



# CONTRACTORS STATE LICENSE BOARD

## EXECUTIVE COMMITTEE MEETING SUMMARY REPORT

### Executive Committee Meeting Summary Report

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

Executive Committee Chair Michael Mark called the meeting of the Contractors State License Board (CSLB) Licensing Committee to order on August 1, 2024, at 9:00 a.m. at CSLB Headquarters in Sacramento, CA, via Webex teleconference. A quorum was established.

#### Committee Members Present

Michael Mark, Chair  
Miguel Galarza, Vice Chair  
Alan Guy, Secretary  
Diana Love, Past Chair

#### CSLB Staff Present

David Fogt, Registrar  
Michael Jamnetski, Chief Deputy Registrar  
Katherine White, Chief of Public Affairs  
Carol Gagnon, Chief of Licensing and Examinations  
Jason Perez, Chief of Information Technology  
Amy Lawrence, Television Specialist  
Kyra Hall, Outreach Coordinator  
Natalie Rosenberger, Information Officer  
Natalie Watmore, Information Officer  
Robin Williams, Executive Analyst

#### DCA Staff Present

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

#### Members Of the Public Present

Rick Pires, NorCal Carpenters Basic Craft Union  
Rhonda Myers, State Compensation Insurance Fund

#### **B. Public Comment**

There was no public comment.



### **C. Update and Discussion of the Board's Implementation of the Workers' Compensation Insurance Class Code Reporting Requirement Pursuant to Assembly Bill 336 (Cervantes, Chapter 323, Statutes of 2023)**

Chair Mark stated the agenda item is to inform committee members about the implementation of AB 366 (Cervantes). Chair Mark explained that CSLB is not a sponsor, the bill was sponsored by the District Council of Iron Workers of California. The Board considered the bill at its June 22, 2023, meeting and voted to take a neutral position. Chair Mark stated the bill was enacted and effective on July 1, 2024. It required active licensees with a workers' compensation policy to provide on their CSLB license renewal form up to three workers' compensation classification codes for which the highest estimated payroll is reported on the workers compensation policy. Chair Mark explained that, according to the bill's fact sheet, it was motivated by a general lack of transparency about the classification codes each licensee possesses, which can lead to misclassifications for workers and opens the door for employers not to pay an accurate premium insurance rate for the actual work their employees perform. Chair Mark added the goal of reporting the codes to CSLB is to allow both the public and the rest of the construction industry to verify the level of workers' compensation insurance each contractor provides and the kind of construction work their employees are performing. Chair Mark mentioned the intent of the meeting is to provide an update on CSLB's efforts to implement the bill's requirements.

Registrar Fogt explained the bill's background and stated that it requires public disclosure of up to three class codes and applies to licensees who have a workers' compensation insurance policy. Registrar Fogt explained when the bill was heard in the legislature, it was believed the process would be seamless with use of the class codes from the Workers' Compensation Insurance Rating Bureau (WCIRB). Registrar Fogt said the CSLB established the program using the WCIRB codes for staff to renew licenses with codes provided by WCIRB. Registrar Fogt stated while the bill was being heard at the legislature, staff reviewed the bill and did not recommend a fiscal analysis because CSLB believed the process would be automated and the Board had no responsibility to ensure the validity of the codes. Registrar Fogt added the WCIRB provided the CSLB with over 700 class codes.

Registrar Fogt explained what staff did to prepare for the July 1, 2024, implementation date. Registrar Fogt said that CSLB obtained over 700 codes from WCIRB, the IT department completed the programming, and instructions provided with the renewal were adjusted to include the class codes. Registrar Fogt said that licensees were using codes from workers' compensation insurance companies that did not match the WCIRB class codes given to CSLB. Registrar Fogt noted CSLB had over 700 pending renewals when it was discovered the class codes did not match. Registrar Fogt explained that a placeholder class code was used to get the licenses renewed with the help of 17 CSLB staff working overtime.

Registrar Fogt said CSLB had 2,000 renewals that were pending processing to demonstrate the necessity for the program to reduce the number of licensees having



difficulties renewing their licenses, especially online. Registrar Fogt explained CSLB learned there is no statutory requirement that insurers use WCIRB class codes and said over 100 brokers can modify the codes. WCIRB uses a two-digit suffix with a four-digit code ahead of it that can be used to identify certain classifications.

Registrar Fogt discussed a plan to disclose the classification with a description if it is a WCIRB class code, but if it does not match a WCIRB class code, CSLB would list the code provided along with the insurance company's contact information. Registrar Fogt said the information could be used by compliance officers or state investigators inspecting commercial projects to contact the insurance company to confirm the code.

Licensing Chief Carol Gagnon explained that current CSLB licensing renewal instructions advise licensees on different ways to report their codes. Chief Gagnon stated the instructions explain that licensees should double check the policy for the suffix if their codes are not matching, to contact their insurance broker for codes, or to look them up on the WCIRB website. Chief Gagnon stated CSLB will revise the renewal instructions, update the website, and distribute an industry bulletin to educate licensees about the alternative plan. Chief Gagnon displayed a slide explaining the renewal process and how licensees are currently informed about the placement of the codes in the application.

#### Board Member Comment

Member Guy asked if the six-digit or four-digit code was imported from WCIRB.

Registrar Fogt stated it is a four-digit code, but the problem is the two-digit suffix.

Member Guy stated they were unaware of workers' compensation insurance carriers that do not align with the WCIRB codes.

Chair Mark agreed with Member Guy and stated the problem is the CSLB system is trying to accept the six-digit code, but some codes are several different suffixes and that is creating challenges.

Chief Deputy Registrar Michael Jamnetski discussed an image that explains matching and non-matching codes. Chief Deputy Registrar Jamnetski explained the alternate process is to accept the codes as provided, not including a description if the codes do not match the WCIRB and including language to contact the insurer to obtain the description of the insured.

Registrar Fogt asked if a suffix can be showed on a slide.

Chair Mark explained the digit configuration and the suffix is the description. Chair Mark praised the IT Division for their work on implementing the codes for the renewal application process.

Chief Deputy Registrar Jamnetski presented a slide that displayed the locations of the codes to be entered on a renewal application.

Member Guy asked if the display was a drop-down item.



Chair Mark said prioritizing fixing the renewal application process is important and mentioned the need to make the online process more convenient.

Registrar Fogt stated applicants trying to renew online began sending their applications in with a placeholder code and were able to complete the process. Registrar Fogt asked when the transition is expected to occur.

IT Chief Jason Perez responded and stated it would take about 30 days to implement the changes and conduct testing.

Member Guy asked if there was a list of codes available for people doing the mail-in applications.

Chief Deputy Registrar Jamnetski replied, stating the paper renewal instructions include a link to the WCIRB class codes.

Registrar Fogt asked Chief Gagnon if the information the website is on the renewal page as well.

Chief Gagnon replied and stated most of the information is there and Chief Perez was still updating the renewal page.

Chair Mark thanked the staff for their hard work on trying to adjust to new legislative changes. Chair Mark stated it is easier when renewals happen online and hopes to have the issues resolved in 30 days and said the staff recommendation is okay with moving forward.

#### Public Comment

Rhonda Myers from the State Compensation Insurance Fund commented and stated some of their staff met with CSLB staff to discuss the class codes issue and explained there are some issues with the suffix arrangement.

Rick Pires commented and stated they agreed with Myers and what the WCIRB puts out is not the same as other agencies.

Pires added the Cervantes bill (AB 336) needs to be addressed and there are two issues, one is that it is based-on payroll and attributed that to why salespeople are showing up on the policies because a company will have a large amount of the management under one classification. Pires mentioned that it should be based on premium rather than payroll and that it should be limited to the construction codes.

#### **D. Adjournment**

Chair Mark adjourned the meeting at 9:47 a.m.