California's underground economy. The combined enforcement effort is titled the Economic and Employment Enforcement Coalition (EEEC). Participants include tow division within the Department of Industrial Relations (DIR), Employment Development Department (EDD), the U.S. Department of Labor, and CSLB.

Since its inception in July 2005, dedicated teams of EEEC investigators have inspected over 5,500 employers in industries most likely to have substantial illegal underground activity. EEEC accomplished this with a total workforce of only 66 people from a number of different enforcement agencies and departments. Targeted inspections have identified in over 18,700 citations and violations, resulting in over \$38.7 million in penalties and assessments. EEEC's targeting procedures have brought the number of citations and assessments to an average of almost four per inspection. This high ratio clearly shows that EEEC is focusing on the worst offenders while limiting interference in the business operations of those employers who are in compliance with our state employment, safety, and tax laws. EEEC has identified and assessed \$8,242,715 in wages owed to employees; from 2005 to 2009, the EEEC collected \$4,415,260 of those monies. EEEC's targeting effectiveness is further supported by 823 criminal referrals made to local DAs and the resulting 431 criminal convictions.

CSLB has been able to utilize EEEC positions to effectively increase its enforcement efforts against unlicensed contractors and licensed contractors who operate illegally.

MEMORANDA OF UNDERSTANDING

CSLB has been a party to memoranda of understanding (MOUs) for the purpose of sharing enforcement information with EDD, the Division of Occupational Health and Safety (DOSH), the Division of Labor Standards Enforcement (DLSE), the Division of Apprenticeship Standards (DAS), the Department of Transportation (CalTrans), the Franchise Tax Board (FTB), and DIRs' Office of Director – Legal (ODL). During 2009, CSLB worked with each agency to further enhance the existing MOUs, thus strengthening enforcement of labor, tax, and licensing laws.

Realizing that other agencies also possess important enforcement information, a system was developed and implemented to allow other regulatory agencies to notify CSLB of violations committed by licensed or unlicensed contractors.

Following are summaries of the MOUs and achievements:

Employment Development Department

Under the terms of the previous MOU, CSLB's Enforcement Representatives (ERs) and EDD agents conduct monthly field inspections as part of a joint Employment Enforcement Task Force (EETF); however, pursuant to the new MOU, those field inspections increased to a minimum of two per month.

CSLB sends statistical information to EDD on a quarterly basis, and EDD agrees to investigate underground economy complaints that are not suitable for CSLB's Statewide Investigative Fraud Team (SWIFT) or EETF on-site inspections that are against unlicensed contractors who have six or more employees and are suspected of operating in the underground economy.

In addition, CSLB provides EDD query access to CSLB's Licensing System, including licensing data, pending application data, and the CSLB backlog table pursuant to agreed security provisions.

EDD continues to refer unresolved final tax liability cases to CSLB, which result in the automatic suspension of those licenses until the outstanding liabilities are satisfied.

Table 17 - 2009 EDD Referrals

2009 EDD OUTSTANDING LIABILITY REFERRALS

584 licenses suspended by CSLB

 $363 \ \mbox{licenses}$ subsequently reinstated for compliance with EDD

\$13,206,385 in outstanding liabilities resolved

• Franchise Tax Board

In 2009, CSLB and FTB agreed that FTB would refer its final actions to CSLB pursuant to B&P Code Section 7145.5, which authorizes CSLB to assist in collecting taxes owed by a licensed contractor where the FTB action is final.

CSLB began enforcing this agreement in the last four months of 2009. Pursuant to the agreement, CSLB has sent four contractors initial letters, totaling over

\$1,119,000, and has sent suspension letters to two of those contractors for failure to resolve outstanding final liabilities, totaling over \$465,000. Two of these contractors have successfully complied and paid the FTB in full.

Table 18 - 2009 FTB Referrals

2009 FTB OUTSTANDING LIABILITY REFERRALS

Two contractor licenses suspended for outstanding liabilities

\$21,890 was collected in full by FTB as a result of the suspensions

• Department of Industrial Relations

Table 19 - 2009 DIR Referrals

2009 DIR OUSTANDING LIABILITY REFERRALS

236 licenses suspended for outstanding liabilities owed to DIR

84 licenses subsequently reinstated for compliance with DIR

\$597,185 in outstanding liabilities resolved

Division of Occupational Safety and Health

Under the revised agreement, DOSH refers reports of contractors found in violation of safe workplace provisions of the Health and Safety (H&S) Code that have resulted in a serious workplace injury or fatality for appropriate CSLB action against the license.

Further, when any investigation of a construction industry employer is being conducted and DOSH determines that the employer has acted willfully or with gross negligence to violate an occupational safety or health standard, and the same act also constitutes an obvious violation of standards to which CSLB requires licensed contractors to adhere, DOSH will make an early referral to CSLB's SWIFT Program Manager.

DOSH also will assist CSLB in achieving judicial revocation of licenses in DOSH-initiated criminal proceedings.

CSLB provides DOSH with the final disposition on all referrals, as well as a summary of administrative disciplinary action taken against a licensee as a result of a DOSH referral.

Finally, DOSH is responsible for issuing permits for specified construction activities that are predicated upon the applicant employer having an appropriate contractor's license; therefore, CSLB notifies DOSH of the revocation of any contractor's license on a monthly basis.

Table 20 - 2009 DOSH Referrals

2009 INVESTIGATED DOSH HEALTH & SAFETY CODE VIOLATION REFERRALS

62 referrals received from DOSH for serious H&S Code violations

104 complaint investigations completed by CSLB*

63 DOSH referrals resulted in formal warnings to licensees

15 formal administrative disciplinary actions taken

* This number includes DOSH referrals from 2008

Division of Labor Standards Enforcement

The MOU provides that DLSE forward documentation of Labor Code (LC) violations that result in a civil or criminal case and/or violations that result in a judgment for unpaid wages or penalties. CSLB has authority to obtain judicial suspension or revocation of the license when notified of DLSE cases referred for criminal prosecution.

The enhanced MOU, signed in November 2008, provides for DLSE to forward to CSLB copies of all final findings by the Labor Commissioner of a willful or deliberate violation of any provision of the LC by a licensed contractor, so that CSLB can initiate disciplinary action as required by B&P Code Section 7110.5.

Table 21 – 2009 DLSE Referrals

2009 INVESTIGATED DLSE LABOR CODE VIOLATION REFERRALS

28 referrals received from DLSE for Labor Code violations

39 complaint investigations completed by CSLB

7 DOSH referrals resulted in formal warnings to licensees

2 formal administrative disciplinary actions taken

14 non-licensees identified and referred to SWIFT unit

In late 2009, DLSE and CSLB entered into a pilot project, entitled "Sacramento Test Project," which will focus on CSLB investigations of DLSE final actions involving violations of LC Sections 3700 (workers' compensation), 226 (cash pay), 1021 (unlicensed contractor), and 1021.5 (licensed contractor hiring unlicensed contractor).

• DIR Office of the Director Legal Unit

A first ever MOU between the DIR's ODL and CSLB was signed on August 6, 2008. ODL administers the Uninsured Employers Benefits Trust Fund (UEBTF), as well as investigates uninsured employers and their lack of workers' compensation insurance. Under this agreement, ODL refers suspected unlawful activity by licensed or unlicensed contractors to CSLB, and CSLB, in turn, provides ODL with the final disposition results on all referrals. In addition, ODL is provided access to the CSLB Licensing and Information System database.

• California Department of Transportation

An MOU was finalized between CSLB and the Caltrans on September 19, 2008. Caltrans administers contracts for \$16 billion in funds for improvements to California highways, which are public works projects subject to Public Contract Code Sections 4100–4100, the Subletting and Subcontracting Fair Practices Act (Act). Under the MOU, Caltrans refers serious or willful violations of the Act and workers' compensation violations to CSLB for investigation. CSLB conducts investigations into violations of the Act and workers' compensation and notifies Caltrans of the investigations' results. Each agency shares information, to the extent allowed by law, to assist each other in any investigations for violations of the Act, unlicensed contractor activity, or violation of workers' compensation requirements.

• Division of Apprenticeship Standards

On June 29, 2009, CSLB and the Division of Apprenticeship Standards (DAS) entered into an MOU to implement the provisions of SB 1362 and AB 3048, which became effective January 1, 2009, mandating that DAS refer cases to CSLB upon determining that a violation of electrician certification requirements under LC Section 3099.2 has likely occurred so that CSLB can appropriately discipline its C-10 Electrical Contractor licensees who have violated the law.

Table 22 - 2009 DAS Referrals

2009 DAS REFERRALS

30 referrals received from DAS reporting uncertified electrician activity

12 DAS referrals resulted in formal warnings to the licensees

2 formal administrative disciplinary actions taken

California Energy Commission

CSLB has entered into an MOU with the California Energy Commission (CEC) that will allow CSLB and CEC to work jointly to enforce and educate the industry, consumers, and contractors about California Building Standards, appliance regulations, and home energy rating system (HERS) regulations. In addition, the MOU provides that CEC staff will assist CSLB in enforcing Contractors' License Law in specific cases involving permit and code compliance.

Sting Operations

SWIFT conducted more than 100 sting and sweep operations during 2009, resulting in 706 legal actions, notices to appear, and citations, and the arrest of 43 individuals. An additional 242 follow-up cases were opened as a result of these operations, many of which resulted in the issuance of additional administrative citations or referrals for criminal prosecution.

SWIFT performed a total of 32 sting operations throughout the state in 2009, in partnership with local law enforcement, DAs, building departments and code enforcement officials, industry leaders, and other state agencies. These operations targeted unlicensed contractors, repeat offenders, and wanted criminals working illegally in the construction field.

Results of Complainant Satisfaction Survey

CSLB has been conducting a consumer satisfaction survey to monitor the effectiveness of its activities since 1993. The questionnaire used by CSLB is similar to the one the Joint Legislative Sunset Review Committee directed all boards and committees under review to conduct. The 2009 data comes from 1,071 responses to a survey sent to 4,800 consumers who used CSLB services.

The Consumer Satisfaction Survey is typically mailed twice a year to a sample of individuals who have filed complaints with CSLB's Enforcement division against licensed or unlicensed contractors; however, due to workload issues related to employee furloughs, all 2008 surveys were mailed in a single batch. In November

2009, a total of 4,800 complainants were randomly selected to receive the survey. The survey assesses the public's satisfaction with CSLB's service of their complaint.

Table 23 - Consumer Satisfaction Survey Results

CONSUMER SATISFACTION SURVEY FOR CONTRACTORS BOARD						
Questions		Responses by Calendar Year				
4800 surveys mailed	2006 ^a	2007 ^b	2008 ^c	2009 ^d		
4000 Surveys Maneu		Percent Agreement				
1. CSLB* contacted me promptly after I filed my complaint.	75%	77%	73%	N/A		
The procedures for investigating my complaint were clearly explained to me.	69%	72%	71%	N/A		
CSLB* kept me informed of my case's progress during the investigation.	63%	62%	60%	N/A		
4. I was treated courteously by CSLB's representative(s).	81%	80%	79%	N/A		
5. My complaint** was processed in a timely manner.	61%	62%	63%	N/A		
I understand the outcome of the investigation (whether or not I agree with the action taken).	65%	63%	64%	N/A		
7. The action taken in my case was appropriate.	50%	52%	54%	N/A		
8. I am satisfied with the service provided by the Board.	56%	56%	57%	N/A		

^{*} In 2007, the word "Board" was changed to "CSLB."

PILOT PROGRAMS

Enforcement has launched three pilot programs to address illegal and unlicensed construction activities. These pilot programs address advertising by unlicensed contractors, building permit compliance, and public works projects. Following are summaries of each program.

• Advertisement Pilot Program

Unlicensed contractors routinely advertise in newspapers, telephone directories, and on Internet sites for work that requires a license. IMC is working closely with the construction industry to identify unlicensed contractors advertising for work.

^{**} In 2007, the word "case" was changed to "complaint."

a 1440 surveys returned.

b 1466 surveys returned.

c 1071 surveys returned.

d 2009 survey data is still in progress due to workload issues related to employee furloughs.

In the first half of 2010, over 425 complaints were opened, based on industry leads. IMC staff contact the individual who placed the advertisement to:

- Explain licensure requirements,
- o Issue a cease and desist from future unlicensed contracting activity, and
- Provide a 30-day window to submit an application for licensure or disconnect the telephone number.

Unlicensed contractors who fail to submit an application and continue to act in the capacity of a contractor are targeted for a sting. In addition, the Board met with the Public Utilities Commission in August 2010 to develop a protocol for disconnecting the offending telephone number.

Permit Pilot Program

In January 2010, the Board adopted a pilot program that would focus on enhanced enforcement for permit compliance. In June 2010, a target group of C-20 Warm-Air Heating, Ventilating and Air-Conditioning (HVAC) contractors were mailed a reminder letter about new Title 24 Energy Efficiency requirements and the need to comply with permit requirements. The remaining 17,000 C-20 contractors were mailed the aforementioned letter in August 2010.

In mid-2010, the Board partnered with a coalition of governmental agencies and private utility companies to conduct building permit sting operations in the following seven cities: Fairfield, Folsom, Grand Terrace, Norwalk, Porterville, Rocklin, and La Puente. The stings targeted contractors that had received the educational letter and were suspected by the local building official of installing HVAC units without obtaining necessary permits. After the Board's education and enforcement campaign, permit compliance increased in all but one target city, most by an average of 40%. Based on the success of the pilot, additional stings were conducted in September 2010 in Bakersfield, Fairfield, Upland, Orange, and San Jose.

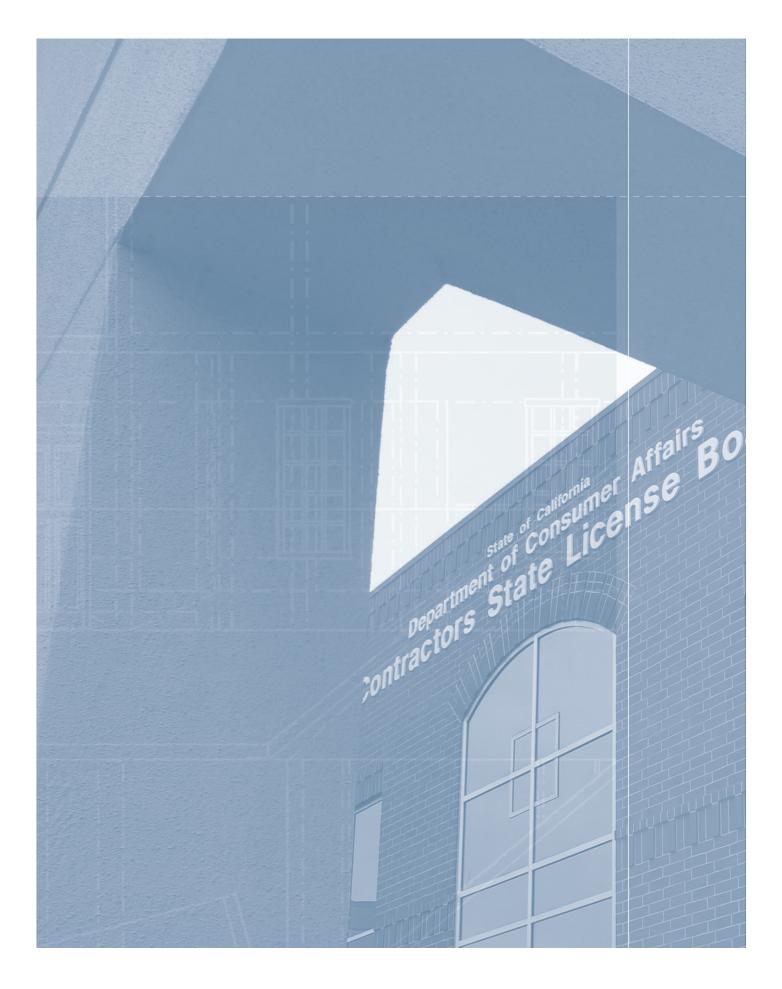
In August 2010, a lead referral form and accompanying explanation was developed and included on the Board's website, encouraging the public to report contractors working on projects without the necessary building permits.

• Public Works Pilot Program

Two investigators have been identified; one in northern California and one in southern California, to work with compliance organizations that oversee public works projects. Often, investigation has been performed by others, such as DLSE or a labor compliance program that evidence violations of the Labor Code, Public

Contract Code, and/or local ordinances. CSLB can embrace those findings and, if warranted, take disciplinary action. The pilot program is developing innovative methodology to address contractors in the public works realm who have been subject to the following:

- o Disbarment by the Labor Commissioner or an awarding authority;
- o Issued a Civil Wage and Penalty Assessment for Labor Code violations;
- Violated the Public Contract Code; or
- Otherwise violated Contractors License Law.





ENFORCEMENT EXPENDITURES AND COST RECOVERY

AVERAGE COST FOR DISCIPLINARY CASES

CSLB has been able to maintain its disciplinary process within existing budgets. CSLB has developed an internal tracking system, in conjunction with the AG's office, which allows it to work with the AG to track timelines and expenses.

Typically, the more expensive cases are those that involve multiple victims. Large cases may have hearings that lasts three to four weeks.

Table 24 - Average Cost of Disciplinary Cases (In Whole Dollars)

AVERAGE COST PER CASE INVESTIGATED	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10
Cost of Investigation*	\$16,352,740	\$17,458,352	\$16,832,561	\$15,933,811
CSLB Industry Experts	\$645,090	\$640,192	\$683,924	\$572,571
Subtotal, Investigation Costs	\$16,997,830	\$18,098,544	\$17,516,485	\$16,506,382
Number of Cases Closed**	23,288	23,187	22,523	21,532
Average Cost Per Complaint	\$730	\$781	\$778	\$767
AVERAGE COST PER CASE REFERRED TO AG	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10
Cost of Prosecution & Hearings				
CSLB Processing Costs***	\$2,523,222	\$2,500,983	\$2,835,709	\$2,674,209
Attorney General Costs	\$4,681,587	\$4,442,066	\$4,958,298	\$4,317,329
Office of Administration Hearing Costs	\$910,473	\$778,665	\$666,679	\$620,576
Subtotal, Costs of Prosecution & Hearings	\$8,115,282	\$7,721,714	\$8,460,686	\$7,612,114
Number of Cases Referred	606	475	483	542
Average Cost Per Case	\$13,392	\$16,256	\$17,517	\$14,044
TOTAL AVERAGE COST	\$1,051	\$1,091	\$1,129	\$1,093

Note: All Enforcement expenditures are net of DCA and statewide pro rata and Information Technology costs.

^{*} Cost of Investigation includes salary and wages, benefits, and operating expenses and equipment for CSLB Intake/ Mediation, Investigation, SWIFT, and Enforcement Executive units.

^{**} Number of complaints closed.

^{***} CSLB Processing Costs include salary and wages, benefits, and operating expenses and equipment for CSLB Legal Action and Subsequent Arrest units.

COST RECOVERY EFFORTS

Pursuant to B&P Code Section 125.3, the Board may request an ALJ to direct a licensee who is found to have violated the Contractors License Law to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case. In FY 2009–10, the ALJ ordered \$1,616,881 in cost recovery.

RESTITUTION PROVIDED TO CONSUMERS

Restitution may be made to the consumer under the following circumstances:

- Mediation Process Through mediation, the licensee and complainant may agree
 to finish the job, correct poor workmanship, or pay the complainant the cost to
 complete or correct the job.
- **Arbitration** If arbitration is ordered or agreed to, then restitution may be ordered.
- **Citation** If a citation is issued, the licensee may be ordered to correct the work or pay the consumer the amount necessary to complete and/or correct the job.
- Accusation If an accusation is filed, the ALJ's decision usually orders restitution to the consumer.
- Unlicensed Contractor Applies for License If a financial injury is caused by an
 unlicensed person, the person's name goes into CSLB's computer records. Any
 attempt by the unlicensed person to become a licensed contractor will require
 resolution of the financial injury.
- Civil Judgment If there is a construction-related civil judgment against the license, the licensee must pay the judgment or post a bond in the amount of the judgment.
- **Surety Bonds** If there is a violation of Contractors License Law, then a claim can be paid by the surety company.

As shown in Table 26, in FY 2009–10, a total restitution amount of \$42,481,531 was paid to consumers. The accusation and citation amounts were obtained by CSLB as the result of formal disciplinary actions. The arbitration amount represents the total of monetary awards made through the previously described Mandatory and Voluntary Arbitration Programs. CSLB's Licensing division through enforcement of B&P Code Section 7071.17, obtains the civil judgment restitution. This law allows for an automatic suspension of the license for any unpaid civil judgment against a licensee. The suspension can only be lifted if the judgment is satisfied, a judgment bond is posted, the judgment is discharged in bankruptcy, or it expires in accordance with the applicable statutes. B&P Code Section 7071.11 requires surety companies to report to CSLB if there is a bond payout.

Table 25 - Cost Recovery

COST RECOVERY DATA	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10
Total Enforcement Expenditures	\$25,113,112	\$25,820,258	\$25,977,171	\$24,118,496
# Potential Cases for Recovery*	959	1,380	1,598	1,702
# Cases Recovery Ordered	NDA	NDA	NDA	NDA
Amount of Cost Recovery Ordered	\$1,292,305	\$1,012,161	\$944,424	\$1,616,881
Amount Collected	\$217,069	\$191,124	\$556,715**	\$798,092***

Note: Enforcement Expenditures are net of pro rata and Information Technology costs. NDA = no data available.

The following table provides restitution dollar amounts for the past four years.

Table 26 - Restitution Received by Consumers

RESTITUTION DATA	FY 2006–07	FY 2007–08	FY 2008–09	FY 2009–10
Amount Ordered	NDA	NDA	NDA	NDA
Amount Collected				
Arbitration	\$3,074,185	\$3,431,127	\$2,847,377	\$2,900,645
Citation	\$245,133	\$273,791	\$112,421	\$173,477
Complaint	\$19,919,270	\$9,098,019	\$11,801,416	\$13,957,848
Accusation	None Reported	\$47,500	None Reported	\$216,347
Judgment	\$21,636,216	\$22,369,996	\$21,201,672	\$25,233,214
Total Collected	\$44,874,804	\$35,220,433	\$35,962,886	\$42,481,531

COMPLAINT DISCLOSURE POLICY

The Board maintains a website (www.cslb.ca.gov) and a toll-free number (800.321.CSLB) for use by the public for the purpose of obtaining general license information regarding a contractor. License status and list of past and pending legal actions against the licensee is made available. The website also provides information on the contractor's bond and workers' compensation insurance.

^{*}The "Potential Cases for Recovery" are those cases in which disciplinary action has been taken based on violation(s), of the Contractors License Law.

^{**} Includes \$355,500 payment for Pickred Plumbing settlement.

^{***} Includes \$600,000 payment for Pickred Plumbing settlement.

[&]quot;Pending legal actions" are reported only when investigative staff has substantiated a complaint and legal action has been requested.

[&]quot;Past legal actions" include citations previously issued against the licensee and any disciplinary action in which probation, suspension, or revocation has occurred.

Information concerning an arbitration decision is not made available to the public unless the licensee fails to comply with the arbitration award. Failure to comply results first in suspension of the license; then, if the failure continues for 90 days, the automatic revocation of the license. The Board reports civil judgments against a contractor when suspension is pending or has occurred.

Once CSLB has determined that a probable violation of law has occurred, which, if proven, would present a risk of harm to the public and for which suspension or revocation of the contractor's license would be appropriate, the date, nature, and status of the complaint is disclosed to the public. A disclaimer stating that the complaint is, at this time, only an allegation accompanies this disclosure.

Licensee citations are disclosed to the public from date of issuance and for five years from the date of compliance.

Accusations that result in suspension or stayed revocation of the contractor's license are disclosed from the date the accusation is filed and for seven years after the accusation has been settled, including the terms and conditions of probation. All revocations that are not stayed are disclosed indefinitely from the effective date of the revocation.

Table 27 - Complaint Disclosure

TYPE OF INFORMATION PROVIDED	YES	NO
Complaint Filed		X
Citation	X	
Fine	X	
Letter of Reprimand / Warning Letter		X
Pending Investigation	Depends on allegation/status	
Investigation Completed	Depends on allegation/status	
Arbitration Decision		X
Referred to AG: Pre-Accusation	X	
Referred to AG: Post-Accusation	X	
Settlement Decision	X	
Disciplinary Action Taken	X	
Civil Judgment	X	
Malpractice Decision		N/A
Criminal Violation: Felony Coordinate with District Attorney Misdemeanor	X	

N/A – Not Applicable



CONSUMER OUTREACH AND EDUCATION

OVERVIEW

CSLB's Outreach and Education program addresses multiple constituencies and, therefore, continually adjusts to trending messages and the ongoing need for multiple delivery systems that can be adapted to evolving technology. The CSLB Public Affairs Office (PAO) demonstrates a comprehensive, yet flexible communication campaign.

Consumers	Consumers are educated about the best practices to protect themselves from being victimized by unlicensed, unscrupulous, or unreliable contractors. Specific emphasis is placed on educating seniors, a particularly vulnerable population. Outreach also informs consumers about myriad Board services.
Licensees	Active and inactive license holders are kept up-to-date about proper license maintenance, including information on bonds, workers' compensation insurance, and how to make changes to their license. Licensees also are provided with information from other agencies that is designed to help improve their business success.
Applicants	The program educates those who are either considering getting a contractor license, are the process of getting a contractor license, or are adding to or changing their existing license.
Building Departments	Educational material is distributed to California's 500+ building departments to help staff better understand the state's construction regulatory system. Through these building departments in 2009, Public Affairs led a statewide consumer education campaign focused on helping homeowners understand their responsibilities and liabilities as an owner-builder.
News Media	PAO responds to media inquiries and conducts proactive outreach to the media. Between 2002 and 2009, PAO responded to more than 2,100 media inquiries.
Industry Associations	Trade associations are valuable partners in disseminating timely business, legislative, and construction standards information to their membership.
Government Partners	Partnerships with state departments that regulate and enforce work and pay, insurance, health and safety, and tax laws has accelerated since 2005, resulting in an increase of CSLB enforcement activities that require additional communication and media activities.

PUBLICATIONS

PAO is responsible for the production of more than 30 different publications (as listed below), from simple one-page fact sheets to brochures, booklets, reports, and an annual 700+ page law book.

Consumer Publications

Ten Tips for Making Sure Your Contractor Measures Up	English Spanish Chinese Korean Russian Vietnamese
Checklist for Prescreening Contractors	English
Mandatory Arbitration Program Guide	English
Voluntary Arbitration Program Guide	English
A Consumer Guide to Asbestos	English
What Seniors Should Know Before Hiring a Contractor	English Spanish
What You Should Know Before Hiring a Contractor	English Spanish
A Consumer Guide to Filing Construction Complaints	English Spanish
Terms of Agreement – A Consumer Guide to Home Improvement Contracts	English
After A Disaster Don't Get Scammed	English Spanish
Choosing the Right Landscaper	English
A Homeowner's Guide to Preventing Mechanic's Liens	English Spanish
Conditional and Unconditional Waiver and Release Forms	English
Owner-Builders Beware!	English
Tips for Hiring a Roofing Contractor	English Spanish
Consumer Guide to Using the Small Claims Court	English
Before You Dive Into Swimming Pool Construction	English
Traveling Contractor Scams Tip Sheet	English

Licensee/Applicant Publications

Advertising Guidelines for Contractors	English
Asbestos: A Contractor's Guide and Open Book Examination	English
Blueprint for Becoming a California Licensed Contractor	English
A Guide to Contractor License Bonds	English
Building Your Career as a Licensed Contractor	English
building four Career as a Licensed Contractor	Spanish
Description of CSLB License Classifications	English
Becoming an Industry Expert	English
Contracting for Success - Guide to Home Improvement Contracts	English
California Contractors License Law & Reference Book	English

Building Department Publications

Building Official Information Guide	English
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Reports

CSLB Strategic Plan	English
CSLB Accomplishments & Activities	English

VIDEOS

Technology has allowed the Board to embrace the use of videotape and digital audio/video as an educational and promotional tools. PAO routinely makes video available for distribution to the news media. Two of the most popular Board videos are: "Rebuilding After a Natural Disaster" and "Doing it Right: Hiring a Licensed Contractor." Both videos are streamed on the Board's YouTube channel.

SPECIFIC OUTREACH TOOLS

News Media

News Releases

A key element of the Board's outreach efforts is to distribute news releases, primarily used to publicize enforcement actions that center on undercover stings and sweeps that identify and cite unlicensed operators. News releases enable the Board to focus media attention on the risks and dangers to consumers who hire unlicensed contractors. They also highlight the negative impact of the

underground economy and the Board's efforts to level the playing field for licensed contractors, and have proven to be an effective tool to promote consumer protection tips. Between 2002 and 2009, the Board issued 250 news releases.

Following is a breakdown of these releases issued by year:

Year	# of Press Releases
2002	22
2003	22
2004	15
2005	44

Year	# of Press Releases
2006	39
2007	39
2008	32
2009	37

Media Events

CSLB conducts a number of media events each year. These events focus attention on enforcement actions or other newsworthy consumer or industry topics. The events usually include the distribution of Board-produced video and/or pictures to help illustrate the story. Between 2002 and 2009, CSLB conducted or participated in 58 media events.

Following is a breakdown of events by year:

Year	# of Media Events
2002	3
2003	4
2004	3
2005	12

Year	# of Media Events
2006	9
2007	10
2008	8
2009	9

• High Profile Cases

PAO consistently works closely with Enforcement division staff to publicize high profile cases. For example, in August 2006, when a licensed swimming pool contractor went out of business, PAO issued multiple press releases and coordinated media coverage of the service of a search warrant. Over the next four years, PAO staff continued to keep key media updated on significant developments in both the resulting administrative and criminal cases.

PAO also worked with Enforcement staff to publicize the multiple arrests of an unlicensed transient paver and members of his extended family. The outreach led to media coverage from Connecticut to Hawaii. Consumer outreach and information posted on the Board's website was also pivotal in helping identify additional victims and in helping law enforcement in other states identify these criminals.

In 2009, when Enforcement, in conjunction with the AG's Office, the Public Utilities Commission, and multiple local and regional law enforcement agencies, helped bring an extensive statewide network of unscrupulous service and repair companies to justice, PAO coordinated background information and media coverage in what was CSLB's largest judgment since its inception in 1929.

National Exposure for CSLB's Enforcement Efforts

In August 2006, a 30-minute portion of the network program Dateline NBC focused on unlicensed activity and the dangers of hiring an unlicensed operator. The program was seen by an estimated seven million people across the country.

In October 2007, a 60-minute documentary on CSLB's Enforcement efforts was aired on the cable news channel MSNBC. In addition, Public Affairs Chief Rick Lopes was invited to New York to appear live on the Today Show to promote the documentary.

Industry

Industry Bulletins

In December 2004, the Board began a new program to improve its ability to deliver timely information to members of the industry and other stakeholders. Industry Bulletins are distributed via e-mail to individuals and industry groups that redistribute them to their membership. The number of those who receive Industry Bulletins has grown from 250 to almost 1,400. Through the end of 2009, a total of 75 Industry Bulletins were distributed.

Year	# of Industry Bulletins
2004	2
2005	16
2006	12

Year	# of Industry Bulletins
2007	12
2008	11
2009	22

Disaster Response

In recent years, the Board has developed an aggressive disaster response program. The program is based upon accessing into a disaster area quickly with educational materials to warn victims about solicitation by unlicensed or unscrupulous contractors. Another key element of the program is to warn unlicensed operators that they could face felony charges if they are caught contracting without a license in a declared disaster area. Program activities have included:

- Production and distribution of the "After a Disaster, Don't Get Scammed" brochure. The brochure is in both English and Spanish.
- Production and placement of warning yard signs throughout a declared disaster area. The signs are in both English and Spanish.
- Outreach to media, including distribution of press releases, consumer alerts, along with joint releases with the Federal Emergency Management Agency (FEMA), the AG's office, Department of Insurance, and local DAs.
- Conducting and participating in press conferences prior to enforcement actions. The Board has participated in press conferences called by Governor Arnold Schwarzenegger, Insurance Commissioners Steve Poizner, as well as numerous local law enforcement officials.
- PAO has conducted a number of media events to promote undercover sting and sweep operations that were conducted in a disaster area.
- CSLB staff consistently maintains a high profile at local Disaster Assistance Centers set up by the California Emergency Management Agency, previously the Governor's Office of Emergency Services.
- Maintenance of a Disaster Hotline and website information, including streaming of the popular CSLB video, "Rebuilding After a Natural Disaster."
- PAO also partners with cable companies in the disaster area to air CSLB's "Rebuilding After a Natural Disaster" video on their public access channel(s).
- Outreach is also conducted to building officials, legislators, and industry associations in the form of joint participation in activities and written articles that address various industry topics. As an example, the solar power industry has been evolving and it has been vital that trades people know which license classifications are authorized to perform solar work. Distributing this information beyond our regular channels through partnerships is extremely valuable.

Consumer Protection Advertising Campaign

During 2009, CSLB undertook an aggressive paid advertising campaign aimed at warning consumers about the dangers they face when hiring an unlicensed contractor.

Research was the campaign's first stage. Multiple research methods were used to gain a better perspective of audience insights and knowledge about the Board and hiring contractors.

Research Components

- Public Opinion Survey

A public opinion survey was conducted in Sacramento, Fresno, Los Angeles, and San Diego to establish a baseline understanding of awareness levels and behaviors with the general market, senior audiences, and the Hispanic audience in California. A baseline public opinion survey was implemented to determine a benchmark, assessing consumer knowledge and awareness of CSLB, how it serves California consumers, awareness of unlicensed contractors, and preferred forms of media messages. The results helped to determine messaging for the advertising and awareness campaign.

- Focus Groups

Focus groups (with both English- and Spanish-speaking participants) were also held with licensed contractors in the same markets to get a better understanding of their experiences within the industry and with unlicensed.

Creative Messages

A total of 12 different advertisements were created for the campaign:

- One 30-second TV commercial
- Three 15-second TV commercials
- One 30-second radio commercial
- Two online animated banner ads
- Three newspaper print ads
- Two telephone directory ads

In addition, dozens of search terms were created and incorporated for the Internet search campaign component.

o Campaign Results

During fiscal year (FY) 2009–10, the Board ran a total of three advertising flights.

Flight #1 (July 6, 2009 – August 16, 2009)
 mediums: Cable TV, radio, print, digital banners

Flight #2 (January 25, 2010 – February 7, 2010)
 mediums: Cable TV, radio, print, digital banners

Flight #3 (March 29, 2010 – April 25, 2010)
 mediums: Radio, digital (pandora.com), digital (search)

Previous Consumer Protection Advertising Campaign

Google Advertising Campaign

A Google Internet advertising campaign ran from December 2005 through April 2007. Consumers who typed in specific search words and terms on the Google website saw an advertisement that included a link to the CSLB website.

Campaign Dates	Impressions	Times Ad Was Clicked
January-December 2006	2,744,728	21,737
January-April 2007	581,651	10,641

• Other Consumer Protection Campaigns

o Direct Mail Campaigns

In 2004 and again in 2008, the Board sent letters to managers of classified sections of newspapers around California. The letter urged the newspapers to run a public service ad, free of charge, outlining California contractor advertising law and urging readers to check out a contractor's license with CSLB. Dozens of newspapers ran the ads on a regular basis; some continue to do this.

o "Ask the Contractor's Board" Newspaper Columns

 In the summer of 2003, the Board began a new newspaper campaign: Ask the Contractor's Board. The campaign features a column in a "question & answer" format. "Homeowners" ask how to effectively manage a construction project and how to protect themselves from becoming a victim. The current CSLB Chair bylines the articles. The program is ongoing.

Pacific Gas & Electric Company Partnership

CSLB has an ongoing partnership with Pacific Gas & Electric Company (PG&E) to distribute the What You Should Know Before Hiring a Contractor booklet to their customers. In 2004, PG&E distributed 100,000 copies of the booklet to customers applying for their Energy Efficiency Rebate Program. Currently, PG&E continues to utilize CSLB's 10 Tips and roofing brochures, requesting 10,000 quantity increments to complement the company's targeted consumer education campaigns.

o Speakers Bureau

Board experts regularly give presentations to consumer and service groups, such as Kiwanis, Lions, and Rotary organizations, as well as to legal, law enforcement, trade, and industry groups. On average, CSLB makes more than one presentation per week around the state.

• Senior Scam StopperSM Seminars

Senior citizens are among the most likely groups to hire a contractor, but are also frequent fraud targets. In an effort to reach out to this vulnerable segment of California's citizens, in 1999, the Board began its statewide Senior Scam StopperSM program. The seminars allow CSLB to take its consumer protection message directly to seniors. Many of the seminars are held at senior centers, mobile home parks, retirement villages, and other locations frequented by seniors.

CSLB partners with local legislators, other Department of Consumer Affairs regulatory programs, local law enforcement, the American Association of Retired Persons (AARP), community organizations, and others to produce the seminars, provide panelists, and distribute consumer literature. Seminars are conducted in multi-racial communities, including African-American, Asian, and Hispanic communities.

Since 2005, the Board has conducted more than 100 Senior Scam StopperSM seminars:

Year	# of Senior Scam Stopper SM Seminars
2005	16
2006	12
2007	18

Year	# of Senior Scam Stopper SM Seminars
2008	24
2009	28
2010	17

• Employee Wellness Program

In 2008, PAO began coordinating benefits, health, and wellness presentations and events for CSLB headquarters employees in Sacramento. One of the most popular activities has been a monthly free farmers market. Employees are encouraged to donate fruits or vegetables they grow or purchase. In exchange, they are allowed to pick from a supply of fruit and vegetables supplied by fellow employees. Other program offerings include:

- o Low-cost chair massages
- Various state benefit seminars that include savings, caregiver, and health topics
- Lunchtime workout and other exercise opportunities

Employees pay for any costs associated with the activities. In 2010, the program expanded to the Board's southern California headquarters in Norwalk.



USE OF THE INTERNET

The Board has remained in the forefront of utilizing the Internet to provide intuitive and useful information and features for consumers, applicants, licensees, and various other stakeholders.

The CSLB website (www.cslb.ca.gov) provides up-to-date (live) information on license status checks, which includes complaint disclosure. The CSLB complaint form is available online and can be submitted online or through postal mail. The website also provides the ability for applicants to review the status of their application, as well CSLB processing times.

There is information regarding Board activities and meetings; multiple consumer information publications, information for applicants, journeymen, and licensees, as well as building officials; background and current information for the news media; multiple other resources and links to CSLB's partner programs, YouTube videos, and social media content on Facebook and Twitter.

In our ongoing effort to protect California consumers, the CSLB website posts the worst unlicensed violators who are known to prey on vulnerable and unsuspecting homeowners who are involved in new home or home improvement projects.

CSLB has an opt-in e-mail mailing list, which provides subscribers with industry bulletins, press releases, consumer alerts, and public meeting notices.

While only offered at CSLB headquarters at this time, in August 2010, CSLB began accepting credit card payment for license renewal, Home Improvement Salesperson registration renewal, reactivation, and reexaminations.

As CSLB adds the following future on-line features, it will continue to play a vital role in informing and educating licensees on how to successfully achieve:

- Knowledge-centered website support infrastructure that helps the customer down a specific path to a solution; and
- Online license renewals that go beyond the current credit card acceptance process discussed above; which will better serve the licensee population.

Interactive Voice Response (IVR) System

The IVR is an automated telephone system that provides information for consumers, applicants, and licensees. It provides information on how to access forms and pamphlets, which can be mailed or immediately faxed via the IVR. The IVR provides real-time license status check and real-time status of an individual's application (accessed through the use of a personal identification number code). Also available is a system function that transfers callers who wish to speak to an agent to the call center.

Roughly 800,000 calls come into the IVR annually; 550,000 of these callers' needs are met by the IVR features, the other 250,000 callers request (via the IVR) to speak to a call center agent.



BOARD'S RESPONSE TO ISSUES IDENTIFIED AT PRIOR SUNSET REVIEW

Senate Bill (SB) 2036 (Chapter 908, Statutes of 1994) requires periodic legislative review of all boards under the aegis of the Department of Consumer Affairs (DCA). In addition, SB 2036 requires each board to issue a written report to the Joint Legislative Sunset Review Committee (JLSRC) and also applies a specific sunset date to each board unless extended by subsequent legislation.

The most recent CSLB Sunset Review Report was a comprehensive response to the JLSRC inquiry concerning all aspects of CSLB programs. It was submitted to JLSRC and DCA in November of 2001. After reviewing the report and receiving public testimony, JLSRC authored legislation, SB 1953 (Chapter 744, Statues of 2002), extending the Board's sunset date to January 1, 2008. In addition, the recommendations adopted by JLSRC on May 1, 2002 focused the subsequent review of CSLB to certain unresolved issues as listed below.

- Should the profession be regulated by an independent board rather than by a bureau under the Department?
- Should the CSLB statutory mandate be amended to reflect that consumer protection is paramount?
- Should a new statutory mandate for consistent annual reporting by CSLB be implemented?
- Should the Board's licensing scheme be modified to protect the public through the enhancement of the enforcement program?
- Should the current requirement that the Board maintain a reserve balance equal to only three months of estimated annual authorized expenditures be increased to at least six months?
- Should the Board be authorized to require fingerprinting and verify experience prior to issuing new licenses?

This section presents CSLB's responses to JLSRC concerning the above issues. Each issue is expressly stated, followed by the JLSRC recommendation and subsequent report of the action to address the issue.

Issue #1

Should the profession be regulated by an independent board rather than by a bureau under the Department? (Continue the Contractors State License Board?)

Recommendation # 1: The Joint Committee recommends the continuation of the Contractors State License Board for four years.

CSLB was last reviewed by JLSRC in 2002. CSLB's Sunset Review Report was a comprehensive response to the JLSRC inquiry concerning all aspects of CSLB programs and was submitted to JLSRC and DCA in November of 2001.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, amending B&P Code Section 7000.5 to extend the Board's sunset date to January 1, 2008.

Issue #2

Should the CSLB statutory mandate be amended to reflect that consumer protection is paramount?

Recommendation # 2: The Joint Committee recommends that Business and Professions Code Section 7000 be amended to state clearly that consumer protection is the first priority of CSLB.

In its last review, JLSRC found that CSLB's statutory scheme did not establish clearly that protecting consumers is the agency's primary mission.

JLSRC recommended that B&P Code Section 7000 be amended to state clearly that consumer protection is the first priority of CSLB.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, adding B&P Code Section 7000.6 to establish that the highest priority of the Board shall be protection of the public.

Issue #3

Should a new statutory mandate for consistent annual reporting by CSLB be implemented?

Recommendation # 3: The Joint Committee recommends the required annual reporting of various performance indicators reflecting CSLB's complaint handling, arbitration and mediation, investigations, and prosecutions of all kinds.

During the last JLSRC review, the Enforcement Monitor reported that it was difficult to evaluate CSLB's enforcement program because of the absence of a consistent set of annual performance statistics – reliable and consistent statistics were often unavailable or available only with extraordinary effort, and substantial variations in the definitions and categories used in the enforcement program data made meaningful comparisons difficult.

JLSRC recommended the required annual reporting of various performance indicators reflecting CSLB's complaint handling, arbitration and mediation, investigations, and prosecution of all kinds.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, adding B&P Code Section 7017.3 to establish the annual reporting requirement of the Board to the Legislature not later than October 1 of each year regarding information on the prior fiscal year's enforcement statistics.

Issue #4

Should the Board's licensing scheme be modified to protect the public through the enhancement of the enforcement program?

Recommendation # 4: The Joint Committee recommends an augmentation in licensing fees to improve the Board's enforcement program.

In its last review, JLSRC found that an outdated license fee structure meant CSLB's resources were inadequate to meet the demands for service improvement, including the need to increase levels of service speed and quality. The Monitor proposed an approximate 20% increase in CSLB's license fees to restore CSLB budget and enforcement resources to 1994 per capita levels and to ensure a sufficient reserve fund.

JLSRC recommended an augmentation in licensing fees to improve the Board's enforcement program.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, amending B&P Code Section 7137 to increase nearly all of the statutory limits on CSLB's license fees. None of the fees were raised because of subsequent budget and staffing reductions that negated the need for raising fees. (CSLB has proposed raising its fees to the statutory maximums to maintain the Board's programs.)

Issue #5

Should the current requirement that the Board maintain a reserve balance equal to only three months of estimated annual authorized expenditures be increased to at least six months?

Recommendation # 5: The Joint Committee recommends that the Board should be authorized to maintain up to a six-month reserve to ensure an adequate reserve fund.

In its last review, JLSRC reported that CSLB sought to raise its reserve fund level to approximately six months' worth of operating expenses in order to provide stability in its fee levels and to prevent the Board from repeatedly having to adjust its fees through the rulemaking process due to circumstances beyond its control, such as General Fund loans and repayments. JLSRC noted that an identical provision was recently made for the Board of Accountancy's reserve fund.

JLSRC recommended that the Board should be authorized to maintain up to a six-month reserve to ensure an adequate reserve fund.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, amending B&P Code Section 7138.1 to increase the amount of reserve fund that must be maintained by CSLB from three months to approximately six months of annual authorized expenditures.

Issue #6

Should the Board be authorized to require fingerprinting and verify experience prior to issuing new licenses?

Recommendation # 6: The Joint Committee recommends CSLB should require finger-printing and criminal history and experience verification prior to issuing new licenses.

In its last review, JLSRC reported that while CSLB is authorized to deny a license or discipline a licensee for conviction of a crime that is substantially related to the qualifications, functions, or duties of a contractor, there have been inconsistencies in the truthful reporting of such convictions by applicants and licensees, thus hindering the Board's full ability to take necessary action in an effective and consistent manner. JLSRC determined that a fingerprinting requirement would enable CSLB to detect untruthful reporting regarding convictions and it may deter individuals who would pose a substantial threat to the public from applying for a license.

JLSRC recommended that CSLB should require fingerprinting and criminal history and experience verification prior to issuing new licenses.

Action

JLSRC authored legislation, SB 1953 (Figueroa), Chapter 744, Statues of 2002, amending B&P Code Sections 144, 7069, and 7153.1 to establish a fingerprinting requirement for licensure or registration with CSLB.

In January 2005, CSLB began implementation of its fingerprinting requirements for license applicants. The program was fully implemented in April 2005. All individuals listed as personnel of record on an original application, an application to add a classification to an existing license, an application to replace the qualifier, an application to report new officers, and an application for registration as a Home Improvement Salesperson are required to submit fingerprints. Applicants for a Joint Venture license are not required to submit fingerprints. Fingerprints are compared to the records of the California Department of Justice and the Federal Bureau of Investigation to determine whether a criminal history exists.

CSLB staff in the Criminal Background Unit (CBU) review all criminal convictions to determine whether the crime is substantially related to the duties, qualifications, or functions of a contractor and to determine whether the applicant has demonstrated sufficient rehabilitation. CBU begins processing the conviction information on the same day that it is received by conducting a triage and clearance of all those applicants with no convictions and those with minor, clearable convictions, provided the applicant was honest on the application. Applicants who were not

honest on the application but who have minor, clearable convictions and who, had they been honest on the application, would have been cleared are given the opportunity to withdraw the false application and submit new fees and application on which they accurately disclose their convictions. These withdrawal offers are also processed as part of the triage.

Throughout 2010, the timeline for pulling the conviction records for review were held at less than 30 days, usually as low as one to two weeks.



BOARD MEMBER ROSTER

CSLB Registrar and Board Members

A fifteen-member board appoints the CSLB executive officer, or Registrar of Contractors, and directs administrative policy for CSLB operations. The board is comprised of five (5) contractor members and ten (10) public members. The public members include one (1) labor representative, one (1) local building official, and one of which is a representative of a statewide senior citizen organization. The Governor and state Legislature make appointments.

Lisa Miller-Strunk | Board Chair | Governor Appointee | "A" Contractor

Robert J. Lamb II | Board Vice Chair | Assembly Appointee | Public Member

Paul Schifino | Board Secretary | Governor Appointee | Contractor Member

Edward "Eddie" Barnes | Senate Appointee | Public Member

Robert Brown | Governor Appointee | Public Member

Joan Hancock | Governor Appointee | "B" Contractor

Pastor Herrera | Governor Appointee | Public Member

Matthew Kelly | Senate Appointee | Public Member

Louise Kirkbride | Governor Appointee | Public Member

Ed Lang | Governor Appointee | Public Member - Senior Citizen

James Miller | Governor Appointee | Public Member – Building Official

Cynthia Mitchell | Governor Appointee | Contractor Member

Bruce Rust | Assembly Appointee | Public Member

Mark A. Thurman | Governor Appointee | Contractor Member

Ruben Zuniga | Governor Appointee | Public Member - Labor

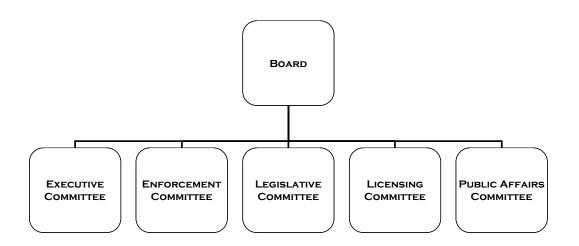
Stephen P. Sands | Registrar of Contractor





BOARD COMMITTEE ORGANIZATIONAL CHART

DEPARTMENT OF CONSUMER AFFAIRS CONTRACTORS STATE LICENSE BOARD





www.cslb.ca.gov





CONTRACTORS STATE LICENSE BOARD

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