



CONTRACTORS STATE LICENSE BOARD

LICENSING COMMITTEE MEETING SUMMARY REPORT

Legislative Committee Meeting Summary Report

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

Legislative Committee Chair Michael Mark called the meeting of the Contractors State License Board (CSLB) Licensing Committee to order on March 21, 2024, at 9:30 a.m. via Webex teleconference. A quorum was established.

Committee Members Present

Michael Mark, Chair
Joël Barton
Rodney Cobos
Amanda Gallo
Jim Ruane

Miguel Galarza had an approved absence.

CSLB Staff Present

David Fogt, Registrar
Michael Jamnetski, Chief Deputy Registrar
Katherine White, Chief of Public Affairs
Carol Gagnon, Chief of Licensing and Examinations
Steve Grove, Chief of Enforcement
Jason Perez, Chief of Information Technology
Stacey Paul, Budget Manager
David Gower, Public Affairs Manager
Amy Lawrence, Television Specialist
Natalie Watmore, Information Officer
Robin Williams, Executive Staff

DCA Staff Present

John Kinn, DCA Legal Counsel
Yvonne Durantes, Assistant Deputy Director, DCA Board and Bureau Relations

B. Public Comment

Davi Rodriguez thanked the board for addressing the issue of municipalities hiring unlicensed contractors and stated the issue could have been prevented if municipalities followed CSLB law and contract code that requires the publishing of license numbers of contractors being hired. Rodriguez pointed out the enforcement of the contract code is not being prioritized and CSLB should offer outreach to agencies to follow the contract code.



JP Tenore of Capistrano Computers expressed concern over out-of-state unlicensed activity in large California retail stores. They expressed concern about licensed contractors hiring unlicensed workers for lower rates. Tenore also stated they opposed AB 2622 (on the agenda for upcoming discussion) expanding the exemption from \$500 to \$5,000.

Lori Bean, a resident of Ventura County, stated their support for agenda item D-1 with respect to contractors' history being made available to the public to help protect the interest of consumers. Bean stated the wait time for obtaining a contractor's certified license history is excessive and full disclosure should be made available immediately to consumers.

Phil Vermeulen stated they were working on a bill proposal regarding AB 2677 (a bill not on the day's agenda) and requested it be put on the agenda for the April CSLB meeting to gain board support.

C. Review and Discussion of 2023-2024 Pending Legislation

1. AB 2622 (Carrillo) – Contractors: exemptions (expand the exemption from contractor licensure on a single project from less than \$500 to less than \$5,000)

Committee Chair Michael Mark recited the text of Business and Professions Code (BPC) section 7000.6 (which references the Board's public protection purpose).

Chair Mark discussed AB 2622 and stated it was introduced February 14, 2024, and referred to the Assembly Committee on Business and Professions on March 4, 2024, and is set to be heard by the Assembly Business and Professions Committee on April 9, 2024. Chair Mark stated AB 2622 would change the exemption from contractor licensure from \$500 to \$5,000.

Chief Deputy Registrar Michael Jamnetski stated the last increase to the exemption amount was made in 1998 and explained that in fall of 2019, CSLB staff proposed and the Board approved an increase to \$1,000 based on the consumer price index, but concerns over the increase prevented the proposal from being introduced. Chief Deputy Registrar Jamnetski noted two bills were introduced in March 2021 to increase the exemption amount that were opposed by the Board. Chief Deputy Registrar Jamnetski stated the creation of the B-2 residential remodeling contractor license in January 2021 to address licensure concerns over small projects created an opportunity for licensure for applicants who have experience performing small projects in residential homes but do not have the requisite structural framing experience required for the general building contractors license.

Committee Member Comment

Member Rodney Cobos stated AB 2622 is a detriment to licensed contractors who



perform service work and would be competing with unlicensed contractors. They added they are opposed to the proposal.

Member Joël Barton stated they're opposed to the proposal and mentioned it would be problematic and possibly create harm by allowing unlicensed persons to service hazardous work in certain trades like electrical.

Member Jim Ruane stated they are opposed to the proposal for the same reasons cited by prior commenting members Barton and Cobos.

Chair Mark mentioned the bill creates concerns for the underground economy with such a large increase, noting much significant work can be done for less than the proposed \$5,000. Chair Mark mentioned the potential issue of applying for a building permit without having a license.

Registrar David Fogt stated they have had conversations with several industry groups and the concern is the increase in the exemption threshold would include work that requires a permit and could pose safety issues for workers. Registrar Fogt cited the tree service industry and the creation of the C-49 license being founded on safety concerns. Registrar Fogt stated the increased threshold would be significant in the service and repair industry and noted that many CSLB complaints arise out of projects valued at less than that amount, as well as concerns about workers' compensation insurance requirements and tax-related concerns.

Chair Mark stated they concurred with committee members and the proposal was not good for the consumers of California. Chair Mark reminded the committee members that AB 2622 is just a discussion and may be heard by the board at a later date.

Member Cobos asked if the Legislative Committee could make a recommendation be made to the full board.

Chair Mark stated the discussion will be taken to the board but a recommended motion or an official position cannot be made at this particular meeting.

DCA Legal Counsel John Kinn stated the nature of the meeting precludes the committee from taking a position or making a recommendation. The committee meeting is an advisory only meeting and the gathering of public comment and discussion will be reduced to writing and presented for the board to review.

Chair Mark stated that the solution to combatting the underground economy is to raise the bar by encouraging applicants to get licensed rather than lowering the bar and allowing them to work unlicensed.

Public Comment

Evelyn (last name not obtained) commented in the Webex chat and asked what can be done to bring more options for those with no license including possible education with training.

Davi Rodriguez stated they are generally supportive as inflation has made the amount



meaningless as not much work can be done for \$500 particularly considering permit, labor, and materials costs. They mentioned the volume of unlicensed activity is overwhelming and stated most contractors are not willing to do work for under \$1,000. Rodriguez commented that unlicensed activity is not deterred by any amount and that consumers are complicit in hiring unlicensed contractors. Rodriguez initially stated supporting the proposal but after discussions decided to oppose.

Kulraj Nagra, legislative aide for Assemblymember Juan Carrillo (the author of the bill under discussion), commented that the language of the bill does raise the exemption, but the bill in print is not envisioned as final and the goal is to prevent black market occurrence. Nagra mentioned the cost of supplies and materials and market conditions have made licensed contractors uninterested in doing the work which in turn forces consumers to turn to unlicensed work. They stated they are trying to address consumers having the ability to hire licensed contractors legally and suggested creating a whole new license, but the B-2 license mitigates that. Nagra stated they appreciate CSLB's help and responsiveness and reiterated the bill is not final and they believe the \$5,000 exemption cap makes sense.

Chair Mark suggested to the attendees that the Board's priority should be on encouraging licensing by those who are not as opposed to raising the threshold for unlicensed work to occur.

Brandon Lopez, the executive director for the Center of Contract Compliance, opposes raising the exemption to \$5,000 and mentioned the concept of bid splitting to get around the exemption amount. They stated the \$500 limit prevents black market activity and implied contractors do work for \$1,000 to \$2,000 often.

Eddie Bernacchi, on behalf of signatory subcontractor associations from various industries, agreed with the committee members and believes AB 2622 is problematic. They stated one of the goals of the board is to increase the number of licensed contractors and provide an entry way into becoming a licensed contractor. Bernacchi cited the B-2 license as proof of that goal. They clarified that implicit in the industry's support of fee increases and the creation of the B-2 license was getting more contractors licensed with additional revenue for enforcement of the board's laws and regulations particularly unlicensed contracting. The commenter noted that an increase of the threshold to \$5,000 would undercut those efforts as well as the new B-2 classification.

Chris Walker, representing the California Association of Sheet Metal and Air Conditioning Contractors, stated they reached out to author's office about their concerns regarding safety specific to refrigerants being used in specific classifications. Walker stated the bill undermines consumer protection and claimed if harm is done there will be no coverage for workers or consumers.

Ernesto Macias commented that the bill creates an unfair bidding process and that



bid splitting is more likely to occur. They would not be comfortable in being complicit with neighbors hiring unqualified and unlicensed contractors. Macias also stated unlicensed contractors would not possess bonds or workers' compensation policies to protect workers, which would exacerbate the potential to create harm.

Genesis Tafoya stated the bill creates safety concerns for consumers and they oppose the exemption increase. They also explained a better alternative is to simply license more applicants rather than penalize licensed contractors by raising the threshold and emphasized safety is the priority.

Paul Chaney, a licensed D-49 contractor since 1992, stated a tree service contractor requires licensure. They alluded to possible harm of performing such work under \$5,000. Chaney explained the C-49 license was created to eliminate unlicensed and unknowledgeable people from doing work in an unsafe manner and that is being undone. They explained that a larger exemption allows for more damage to be done when unlicensed contractors accept larger jobs with more work.

Jeff Aran, of the California Sign Association, commented that they recommend the board oppose the bill and that it penalizes the legitimate contractor.

Jeremy Smith, on behalf of the State Building and Construction Trades Council of California, commented on their concern with AB 2622 and has informed the author's office of that opposition. Smith stated the board receives around 4,000 unlicensed complaints of the 20,000 complaints received annually and that consumers file most of the complaints. They said 26 percent of those complaints were with contracts ranging from \$500 to \$5,000. The underground economy has not changed in scope or depth and the current \$500 threshold is critical for CSLB to carry out enforcement against the underground economy.

JP Tenore stated the exemption is a handyman's exemption and for commercial work, it puts the public in danger due to lack of knowledge and experience. They offered an example where discount stores are wired incorrectly by contractors that exacerbate the underground economy. Tenore explained everyone should be licensed and there should not be an exemption except for handymen.

Mark Porter stated that as a subject matter expert who helped develop the C-49 exam they are opposed to AB 2622. They provided an example of workers falling out of trees and dying and getting hurt and suing the homeowner. Porter explained poor work, lack of workers' compensation insurance, and safety concerns all reasons the proposal should not be considered.

Mike Parker commented in the Webex chat, stating unlicensed contractors can significantly impact the tree care industry in several ways. They explained the tree



care service is dangerous and unlicensed professionals may lack proper training, safety protocols, and may not follow industry standards, leading to unsafe practices. They stated unlicensed professionals may lack an industry standard of quality of work. Pruning, trimming, and tree felling done incorrectly may cause damage to property and gardens. Parker added unlicensed workers are a liability if an injury occurs.

Peter Michelini, a C-45 contractor and on the California Sign Association Board, is opposed to the exemption increase and expressed concern for unlicensed contractors conducting service improperly and in an unsafe manner. Michelini gave an example of a sign going out and an unlicensed contractor had been called to do the job, which resulted in the building burning down. They provided other examples of improper service techniques using noncompliant parts and equipment and a service call causing an unlicensed contractor to be electrocuted. Michelini is willing to educate and teach unlicensed contractors to help them get licensed and stated they are opposed to the exemption.

Nagra, of Assemblymember Carrillo's office, commented they look forward to honing their approach and concur that consumer protection is a shared goal along with having everyone licensed. They stated the problem they are seeing is the \$500 amount has not been adjusted since 1998 and is too low compared to inflation and the increase in material costs. Nagra mentioned the \$500 exemption caps workers to jobs that pay minimal when costs of material are included, and the price of the project surpasses the exemption cap. They stated that consumers are being forced to pay more for lesser work.

An unidentified call-in user commented they work with service and repair contractors and said raising the exemption is unfair and suggested raising the \$750 service and repairs exemption first to \$1,000 to \$2,000 before raising the minor work exemption to \$2,000.

Patrick Mahoney commented stating that they are a licensed contractor and worked on the development of the C-49 tree maintenance license. Mahoney mentioned the typical tree maintenance for residential work is under \$5,000 and the problem is workers getting hurt on the job. They added they strongly oppose the bill.

An unidentified member of the San Diego Regional Urban Forests Council said their concern about the exemption being raised is its effect on tree care. They explained the largest canopy of trees are mostly found on private properties, and these contributions are critical to several environmental factors such as climate, lower temperatures, and reduced energy costs. They added these trees require professionally licensed contractors to maintain them and suggested revising the bill or not moving it forward at all.



David Bess commented that they sell insurance to contractors and stated they oppose AB 2622 on the basis that the purpose of licensing is to verify competency of the applicant and introduce them to oversight. Bess added that there are rules that need to be followed such as maintaining a bond. They stated the contractor not holding a bond denies the homeowner any legal remedy. Bess explained contractors hiring people and calling them “subcontractors” is happening often and creates the potential to have financial misdealings.

Mark Crain, provided their comment in Webex, stating that as a licensed contractor, they are opposed to raising the limit from \$500 to \$5,000.

Back to the Committee:

Registrar Fogt commented that Committee Member Cobos left the meeting at 11:00 a.m. and unless another committee member joined, the meeting would need to be adjourned due to a loss of quorum.

Chair Mark commented and asked staff to reach Committee Member Amanda Gallo to join the meeting to maintain the quorum.

Chair Mark commented on the volume of responses to AB 2622 and stated they appreciate the public testimony and they hear the concerns. Chair Mark stated there needs to be a way to uplift the unlicensed individuals to be licensed and suggested it would be helpful if the author’s office can offer a funding mechanism for enforcement of the board to help alleviate the problems owners are facing. Chair Mark explained they are in opposition to the bill unless amended and thanked the other stakeholders who offered help.

Amanda Gallo joined the meeting at approximately 11:00 a.m.

The meeting took a break from 11:10-11:20 a.m.

2. SB 1071 (Dodd) – Contractors: workers’ compensation insurance (authorize a contractor to file an exemption from workers’ compensation insurance requirements for contractors who affirm and prove they are operating without employees)

David Gonsalves, policy analyst with Senator Bill Dodd’s office, commented that after SB 216 was implemented their office started receiving calls from contractors who were sole proprietors with no workers about their opposition to SB 216. They explained it was noted during the Sunset Review hearing that license renewals in California are significantly down. Gonsalves stated SB 1071 offers a resolution to conundrum of contractors abandoning their license due to the implementation of SB 216.



Committee Member Comment

Registrar David Fogt commented that SB 216 required all licensed contractors to have workers' compensation by 2026 and added there have been several calls to CSLB and Senator Dodd's office opposing having to do so. Registrar Fogt explained prior to the Legislative Committee meeting they discussed with Board Chair Diana Love about appointing a two-person advisory committee to conduct a stakeholder meeting that includes insurance agencies, contractors, and anyone interested to attend. Registrar Fogt added the two committee members would be Chair Mark and Board Member Miguel Galarza.

Chair Mark stated they look forward to sitting on the advisory committee for SB 1071 and exploring ways for CSLB to partner on this issue. Chair Mark explained they are aware of the concerns and comments to SB 216.

Chair Mark asked Registrar Fogt to add the unheard agenda items from the meeting to the April meeting.

DCA Legal Counsel Kinn explained remaining public comments could not be heard due to the loss of quorum and advised comments to leave their comments in the Webex chat.

Public Comment

Chris Walker commented in the Webex chat and thanked the board for their suggestion of a working group on SB 1071 and stated CAL SMACNA is interested in participating in the discussion.

Mike Parker commented in the Webex chat that they have competition with licensed C-61/D-49 contractors that state they have no employees but manage to do large jobs that are several thousands of dollars and asked how they do large jobs without any workers.

Due to the loss of quorum, there was no verbal public comment.

Board Member Jim Ruane departed the meeting at approximately 11:30 a.m.

D. Review and Discussion of Possible Legislative Concepts

1. Legislative Concepts Regarding Business and Professions Code § 7124.6, including the Disclosure of an Accusation to Revoke a Contractor's License on the Licenses of Personnel of Record and the Number of Years of Disclosure of a Citation, Public Repeval, and Criminal Conviction
2. Legislative Concepts Regarding Business and Professions Code § 7002 License Classifications Held by Board Members and Possible Inclusion of a Member Holding a B-2 Residential Remodeling Contractor's License

Due to a loss of quorum, Agenda Items D-1 and D-2 were not heard.



CSLB

COMMITTEE MEETING SUMMARY

D. Adjournment

Due to loss of quorum, the meeting was adjourned at 11:32 a.m.