

DECEMBER 10, 2020
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

Board Meeting





NOTICE OF PUBLIC TELECONFERENCE BOARD MEETING

Thursday, December 10, 2020, 9:00 a.m.–12:00 p.m. (or until the conclusion of business)

Pursuant to the provisions of Governor Newsom's March 17, 2020 Executive Order N-29-20, neither a public location nor teleconference locations are provided.

Teleconference Information to Register/Join Meeting for Members of the Public via WebEx:
<https://cslb.webex.com/cslb/onstage/g.php?MTID=e685adca52e73bbb222bc70aac9de0ef0>

Call-In Number: (415) 655-0001 or (844) 621-3956

Access Code: 126 227 0282

Meetings are open to the public except when specifically noticed otherwise in accordance with the Open Meeting Act. All times when stated are approximate and subject to change without prior notice at the discretion of the Board unless listed as "time certain." Items may be taken out of order to maintain a quorum, accommodate a speaker, or for convenience. Action may be taken on any item listed on this agenda, including information-only items. The meeting may be canceled without notice.

Members of the public can address the board during the public comment session. Public comments will also be taken on agenda items at the time the item is heard and prior to the board taking any action on said items. Total time allocated for public comment may be limited at the discretion of the board chair.

MEETING AGENDA

- A. Call to Order, Roll Call, Establishment of Quorum, and Chair's Introduction
- B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests
(Note: Individuals may appear before the board to discuss items not on the agenda; however, CSLB's board can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).
- C. Presentation of Certificates of Recognition – May Include Oral Presentations Commemorating Achievements and Service of CSLB Staff
- D. Executive
 1. Review and Possible Approval of September 9, 2020 Board Meeting Minutes and November 4, 2020 Executive, Licensing, Legislative, Enforcement, and Public Affairs Committee Meeting Minutes
 2. Registrar's Report
 - a. Tentative Board Meeting Schedule
 - b. Status Update on Contract with Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems

3. Review, Discussion, and Possible Action to Amend the Board Member Administrative Procedure Manual
4. Budgets
 - a. CSLB Budget Update
 - b. Statistics Summary
5. Presentation from CPS HR Consulting on Fee Audit Study and Recommendations
 - a. Review, Discussion, and Possible Action on CPS Fee Audit Study and Recommendations
 - b. Review, Discussion, and Possible Action on Legislative Proposal to Implement CPS HR Fee Audit Study and Recommendations
6. Administration Update Regarding Personnel and Facilities
7. Information Technology Update
8. Review, Discussion, and Possible Action to Amend CSLB's 2019-21 Strategic Plan Objectives
 - a. Licensing & Testing
 - b. Enforcement
 - c. Legislation
 - d. Public Affairs
 - e. Administration
 - f. Information Technology

E. Enforcement

1. Enforcement Program Update
 - a. Staff Vacancy Update
 - b. Expense Reduction Strategy Update
 - c. Complaint Prioritization
 - d. Investigation Highlights
 - e. General Complaint-Handling Statistics
2. Solar Taskforce Update
 - a. Solar Investigations
 - b. Statistical Reporting (Business and Professions Code section 7170)

F. Licensing and Testing

1. Licensing Program Update
 - a. Application Processing Statistics
 - b. Renewal Processing Statistics
 - c. Fingerprinting/Criminal Background Unit Statistics
 - d. Experience Verification Statistics
 - e. Licensing Information Center Statistics
 - f. Judgment Unit Statistics
 - g. Examination Administration Unit
 - h. Examination Development Unit

2. Testing Program Update
 - a. Examination Administration Unit
 - b. Examination Development Unit
3. Update and Discussion on CSLB Administered Surveys
 - a. Applicant Satisfaction Survey
 - b. Consumer Satisfaction Survey
4. Update on Test Development for New B-2 Residential Remodeling License Classification
5. Review, Discussion, and Possible Action to Grant Construction Management Education Account Awards

G. Public Affairs

1. Public Affairs Program Update
 - a. Disaster Response
 - b. Online Highlights
 - c. Video/Digital Services
 - d. Social Media Highlights
 - e. Media Relations Highlights
 - f. Publications/Graphic Design Highlights
 - g. Industry/Licensee Outreach Highlights
 - h. Consumer/Community Outreach Highlights
 - i. Intranet/Employee Relations

H. Legislation

1. Review and Discussion on Board Study to Evaluate Sufficiency of Current \$15,000 Contractor Bond Amount and Possible Action on Study Recommendations (Business and Professions Code Section 7071.6(e))
2. Review, Discussion, and Possible Action on Legislative Proposal that would Make Illegal Dumping a Cause of Discipline for Licensed Contractors
3. Review, Discussion, and Possible Action on Staff Recommendations for Legislative Proposals to Make Minor, Technical, or Non-Substantive Changes to the Contractors State License Law (Omnibus Bill, Clean-Up Request)
4. Update on Previously Approved Legislative Proposals

I. Adjournment

Note: In addition to teleconference, the board intends to provide a live webcast of the teleconference meeting. The webcast can be found at www.cslb.ca.gov or on the board's YouTube Channel: <https://www.youtube.com/user/ContractorsBoard/>. Webcast availability cannot, however, be guaranteed due to limitations on resources or technical difficulties. The meetings will continue even if the webcast is unavailable.



CONTRACTORS STATE LICENSE BOARD

TABLE OF CONTENTS

Table of Contents

Contractors State License Board Meeting

A. Call to Order, Roll Call, Establishment of Quorum, and Chair's Introduction	1
B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests	3
C. Presentation of Certificates of Recognition – May Include Oral Presentations Commemorating Achievements and Service of CSLB Staff	5
D. Executive	7
1. Review and Possible Approval of September 9, 2020 Board Meeting Minutes and November 4, 2020 Executive, Licensing, Legislative, Enforcement, and Public Affairs Committee Meeting Minutes	9
2. Registrar's Report	57
a. Tentative Board Meeting Schedule	
b. Status Update on Contract with Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems	
3. Review, Discussion, and Possible Action to Amend the Board Member Administrative Procedure Manual.....	63
4. Budgets	99
a. CSLB Budget Update	
b. Statistics Summary	
5. Presentation from CPS HR Consulting on Fee Audit Study and Recommendations	107
a. Review, Discussion, and Possible Action on CPS Fee Audit Study and Recommendations	
b. Review, Discussion, and Possible Action on Legislative Proposal to Implement CPS HR Fee Audit Study and Recommendations	
6. Administration Update Regarding Personnel and Facilities.....	177
7. Information Technology Update	185



CONTRACTORS STATE LICENSE BOARD

TABLE OF CONTENTS

8. Review, Discussion, and Possible Action to Amend CSLB's 2019-21 Strategic Plan Objectives	191
a. Licensing & Testing	
b. Enforcement	
c. Legislation	
d. Public Affairs	
e. Administration	
f. Information Technology	
E. Enforcement	211
1. Enforcement Program Update	213
a. Staff Vacancy Update	
b. Expense Reduction Strategy Update	
c. Complaint Prioritization	
d. Investigation Highlights	
e. General Complaint-Handling Statistics	
2. Solar Taskforce Update.....	225
a. Solar Investigations	
b. Statistical Reporting (Business and Professions Code section 7170)	
F. Licensing and Testing	233
1. Licensing Program Update	235
a. Application Processing Statistics	
b. Renewal Processing Statistics	
c. Fingerprinting/Criminal Background Unit Statistics	
d. Experience Verification Statistics	
e. Licensing Information Center Statistics	
f. Judgment Unit Statistics	
g. Examination Administration Unit	
h. Examination Development Unit	
2. Testing Program Update	251
a. Examination Administration Unit	
b. Examination Development Unit	
3. Update and Discussion on CSLB Administered Surveys	257
a. Applicant Satisfaction Survey	
b. Consumer Satisfaction Survey	



CONTRACTORS STATE LICENSE BOARD

TABLE OF CONTENTS

4. Update on Test Development for New B-2 Residential Remodeling License Classification	283
5. Review, Discussion, and Possible Action to Grant Construction Management Education Account Awards	287
G. Public Affairs	291
1. Public Affairs Program Update	293
a. Disaster Response	
b. Online Highlights	
c. Video/Digital Services	
d. Social Media Highlights	
e. Media Relations Highlights	
f. Publications/Graphic Design Highlights	
g. Industry/Licensee Outreach Highlights	
h. Consumer/Community Outreach Highlights	
i. Intranet/Employee Relations	
H. Legislation.....	313
1. Review and Discussion on Board Study to Evaluate Sufficiency of Current \$15,000 Contractor Bond Amount and Possible Action on Study Recommendations (Business and Professions Code Section 7071.6(e))	315
2. Review, Discussion, and Possible Action on Legislative Proposal that would Make Illegal Dumping a Cause of Discipline for Licensed Contractors	361
3. Review, Discussion, and Possible Action on Staff Recommendations for Legislative Proposals to Make Minor, Technical, or Non-Substantive Changes to the Contractors State License Law (Omnibus Bill, Clean-Up Request)	369
4. Update on Previously Approved Legislative Proposals	375
I. Adjournment	389

AGENDA ITEM A

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

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

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

Board Member Roster

KEVIN J. ALBANESE	DIANA LOVE
FRANK ALTAMURA, JR.	MICHAEL MARK
AUGIE BELTRAN	MARLO RICHARDSON
RODNEY COBOS	JAMES RUANE
DAVID DE LA TORRE	JOHNNY SIMPSON
MIGUEL GALARZA	NANCY SPRINGER
DONALD GIARRATANO	MARY TEICHERT
SUSAN GRANZELLA	



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

(Note: Individuals may appear before the CSLB to discuss items not on the agenda; however, the CSLB can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)). Public comments will be taken on agenda items at the time the item is heard and prior to the CSLB taking any action on said items. Total time allocated for public comment may be limited at the discretion of the Board Chair.

BOARD AND COMMITTEE MEETING PROCEDURES

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

- (1) If, during a Board meeting, a person attempts to provide the Board with substantive information regarding matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the person shall be advised that the Board cannot properly consider or hear such substantive information and the person shall be requested to refrain from making such comments.
- (2) If, during a Board meeting, a person wishes to address the Board concerning alleged errors of procedure or protocol or staff misconduct involving matters that are currently under or subject to investigation or involve a pending administrative or criminal action:
 - (a) The Board may designate either its Registrar or a board employee to review whether the proper procedure or protocol was followed and to report back to the Board once the matter is no longer pending; or,
 - (b) If the matter involves complaints against the Registrar, once the matter is final or no longer pending, the Board may proceed to hear the complaint in accordance with the process and procedures set forth in Government Code section 11126(a).
- (3) If a person becomes disruptive at the Board meeting, the Chair will request that the person leave the meeting or be removed if the person refuses to cease the disruptive behavior.



AGENDA ITEM C

Presentation of
Certificates of Recognition –
May Include Oral Presentations
Commemorating Achievements
and Service of CSLB Staff



AGENDA ITEM D

Executive



AGENDA ITEM D-1

Review and Possible Approval of
September 9, 2020 Board Meeting
Minutes and November 4, 2020
Executive, Licensing, Legislative,
Enforcement, and Public Affairs
Committee Meeting Minutes





CONTRACTORS STATE LICENSE BOARD

BOARD MEETING MINUTES

Board Meeting Minutes

A. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM AND CHAIR'S INTRODUCTION

Board Chair David De La Torre called the meeting of the Contractors State License Board (CSLB) to order at 9:00 a.m., Wednesday September 9, 2020, at the Contractors State License Board and via teleconference. Chair De La Torre welcomed Don Giarratano who was appointed by Governor Newsom. Mr. Giarratano will be serving as a specialty contractor member on the Board.

A quorum was established. Board Chair De La Torre led the Board in the Pledge of Allegiance.

Board Members Present

David De La Torre, Chair
Kevin Albanese
Frank Altamura, Jr.
Augie Beltran
Miguel Galarza
Don Giarratano
Susan Granzella

Diana Love
Marlo Richardson
Jim Ruane
Johnny Simpson
Nancy Springer
Mary Teichert

CSLB Staff Present

David Fogt, Registrar
Tonya Corcoran, Chief Deputy Registrar
Jessie Flores, Deputy Chief of Enforcement
Michael Jamnetski, Chief of Legislation
Phyliz Jones, Executive Staff
Amy Lawrence, Public Affairs Staff

Rick Lopes, Chief of Public Affairs
Mike Melliza, Chief of Administration
Justin Paddock, Chief of Licensing
Stacey Paul, Budget Manager
Jason Perez, Chief of Information Technology (IT)

DCA Staff Present

Jason Hurtado, Legal Counsel

Chair De La Torre expressed his condolences for those impacted by the August wildfires and thanked those who were serving to battle the fires.



B. PUBLIC COMMENT SESSION FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS

JP Tenore expressed concern with the use of independent contractors within the gig economy.

C. UPDATE FROM DEPARTMENT OF CONSUMER AFFAIRS REPRESENTATIVE

Department of Consumer Affairs (DCA) Deputy Director of Board and Bureau Relations Carrie Holmes introduced herself and presented a departmental update. DCA Budget Office and Office of Information Service launched four budget expenditure and revenue reports in July 2020. These reports will assist in providing additional budgetary information to all Boards. DCA is currently working on three additional budget reports. DCA Legal developed the Regulations Unit to help Boards prepare regulation packages and implemented an online system to electronically track and manage regulation packages.

D. EXECUTIVE

1. Review and Possible Approval of June 5, 2020 and July 24, 2020 Board Meeting Minutes

MOTION: To approve the June 5, 2020 Board Meeting Minutes. Augie Beltran moved; Kevin Albanese seconded. The motion carried unanimously, 13–0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

NAY: None

MOTION: To approve the July 24, 2020 Board Meeting Minutes. Augie Beltran moved; Nancy Springer seconded. The motion carried, 12–0–1.

YEA: David De La Torre, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer

NAY: None

ABSTAIN: Kevin Albanese

ABSENT: Mary Teichert



2. Registrar's Report

Registrar David Fogt reported on the expense reduction plan and proposed changes to the goal of leaving 45 positions vacant for salary savings. Registrar Fogt provided an update on the enforcement representatives reclassification to special investigator with many staff receiving a five percent salary increase; in July, all staff received a nine percent pay cut. The pay cut is equivalent to payroll for approximately 25 positions. In addition, 18 staff members were redirected to contact tracing and 47 staff members are participating in Enhanced Family Medical Leave Program (EFMLA) which provides up to 12 weeks of leave to care for family members. Forty-seven EFMLA staff working part time is equivalent to 22 allocated staff positions being unavailable. The board currently has 51 vacant positions, in addition to those on leave or contact tracing, there is approximately 115 unavailable positions, about 25 percent of the workforce. This is having an impact on board operations. It was recommended to reduce the vacancy threshold from 45 to 35. The goal of achieving \$4.5 million in salary savings will remain and is achievable because of the nine percent pay cut.

Board Member Comment:

Board member Kevin Albanese asked how the Board's wildfire response will impact CSLB's budget. Registrar Fogt mentioned the Board is providing materials to the counties, when feasible. The Board agreed to staff the Santa Cruz Local Assistance Center (LAC) in person for 10 days. Being at the LACs in person is an additional strain on the Enforcement staff. Board member Albanese suggested utilizing Board members to assist with the disaster response in impacted counties close to them and offered to assist.

Public Comment:

Alexis Cluster asked how consumers will be protected from rogue contractors when there is not a way for investigators to investigate or enforce. Register Fogt mentioned that investigators are now able to go in the field using safe work practices and can send industry experts. The board can continue to be responsive to consumer complaints. Deputy Chief of Enforcement Jessie Flores will follow up on Ms. Cluster's complaint.

Board Member Comment:

Board member Frank Altamura asked if assigning staff to contract tracing was voluntary and how long will staff be on assignment. Register Fogt mentioned that all departments had to identify staff for contact tracing pursuant to the governor's mandate. The board had to redirect 18 staff for contact tracing and the staff had to be at the Associate Governmental Program Analyst (APGPA) classification or higher. Most of the SWIFT investigators were selected to participate for an anticipated six to nine-month duration.

Board member Don Giarratano asked about the financial difference between holding 35 vacancies versus 45. Registrar Fogt mentioned that each position is about \$100,000



and \$1 million in savings is achieved by leaving 10 positions vacant. However, the salary reduction further offsets the boards expenses by about \$2.6 million.

a. Discussion of Response to COVID-19 and Effect on CSLB Operations

Registrar Fogt reported that all CSLB offices are open to the public except the Berkeley test center. 75% of staff are working remotely. DCA hosted a training webinar to assist with tracking and monitoring staff who are teleworking. The Attorney General’s Office (AG) provided training on how to conduct interviews via video conference for use in court. Staff from different units are assisting with license processing.

b. Update and Discussion on CSLB’s 2020 Wildfire Disaster Response

Registrar Fogt reported CSLB is working with the Department of Insurance to distribute signs through the impacted fire zones. Staff continue to work with the Governor’s Office of Emergency Services and other local agencies to assist in the disaster areas. The Board will resume conducting sting operations with local law enforcement when safe to do so. Sweeps are still being conducted in partnership with the Department of Insurance.

c. Status Update on Hiring a Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems

Registrar Fogt reported that two phases of the evaluation process, consisting of reviewing written proposals followed by oral interviews, was complete. Today, DCA is conducting the third phase of the evaluation process which is the cost component. DCA anticipates that the intent to award will be posted tomorrow for the required five business days.

d. Tentative Board Meeting Schedule

Committee meetings are being scheduled for the week of November 2, 2020 and the Board meeting is tentatively scheduled for the week December 7, 2020. Board members will be surveyed for available dates.

3. Budgets

Budget manager Stacy Paul presented an overview of the Board’s budget. She projects at the end of the fiscal year (FY) expenditures will be at \$66.8 million accounting for approximately 95% of the budgeted authority. The additional \$5.5 million in mandatory external costs brings total expenditures to approximately \$72.3. Revenue for FY 2019-2020 is about \$67.2 million which is about the same as the prior fiscal year. COVID-19



related reduction in new license and application fees and delays in administrating exams resulted in a loss of revenue of about \$1.9 million.

The spending authority for FY 2020-21 is \$73.6 million. Due to the expense reduction plan the Board is projected to spend approximately \$66.5 million; with the mandatory expenses, the total expenditures are projected at \$72 million. Revenue for this FY is projected to be about \$70.7 million. There is expected to be approximately 3 weeks left in reserve at the end of the current fiscal year.

Budget Manager Stacey Paul reported that the fee audit study was necessary to determine CSLB's costs in order to perform mandatory functions. The study will provide recommendations for a fee increase. A two-person advisory subcommittee consisting of Board members Susan Granzella and Mary Teichert will review the draft report for presentation by the consultant at the December Board meeting.

Ms. Paul reported in the last quarter there was a decrease in new applications and issuance of new licenses due to the shutdown of exam administration because of the pandemic; however, renewals have been consistent.

Board Member Comment:

Board member Jim Ruane asked if FEMA is assisting with expenses associated with the wildfires. Chief Deputy Registrar Tonya Corcoran reported that the Board has not received funding for the 2020 fires and explained that partial funding was received for prior fiscal years. The Board and DCA are tracking monthly the expenses related to the wildfires. If any funds are received it will be after the current fiscal year. Ms. Paul added that last year the Board received about \$165,000 in reimbursement and the Board may be also be reimbursed for salary paid to the contact tracers; the contract tracer expenses are also being tracked.

4. Administration

a. Update on Personnel and Facilities

Chief of Administration Mike Melliza reported that 13 personnel transactions were completed in the fourth quarter of FY 2019-20. In November 2019, a classification study by CPS HR Consulting recommended utilizing the special investigator classification, which CSLB adopted. CSLB's transition plan was approved by DCA and will go in effect January 1, 2020. Personnel staff are currently transitioning 142 enforcement division employees into the new special investigator series. To address budget constraints, CSLB business services are scrutinizing purchases.

**Board Member Comment:**

Board member Kevin Albanese asked if procuring personal protective equipment is through each individual agency or is it a state coordinated effort. Mr. Melliza stated that there is some coordination, but it is difficult for all departments to get certain supplies. Mr. Albanese followed up asking if state agencies are competing with one another for supplies. Mr. Melliza mentioned there is competition at some level, but we are starting to receive the necessary equipment.

b. Information Technology Update

Chief of Information Technology (IT) Jason Perez reported a 40% decrease in Department of Technology expenses in FY 2018-19 and 2019-20. CSLB is working with DCA to develop a shared IT services model which will include network infrastructure and security services. This will help with sharing some IT infrastructure costs. CSLB IT is working with DCA on remediation for the military audit conducted February 2019. IT staff were temporarily delayed in performing remediation in order to assist staff working remotely. Staff will focus on remediating to prepare for the next military audit scheduled for March 2021. He reported that online renewals were implemented in April 2020 and have been largely successful, over 50% of the renewal payments are processed online. IT staff is working with Enforcement to develop the ability to pay for citations online, the anticipated target date for completion is December 2020. IT is preparing for the implementation of outsourcing exams and retroactive renewal.

5. Review, Discussion, and Possible Action to Amend CSLB 2019-21 Strategic Plan

Chief Deputy Registrar Tonya Corcoran presented an overview of the 2019-21 Strategic Plan objectives and the requested changes to some target implementation dates as noted on pages 64 to 69 of the meeting packet. Ms. Corcoran explained that due to COVID, there has been a 25% reduction in available staff and work on these objectives have slowed. The division chiefs will provide a full update at their next scheduled committee meeting.

MOTION: To approve the proposed 2019-2021 strategic plan target completion dates as highlighted and proposed on pages 64 through 69. Kevin Albanese moved; Augie Beltran seconded. The motion carried unanimously, 12–0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Mary Teichert



NAY: None

ABSENT: Nancy Springer

E. ENFORCEMENT

1. Enforcement Program Update

Deputy Chief of Enforcement Jessie Flores reported that Attorney General’s Office (AG) cost were lower than projected for July 2020. Compared to the prior fiscal year there is a reduction in accusation costs.

A notice has been placed on the CSLB website notifying the public of to the June 5th board-approved process change to refer specified complaints with financial injuries less than \$10,000 to small claims court and/or the license bond. Staff have received a few unsatisfied comments regarding the process changes. A new action code was created to help track complaints closed due to the process change.

Enforcement is making sure to fill certain vacancies to comply with I the public protection mandate. Management is working with the AG to develop webinar trainings on working more effectively in a telework environment. and to help newly employed staff.

Enforcement Committee Chair Kevin Albanese presented a few investigative highlights. In Sonoma and Santa Rosa counties, after the Tubbs fire in 2017, Chiaramonte Construction & Plumbing of Tulare was accused of defrauding fire survivors. Mr. Chiaramonte started many contracts and took large payments in advance of performing work, while completing little to no work for the jobs. The estimated consumer financial injury is approximately \$1 million, and cases are still being received. The Sonoma County DA has filed more than 60 criminal charges in this case.

Committee Chair Albanese reported on the revocation of Rooter Hero Plumbing. This licensee was taking advantage of elderly homeowners and misleading them into contracting for unnecessary repairs. Six administrative actions were pursued because of an estimated \$125,000 in combined financial injuries. Rooter Hero’s contractor license was revoked July 31, 2020.

2. Solar Taskforce Update

Registrar Fogt reported that CSLB is working with the Public Utility Commission (CPUC) and the Department of Business Oversight (DBO) to reduce consumer complaints. This has not been as successful as the taskforce would hope as there are still about 90 solar complaints received monthly. Last fiscal year (FY) 176 solar complaints were settled



resulting in approximately \$2.4 million in restitution; 122 solar complaints were referred for administrative legal action or criminal referrals.

Many solar contractors are not in compliance with home improvement contracts requirements; some companies have begun using a consumer approved plan (CAP) payment schedule and are receiving up to 80% of the contract price in advance of performing any significant work. This leads to issues if the contractor does not perform the work to trade standards, performs lack of diligence in performing the work or abandons the job thus causing financial harm to consumers.

CSLB is working with CPUC to review interconnection packets, which determines if the contractor is licensed and if the salesperson is registered to the license before connecting to the grid. 176 packets were reviewed and about 90% of the contracts were not in compliance with home improvement contract laws. CPUC would like to create a residential solar recovery fund. The current proposal would provide for consumer restitution when a CSLB administrative action with an outstanding financial injury has become a final order.

3. Workers' Compensation Insurance Enforcement and CSLB Legislative Proposal

Enforcement Committee Chair Kevin Albanese reported between 2018 and 2020 CSLB Workers Compensation Advisory Committee met with the State Compensation Insurance Fund (SCIF), California Department of Insurance, and construction industry stakeholders regarding workers compensation issues. However, filed workers compensation exemptions have been consistent. The Board is seeking to mandate workers compensation for specific license classifications as part of the 2019-2021 strategic plan. In January 2020, during an industry meeting with various parties, staff proposed to mandate workers compensation insurance for three classifications C-8, C-20, and D-49, due to the likelihood of having workers. Each of the suggested classification had representatives at the meeting who supported the measure. It is estimated that ten percent of licensees would not maintain licensure if workers compensation is mandated for all classifications.

Public Comment:

Phil Vermeulen, Contractors Licensing Center, expressed his support for mandating workers compensation.

Board Member Comment:

Board member Frank Altamura asked for clarification on why there was an original exemption for contractors without employees. Chief of Legislation Michael Jamnetski mentioned that it has always been a requirement of the Board that licensees who have



employees must provide workers compensation; but it also authorized a licensee to file an exemption if they can certify they do not have employees. Records show that about 55% of licensees claim to not have employees; however, research and enforcement efforts show this may not be accurate. Mr. Altamura commented that based on the article (workers compensation study included in the Enforcement board packet agenda item) about 20% of licensees do have a valid exemption on file that would be impacted by this mandate. Mr. Jamnetski mentioned that there is an unknown number of contractors that legitimately do not have employees, but it would be difficult to determine this number by researching the exemption. Mr. Albanese added, yes there may be some contractors doing minor projects by themselves, but in the identified classifications it would be unlikely this work is being performed by one individual. Mr. Altamura concluded that this proposal could have a significant impact on licensee population and could drive more to the underground economy and raise concerns for consumer protection. Mr. Albanese emphasized that licensees who are working with employees and do not have workers compensation insurance, are already working underground or out of compliance.

Public Comment:

JP Tenore mentioned that workers compensation is not very expensive and easy to obtain. He expressed his support for mandating workers compensation.

Greg Chick mentioned that as a sole proprietor plumber he performs all his own work without employees, he suggested sending a monthly statement about not using employees to those with exemptions.

Richard Markuson expressed his support for the proposal but mentioned that his clients are also aware of the impact on sole proprietors having to cover duplicative insurance if having to pay for workers compensation insurance.

MOTION: To direct staff to pursue legislation that would immediately require workers' compensation insurance for C-8 Concrete contractors, C-20 HVAC contractors, and D-49 Tree Service contractors and within three years would require workers' compensation for every actively licensed contractor. Augie Beltran moved; Jim Ruane seconded. The motion carried unanimously, 13-0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

NAY: None

**F. LICENSING AND TESTING****1. Licensing Program Update**

Licensing Committee Chair Jim Ruane reported that new applications were low before the pandemic and remain lower than in 2019 despite the recent increase in numbers. Processing times are increasing due to the amount of vacancies and staff working part time but are holding at about 2 or 3 weeks. Renewals remain relatively consistent. The Call Center was the most impacted unit. IT staff is working to make it possible for call center staff to answer calls remotely and are planning for an October 1, 2020 rollout. Consumers and licensees also have the option to send an email. Licensing and call center staff are consistently answering emails within 24 hours.

2. Testing Program Update

Licensing Committee Chair Jim Ruane reported that on June 15, 2020 seven of the test centers reopened and at that time there were over 10,000 pending exams. Staff have been conducting exams and added a 3rd test session to most test centers helping to bring the total number of exams under 7,000. The typical number of pending exams is 4,500. If an applicant has a scheduled exam and would like to take it sooner they may email staff at exams@cslb.ca.gov. Staff may find an earlier exam if the applicant is willing to go to a different exam center than previously assigned. Starting in September the Exam Development unit began holding remote occupational analysis workshops to update existing exams. Staff will soon begin developing the B-2 residential remodeling exam.

3. Internal Policy and Procedure Changes Related to License Application Review

Licensing Committee Chair Jim Ruane explained that CSLB reviews all applicant stated experience and performs a very thorough investigation of more than three percent of applicants' stated experience; in recent years this has been performed by Licensing division. Due to the pandemic, enforcement has been conducting these investigations, so analytical licensing staff can provide lead support for application issues.

4. Review, Discussion, and Possible Action on Canceling CSLB License Reciprocity Agreement with Utah

Licensing Committee Chair Jim Ruane reported that at the June Board meeting it was discovered that Nevada had removed Utah from its licensing endorsement program, due to legislation passed in Utah that reduced minimum applicant qualification requirements



Chief of Licensing Justin Paddock stated under Business and Professions Code 7065.4, to honor reciprocity with another state, CSLB must determine if that state’s licensure requirements are the same or greater than those in California. In 2019, Utah passed a bill eliminating the trade exam requirement for general contractor, general engineering contractors, and specialty contractors. Additional legislation was passed in 2020 that stated that a contractor with only one-year good standing in another state can be licensed in Utah.

MOTION: To direct staff to rescind its license reciprocity agreement with the State of Utah. Johnny Simpson moved; Susan Granzella seconded. The motion carried unanimously, 13–0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

NAY: None

5. Review, Discussion, and Possible Action to Initiate a Rulemaking to Add Title 16, California Code of Regulations Section 829 to Establish Criteria for Expediting Review of License Applications

Chief of Licensing Justin Paddock explained there is a longstanding internal policy regarding expedites. Applications can receive an expedite by meeting one of the following criteria: the application is seeking to perform work in declared disaster areas; on an energy conservation project or working with a public utility; or to perform public works.

Board Member Comment:

Board member Frank Altamura wanted clarification on why the expedite process needs to be formalized. Mr. Paddock mentioned that state law requires this. Legal Counsel Jason Hurtado added that the policy is statutorily required under 7137.

Board member Miguel Galarza asked if the expedite applies to new licenses for public works, is it for additional classifications, or both. Mr. Paddock stated expedites apply to both new licenses and adding classifications.

Public Comment:

JP Tenore mentioned everywhere is a disaster area right now, how does the first criteria apply. Mr. Paddock mentioned that declaring a disaster area is a formal process conducted by FEMA or the Governor.



Phil Vermeulen mentioned there are extenuating circumstances that require an expedite and stated that companies are willing to pay additional fees for the process that will help with Board's funds.

Legal Counsel Comment:

Jason Hurtado asked if the expedite proposal included some of the statutory requirements for military family, such as those stated in Business and Professions Code 115.4 and 115.5. Mr. Paddock mentioned military expedites are handled under a different process and not necessary to include.

6. Review and Discussion Regarding Strategies to Increase Licensure

Licensing Committee Chair Jim Ruane mentioned as chair he would like to increase the presence of women in construction. Women currently make up less than ten percent of the construction industry, and a third of those are in sales or administrative support. Staff have been directed to provide information to construction groups with programs to recruit women into the industry. Staff have been directed to track applications submitted by women for licensure barriers and identify female participants during licensing workshops.

G. PUBLIC AFFAIRS

1. Public Affairs Program Update

Public Affairs Committee Chair Diana Love reported that Jane Kreidler, CSLB's outreach coordinator, accepted a new position with the Architects Board. Ms. Kreidler conducted the successful Senior Scam Stopper seminars and served as an ambassador to the legislature and built strong relationships with legislators. She also noted that due to the COVID-19 pandemic, in person Senior Scam Stoppers are not currently being held.

On the first Monday of each month Public Affairs holds a live and interactive virtual licensing workshop, called "Get Licensed to Build." Five workshops have been conducted, with more than 200 in attendance at each workshop. Public Affairs staff is working with Enforcement to develop a Spanish-language licensing workshop. Also, a video was created to let applicants know what to expect on the day of their test. The video explains the examination process and the safety measures the board has taken in response to COVID-19. A new video about rebuilding after a disaster has been distributed on CSLB's social media channels. Changes were made to CSLB's video page on the website to make it more user friendly. Many of the recent social media



posts have centered on COVID- 19, including what CSLB services are available, as well as wildfire response.

Board Member Comment:

Board member Kevin Albanese would like to present Jane Kreidler with a certificate or some display of gratitude for all she has done for the board at the next board meeting.

Staff Comment:

Chief of Public Affairs Rick Lopes added that at the most recent licensing workshop a number of women who participated expressed interest in discussing what resources might be available to assist them through the process.

H. LEGISLATION

1. Update on Previously Considered 2019-2020 Pending Legislation

Legislative Committee Chair Augie Beltran mentioned that a summary of the bills can be found on page 169 of the packet; the Board took positions on these bills at the June 5, 2020 Board meeting. The bills are currently with the Governor.

2. Review, Discussion, and Possible Action on Draft Residential Solar Energy System Disclosure Document, Supporting Information Pages (Business and Professions Code section 7169 subdivision (c))

Legislative Committee Chair Augie Beltran reported that collaborative solar energy system disclosure document between CSLB and CPUC is complete. The document is a result of AB 1070 signed by Governor Brown in 2017. The document is meant to provide consumers clear, concise, and accurate information on the installation of a residential solar system, total cost of installation, anticipated savings, assumptions and inputs used to estimate savings, and implication of financing options.

Chief of Legislation Mike Jamnetski mentioned that the first page of the solar disclosure document was mandated by AB 1070; before the Board today are the discretionary pages of supportive information to include with the first page of the disclosure that consumers may find helpful.

Public Comment:

Josh Buswell-Charkow, CALSSA, asked if after the CPUC reviews the supplemental document will the solar industry have to implement use of the document within 30 days. Mr. Jamnetski stated that industry will be given a few months to implement the document before the Board starts to enforce it, an industry bulletin will be released stating when it will be enforced.



MOTION: In lieu of commencing the lengthy regulatory process required to develop a unique solar disclosure document, authorize staff to proceed with implementing the discretionary requirements of Business and Professions Code §7169(c), as written, by limiting the content of the "supporting information" document to that enumerated in subdivision (c), to the exclusion of subparagraphs (2), (3), and (12). Kevin Albanese moved; Jim Ruane seconded. The motion carried unanimously, 12–0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Nancy Springer, Mary Teichert

NAY: None

ABSENT: Johnny Simpson

MOTION: to authorize staff to forward the draft to the Public Utilities Commission for review and sharing with stakeholders, and, following the stakeholder review process, authorize staff to finalize the document by making any edits suggested by PUC or stakeholders if they are consistent with the requirements of Business and Professions Code §7169(c). David De La Torre moved; Diana Love seconded. The motion carried unanimously, 12–0.

YEA: David De La Torre, Kevin Albanese, Frank Altamura, Augie Beltran, Miguel Galarza, Don Giarratano, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Nancy Springer, Mary Teichert

NAY: None

ABSENT: Johnny Simpson

3. Update on Board Study to Evaluate Sufficiency of Current \$15,000 Contractor Bond Amount (Business and Professions Code Section 7071.6 subdivision (e))

Chief of Legislation Mike Jamnetski mentioned the Board is still meeting with surety representatives and underwriters. At the next Legislative Committee meeting a draft of the bond study will be provided.



I. ADJOURNMENT

MOTION: To adjourn the September 9, 2020 Board meeting. Augie Beltran moved; Jim Ruane seconded.

Board Chair David De La Torre adjourned the meeting at approximately 11:10 a.m.

David De La Torre, Chair

Date

David Fogt, Registrar

Date



Executive Committee Meeting Minutes

A. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM, AND CHAIR'S INTRODUCTION

Board Chair David De La Torre called the Executive Committee meeting of the Contractors State License Board (CSLB) to order at 9:00 a.m., Wednesday, November 4, 2020, at the Contractors State License Board and via teleconference.

Committee Members Present

David De La Torre, Chair
Susan Granzella
Johnny Simpson
Mary Teichert

CSLB Staff Present

David Fogt, Registrar
Tonya Corcoran, Chief Deputy Registrar
Rick Lopes, Chief of Public Affairs
Mike Melliza, Chief of Administration
Jason Perez, Chief of Information Technology
Michael Jamnetski, Chief of Legislation
Justin Paddock, Chief of Licensing
Jessie Flores, Deputy Chief of Enforcement
Jessie Flores, Deputy Chief of Enforcement
Phyliz Jones, Executive Staff
Amy Lawrence, Public Affairs Staff
Stacey Paul, Budget Manager

DCA Staff Present

Jason Hurtado, Legal Counsel

B. PUBLIC COMMENT SESSION FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS

There was no public comment.



C. PRESENTATION OF CERTIFICATES OF RECOGNITION – MAY INCLUDE ORAL PRESENTATIONS COMMEMORATING ACHIEVEMENTS AND SERVICE OF CSLB STAFF

Board Chair De La Torre presented a certification of recognition for Chief of Public Affairs, Rick Lopes. After 16 years at the Board Mr. Lopes has accepted a position at the Department of Real Estate as the Assistant Commissioner of Communications. During his time at the Board, Mr. Lopes expanded the Senior Scam Stoppers program and established the online licensing applicant workshops. Mr. Lopes led media efforts and outreach in response to disaster relief. He established innovative programs that included distributing industry bulletins and press releases; and conducting media events and responding to media inquiries. Mr. Lopes helped the board embrace new technology for live streaming Board meetings and enhancing social media channels and webpages.

Board members expressed their words of gratitude and congratulations to Mr. Lopes.

D. REVIEW AND DISCUSSION ON COOPERATIVE PERSONNEL SERVICES (CPS) HR FEE AUDIT STUDY

Board members Susan Granzella and Mary Teichert presented an overview of the Fee Audit Study performed by Cooperative Personnel Services (CPS).

Board member Granzella reported that CPS has worked numerous times with the Department of Consumer Affairs (DCA), and recently completed a similar study for the Medical Board.

The CPS report provided to CSLB recommends maintaining the existing \$450 2-year renewal fee for sole owner licenses and a higher renewal of \$700 for other types of licenses such as corporations.

The report accounts for the \$7.1 million expense reduction plan the Board has established to provide sufficient revenue through June 30, 2020. With the recommended fee increases, the Board should be able to build the reserve up to 4.4 months over the next five years. Board member Granzella noted that the remodeling classification is estimated to bring in about \$625,000 a year and outsourcing exam administration has an estimated savings of about \$500,000; these estimates are not included in the study but would further increase reserves. After reviewing, Ms. Granzella believes the report is ready to go before the full Board in December.

Board member Mary Teichert discussed sole owner versus non-sole owner licensees. Ms. Teichert mentioned that California is an expensive state to conduct business and contracting is an expensive enterprise; and that is being considered with this study. The



proposed fees are less than what many contractors pay for association and other fees related to contracting. The tiered renewal fee will be a benefit to larger companies to help encourage smaller contractors to be licensed, thereby maintaining industry standards. Having a reasonable increase for large contractors and support for sole owners to have a lower increase will promote licensure.

Board member Granzella asked staff to discuss the timeline if these fee increases are approved.

Chief of Legislation Mike Jamnetski provided a timeline for the study. At the December 10, 2020 Board meeting the study will be reviewed by the full Board; if approved staff will pursue a legislative proposal to amend the fee statute 7137 of the Business and Professions Code. The Board would seek authorship between December 2020 and January 2021 for the proposal to be included in a legislative bill or a budget trailer bill. If a bill is passed, CSLB will have authority to increase fees effective January 2022. With renewal notice requirements CSLB will receive the increased fees in March 2022.

MOTION: To present the CPS HR Consulting Fee Audit Study to the full Board at the December Board meeting. Johnny Simpson moved; Mary Teichert seconded. The motion carried unanimously, 4–0.

YEA: David De La Torre, Susan Granzella, Johnny Simpson, Mary Teichert

NAY: None

E. REVIEW AND DISCUSSION ON CSLB'S MENTORING AND CAREER DEVELOPMENT PROGRAM

Registrar David Fogt mentioned the Board has been supportive in recruiting individuals to work for CSLB and provides employees the tools needed to compete for promotional opportunities. These tools include attending job fairs, announcing available job postings weekly, job shadowing, training and development positions, and encouraging staff to attend training hosted by CSLB and DCA. Many of the staff in leadership positions have worked their way up the career ladder. Over a quarter of the Board's workforce is over 55 years old, which may result in substantial retirements. The Board must plan for succession to fill behind departing staff.

Chief of Administration Mike Melliza reported that CSLB is developing programs to help staff with their career development goals and upward mobility. CSLB is establishing a career development and mentorship program, to help retain and prepare CSLB staff for promotional opportunities. This program will help staff enhance skills, navigate organizational ladders, gain personal insight, and improve abilities to seek career



advancement. The mentorship will provide one on one mentoring. CSLB Executive staff and the steering committee had a kickoff meeting on September 15, 2020 to review program goals. The steering committee consists of staff from each of CSLB's divisions and meets weekly. On October 8, the steering committee sent a survey to all CSLB staff to obtain ideas and feedback about the program. Nearly 100 staff members responded to the survey, which is approximately a 27% response rate; roughly 82% of the respondents expressed interest in a mentorship or career development program.

F. STATUS UPDATE ON CONTRACT WITH CONSULTANT TO STUDY WHICH CSLB LICENSE CLASSIFICATIONS SHOULD INSTALL BATTERY ENERGY STORAGE SYSTEMS

Chief of Administration Mike Melliza reported the contract to study installation of battery energy storage systems (ESS) was awarded by DCA to the bidder with the highest final score, for the technical presentation, oral presentation, and cost component. On September 11, 2020 DCA issued a notice of intent to award to the University of California, Berkeley (UC Berkeley); this notice was posted at DCA and CSLB headquarters as well as online at fiscal.ca.gov and CSLB's energy storage webpage. No protests were received during the 5-business day protest period. DCA is currently drafting and finalizing the contract with UC Berkeley. Once the contract is executed, target dates for the study will be established.

Committee Member Comment:

Committee member Susan Granzella asked when the start day would be for the contract once executed by DCA and UC Berkeley. Mr. Melliza stated that once the contract is signed by both parties, the Board will be notified of a start date. Ms. Granzella then asked how the four-month duration for the contract was established and whether it is a standard contract period or is determined by the requirements of the Request for Proposal (RFP). Mr. Melliza stated staff estimated that four months would be a reasonable amount of time to complete the contract...

Committee member Mary Teichert asked if there is a provision in the contract if modifications are needed. Mr. Melliza mentioned there are procedures in place through the State Contracting Manual for amendments; it is not uncommon to amend contracts for time. Ms. Teichert requested a copy of the RFP.

G. REVIEW, DISCUSSION, AND POSSIBLE ACTION TO AMEND THE BOARD MEMBER ADMINISTRATIVE PROCEDURE MANUAL

Chief Deputy Registrar Tonya Corcoran reported that the administrative manual was last reviewed in April 2018. She mentioned the proposed changes are meant to clarify existing policies or roles. Ms. Corcoran reviewed a few of the changes. Specific to the



Registrar Evaluation, the Board has the discretion to evaluate the registrar whenever they like; however, Registrar Fogt and Chief Deputy Registrar Corcoran met with the DCA Director, and the Department has recently changed the evaluation process and is encouraging annual evaluations. The Board is planning to have the next evaluation at the March 2021 Board meeting and the Department will take lead by providing instructions prior to the March board meeting. She reviewed another change which adds language providing direction when a board member is contacted by parties to a complaint or investigation; Registrar Fogt or Chief Deputy Registrar Corcoran will continue to take the lead in these matters. The goal is to respond to any inquiries or requests sent to Board members within 24 hours of receipt. Executive staff will respond on the Board members' behalf and provide copies of received correspondence and responses.

MOTION: To approve the Board Member Administrative Procedure Manual. Johnny Simpson moved; Susan Granzella seconded. The motion carried unanimously, 4–0.

YEA: David De La Torre, Susan Granzella, Johnny Simpson, Mary Teichert

NAY: None

H. REVIEW, DISCUSSION, AND POSSIBLE ACTION TO AMEND CSLB'S 2019-21 INFORMATION TECHNOLOGY STRATEGIC PLAN OBJECTIVES

Chief of Information Technology (IT) Jason Perez reported on items of the Information Technology Strategic Plan Objectives, found on pages 119-121 of the meeting packet.

Item 5.11: IT developed and released the Public Data Portal in June 2019. Consumers and other public entities can receive data through the CSLB website and by accessing the portal.

Item 5.12: IT released the sole owner online renewal in April 2020 and the home improvement salesperson (HIS) renewal in July 2020. This allows for contractors and HIS to pay for their renewal electronically online and have it processed. The ability to pay citation payments online is scheduled to be complete December 2020.

Item 5.13-5.15: CSLB believes an online cloud platform should accomplish the expectations of items 5.13, 5.14 and 5.15. IT and DCA Office of Information Services recently demoed with a vendor an online cloud solution to enhance licensing and enforcement IT programs. The cloud solution platform is being utilized by the Board of Engineers, Land surveyors, and Geologists. This solution provides convenience, access to an online account, and reduces application processing times/applicant errors.



Item 5.16: Since July 2019, CSLB annually certifies that its website is compliant with the Americans with Disabilities Act (ADA) requirements. All new reports and publications uploaded to the website are made ADA compliant prior to being published. IT staff have given Public Affairs the ability to update license statistics and content on the website.

Item 5.17: This item is completed. IT recently issued laptops, mobile devices, and mobile printers to Enforcement staff; at this time, no additional technological requests have been received from Enforcement.

Item 5.18: IT staff is assessing whether a mobile app is a cost-effective solution or if mobile friendly documents will meet the board's needs. IT staff are currently reviewing the Arizona state contractors licensing agency app for reporting unlicensed activity. In the meantime, IT staff will continue to enhance the website to be mobile friendly.

Item 5.19: The Public Data Portal has been released and provides the public access to all data available in compliance with Business and Professions Code section 27.

Item 5.20: CSLB completed the assessment for the business modernization efforts. The Board has reported annually to the Legislature since 2016. CSLB determined that the business modernization efforts can be met through layering technology on the existing system and may be available through DCA's portfolio.

Item 5.21: The State Contractor Official Regulatory Exam (SCORE) system is used by the Testing division for exam development and administration, however due to the Governor signing AB 3087 that authorizes CSLB to outsource exam administration, IT will devote resources for the transition to a third party vendor.

Committee Member Comment:

Committee member Susan Granzella asked if the SCORE testing is related to testing contractors. Mr. Perez stated that SCORE is the testing system used for administering exams to contractors and developing exams and questions. Mr. Perez further clarified that SCORE would remain even when moving testing to a third-party vendor. The Testing Division will still develop the exams and questions and sharing data with the vendor who will be administering the exams.

I. REVIEW, DISCUSSION, AND POSSIBLE ACTION TO AMEND CSLB'S 2019-21 ADMINISTRATION STRATEGIC PLAN OBJECTIVES

Chief of Administration Mike Melliza reported on items of the Administrative Strategic Plan Objectives, found on pages 125-127 of the meeting packet.



Item 5.1: This item is completed. In June 2018 DCA assigned a second part time legal counsel to CSLB, he assists with Public Record Acts requests and subpoenas.

Item 5.2: This item is completed. In April and May 2019 staff met with the Workers Compensation Insurance Rating Bureau (WCIRB) and developed a process to share public workers' compensation information for C-39 roofing contractors, and workers' compensation compliance data for other classifications.

Item 5.3: This item is completed. In October 2019 CSLB managers and supervisors attended a two-day training session hosted by DCA.

Item 5.4: This item is completed. On January 23 and 24, 2019 CSLB managers and supervisors participated in leadership training.

Item 5.5: This item is completed. A study performed by CPS HR Consulting, resulted in the reclassification of the non-sworn Enforcement Representatives (ER) I and II into the Special Investigators classification. Sworn ERs I and II were reclassified as investigators; and the Enforcement Supervisors I and II were reclassified as Supervising Special Investigator.

Item 5.6: This item is completed. CPS HR Consulting recommended moving to the Special Investigator classifications but did not recommend seeking the salary differentials.

Item 5.7: This item is on schedule with a target date of July 2021. Staff is looking to develop a supervisory section for CSLB's Intranet.

Item 5.8: Personnel is developing a new onboarding program for new staff, managers, and Board members. The target date is February 2021.

Item 5.9: Personnel continues to look for ways to streamline the recruitment process. The state recruitment process can be cumbersome. Personnel has mapped out the workflow to identify processing times and steps that could be more efficient. This item is completed and work to streamline processes is ongoing.

Item 5.10: The state is moving to a new budget reporting system FI\$Cal. The Board is reviewing the budget on a quarterly basis.

Public Comment:

Regarding test administration, Mara Gutierrez asked who would be considered a third-party and how a third party would be determined. Jason Perez replied that the selection of a third-party vendor is conducted through the bid process. Mr. Perez stated that DCA



is currently contracting with a testing vendor for other boards and bureaus and CSLB is assessing if this vendor meets the board's test administration needs.

J. ADJOURNMENT

Board Chair David De La Torre adjourned the meeting at approximately 10:01 a.m.



CONTRACTORS STATE LICENSE BOARD

LICENSING COMMITTEE SUMMARY REPORT

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

Jim Ruane, Committee Chair, called the Contractors State License Board (CSLB) Licensing Committee meeting to order at 11:17 a.m. on Thursday, November 4, 2020 via Teleconference.

Committee Chair Ruane, introduced Rodney Cobos and Miguel Galarza who are recently appointed Board Members joining the Licensing Committee.

A quorum was established.

Committee Members Present

Jim Ruane, Chair
Frank Altamura, Jr.
Agustin "Augie" Beltran
Rodney Cobos
Miguel Galarza
Susan Granzella
Mary Teichert

CSLB Staff Present

David Fogt, Registrar
Tonya Corcoran, Chief Deputy Registrar
Rick Lopes, Chief of Public Affairs
Justin Paddock, Chief of Licensing
Michael Jamnetski, Chief of Legislation
Jason Perez, Chief of Information Technology (IT)
Phyliz Jones, Executive Office
Jason Hurtado, Legal Counsel

B. Public Comment Session for Items not on the Agenda and Future Agenda Item Request

There was no public comment.



C. Review and Discussion on Policy Changes Related to Signature Requirements on CSLB License Renewal Applications

Committee Chair Jim Ruane explained how the Licensing Division continues to explore ways to improve and simplify the license application and renewal processes. One way to achieve this is to minimize how many renewal applications CSLB must return each month due to incorrect signatures on the renewal application.

At present, internal policy procedures require all qualifiers and an owner, officer, or partner to sign a license renewal application. If these signatures are not present on the renewal application, it is returned for correction. Additionally, if an individual signs the renewal application that is not listed on the license, it is returned for correction.

Staff met with Legal Counsel Jason Hurtado and determined, under current law, only qualifiers are required to sign the renewal application and there is no need to return a renewal application if someone not listed as personnel of records signed in addition to the qualifier or qualifiers.

Mr. Ruane also stated that the procedural changes staff are proposing are only to renew a contractor's license, not for any other functions. Secondly, if someone signs the renewal application that may be an undisclosed officer, the matter can be referred to enforcement for further review. Lastly, staff will continue to ensure licensee information remains consistent with Board records and the California Secretary of State's Office.

Staff plan to implement these changes on November 16, 2020 and believe these procedure changes will reduce the number of renewal applications returned for correction.

Committee Member Comment:

Committee Member Augie Beltran asked about how many renewal applications are returned for correction.

Licensing Chief Justin Paddock responded that there is a significant return rate and that the amount fluctuates throughout the year, but typically the correction return rate is approximately 10 percent.

Public Comment:

Phil Vermeulen of Contractors License Center stated that he highly agrees with the new procedure proposal and recommends the new change. He believes the change will be extremely helpful for his clients.



D. Update and Discussion on Outreach Efforts to Increase Women's Participation in Construction

Mr. Ruane stated that as the President of the Wall and Ceiling Alliance one of his roles that he was passionate about was to increase women participating in the construction industry. He has met with CSLB staff on several occasions to explore opportunities to increase women's participation in the construction industry.

Mr. Ruane explained that Board Chair David De La Tore has appointed a two-person advisory committee comprised of himself and Board Member Mary Teichert to oversee a three-phase outreach plan. The three-phase outreach plan includes researching available resources to increase women's participation in the industry, establishing potential partners with the intent to see how CSLB may be able to promote or support outreach programs that already exist, and focusing with partners to coordinate/produce outreach events.

Committee Member Comment:

Committee Member Mary Teichert stated she very much appreciates the initiative and there is a lot of untapped talent in her line of construction work.

Committee Member Augie Beltran stated that there was a vibrant women's group currently in the Carpenters Union and he would love to participate if possible.

Public Comment:

There was no public comment

E. Review, Discussion and Possible Action to Amend CSLB's 2019-2021 Licensing Strategic Plan Objectives

Mr. Ruane introduced the item and stated there are no deadlines that staff are currently seeking to change on the licensing strategic plan, but asked Mr. Paddock to provide an update on the status of the items.

Mr. Paddock provided brief updates on strategic items 1.1 through 1.12.

Committee Member Comment:

There was no committee comment



Public Comment:

There was no public comment

F. Adjournment

Licensing Committee Chair Jim Ruane adjourned the CSLB Licensing Committee meeting at approximately 11:32 a.m.



A. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF A QUORUM AND CHAIR’S INTRODUCTION

Legislative Committee Chair Agustin “Augie” Beltran called the November 4, 2020, meeting of the Contractors State License Board (CSLB) Legislative Committee to order at 11:40 a.m. via teleconference. A quorum was established.

Committee Members Present

Agustin “Augie” Beltran, Chair
Frank Altamura, Jr.
Rodney Cobos
Miguel Galarza
Susan Granzella
Jim Ruane
Mary Teichert

CSLB Staff Present

David Fogt, Registrar
Tonya Corcoran, Chief Deputy Registrar
Michael Jamnetski, Chief of Legislation
Rick Lopes, Chief of Public Affairs
Phyliz Jones, Executive Staff
Jason Hurtado, Department of Consumer Affairs (DCA) Legal Counsel

Public Visitors

Allen Dias

B. PUBLIC COMMENT SESSION FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS

There were no comments from the public.

C. UPDATE ON 2019-20 ENACTED LEGISLATION

Committee Chair Beltran asked Chief of Legislation Mike Jamnetski to update the Committee on legislative bills for the 2019-20 Legislative session that the Board voted and took a formal position on at its June 5, 2020, meeting.



Legislative Chief Jamnetski reviewed the CSLB-sponsored or supported legislative measures approved by the Governor in 2020. He explained that Assembly Bill (AB) 2210 allows CSLB to take disciplinary action when a contractor violates a DOSH tree safety provision and gives CSLB additional time to investigate and initiate such possible disciplinary actions.

Legislative Chief Jamnetski said that AB 2232 gives the Registrar authority to grant retroactive renewals received within the designated timeframe, and removes the subjective standard that states that the reason for the late renewal must have been due to circumstances beyond the contractor's control.

Regarding AB 2471, Legislative Chief Jamnetski said that it extends from three days to five days the three-day right to cancel certain contracts for people 65 years of age or older.

Legislative Chief Jamnetski explained that CSLB-sponsored AB 3087 authorizes CSLB to enter into a contract for the outsourcing of license examination administration services.

Legislative Chief Jamnetski said that SB 1189 creates a new residential remodeling contractor classification and clarifies contract provisions for home improvement contracts that are undertaken in declared disaster zones.

Legislative Chief Jamnetski said that technical and non-substantive changes to the Contractors State License Law were made in SB 1474 omnibus bill.

D. UPDATE ON PREVIOUSLY APPROVED LEGISLATIVE PROPOSALS

Committee Chair Beltran said that this agenda item includes a summary and status update of legislative proposals approved by the Board at the December 2019 and September 2020 meetings for which staff will be seeking authors for the 2021 legislative year.

Legislative Chief Jamnetski said that CSLB Legislative Division is looking for authors for three measures that have all been approved by the Board, not including the fee increase study proposal discussed at the Executive Committee meeting earlier in the day. He said that the first proposal is to increase maximum civil penalty amounts for violations of the license law based on the Consumer Price Index (CPI).

The second measure Legislative Chief Jamnetski discussed involves a change to the Letter of Admonishment, increasing the existing single violation limit to allow additional minor violations to be included in one Letter of Admonishment without having to escalate the matter to a citation when it does not involve egregious violations or financial injury.



Legislative Chief Jamnetski said that the final measure, which was discussed at the September 2020 Board meeting, relates to the filing of workers' compensation exemption forms by contractors claiming that they do not have employees. Legislative Chief Jamnetski said that this measure would establish a requirement effective in 2022 that all active contractors who hold at least one of three classifications (C-8 – Concrete; C-28 – Warm-Air Heating, Ventilating and Air-Conditioning; and D-49 – Tree Service) must submit proof of a workers' compensation policy and would preclude CSLB from accepting workers' compensation exemptions from such contractors effective in 2022; all other active contractors would be prohibited from filing workers' compensation exemptions beginning in 2025.

Board Member Comment

Board Member Jim Ruane asked what the procedure is for obtaining sponsorship for bills. Legislative Chief Jamnetski explained the difference between sponsorship and support, saying that sponsorship is informal ownership of a bill. He said that CSLB can support bills and can also be a sponsor of a bill, and that the three measures previously discussed under this agenda item (civil penalty increase, letter of admonishment multiple violation, and mandatory workers' compensation insurance) would be considered "sponsored."

Board Member Comment

Board Member Miguel Galarza asked if the increase in citation amounts will have an escalation provision built into the language based on the CPI. Legislative Chief Jamnetski said that that as written it is just a one-time increase. He noted that a CPI escalation provision was attempted in another bill last year that would have affected fees for all DCA boards and bureaus, but it stalled in the Business and Professions Committee.

E. REVIEW, DISCUSSION, AND POSSIBLE ACTION ON LEGISLATIVE PROPOSAL THAT WOULD MAKE ILLEGAL DUMPING A CAUSE OF DISCIPLINE FOR LICENSED CONTRACTORS

Committee Chair Beltran said that the legislative language in the packet is for Assembly Bill 2368 that was introduced in 2020 by Assembly Members Bill Quirk and Devon J. Mathis. He asked Legislative Chief Jamnetski to explain the proposal and possible Committee action for this item.

Legislative Chief Jamnetski said that this measure, which relates to illegal dumping of construction materials by contractors, is not CSLB sponsored, but Assembly Member Quirk asked if the Board would sponsor the bill, which is an unusual occurrence because CSLB did not seek the proposal. Therefore, the matter before the Committee is whether to forward the author's request to the full Board for discussion and possible vote on the matter. He explained that the measure would simply add "illegal dumping" to various other causes for disciplinary action against



licensed contractors that currently exist in other sections of law and would be advanced in a bill with or without the Board's sponsorship.

Legislative Chief Jamnetski said that the measure is intended to address environmental, safety, and health concerns. He said that several counties (including Alameda, Contra Costa, and Los Angeles) are seeking assistance because it is a documented problem and they have experienced difficulty in prosecuting violations of such offenses, particularly when the offender is a licensed contractor entity and not an individual. CSLB does not currently have authority to take disciplinary action against contractors for illegal dumping. Legislative Chief Jamnetski said that the measure would impact only licensed contractors, not unlicensed contractors, and would be handled in connection with local jurisdictions and law enforcement, probably not through any exclusively designated unit or effort within CSLB. He said that even if an employee did the actual illegal dumping of the company's construction materials as they carried out their job duties, with or without the contractor's knowledge, the contractor would be held responsible because they are ultimately responsible for their employees' actions throughout the construction process and business.

MOTION: That the Legislative Committee authorize staff to present this measure to the full Board in December and request that the full Board consider the author's request for CSLB to sponsor this legislative measure.

Jim Ruane moved; Rodney Cobos seconded. The motion carried unanimously, 7-0.

YEA: Augie Beltran; Frank Altamura, Jr.; Rodney Cobos; Miguel Galarza; Susan Granzella; Jim Ruane; Mary Teichert

NAY: None

ABSENT: None

F. REVIEW AND DISCUSSION ON BOARD STUDY TO EVALUATE SUFFICIENCY OF CURRENT \$15,000 CONTRACTOR BOND AMOUNT AND POSSIBLE ACTION ON STUDY RECOMMENDATION (BUSINESS AND PROFESSIONS CODE SECTION 7071.6(e))

Committee Chair Beltran said that CSLB's 2019 Sunset Bill (Senate Bill 610) required CSLB to conduct a study to evaluate if the current \$15,000 contractor bond amount is sufficient or whether an increase may be necessary and to submit the study to the Legislature by January 1, 2021. The meeting packet contains a draft of the study.

Legislative Chief Jamnetski said that the research demonstrates that in recent years the majority of bond claims are made by homeowners. He said that the dollar amounts of claims have been increasing over the years, with many still in the \$5,000



area, but the number of cases with claims that exceed \$15,000 – 25,000 have also been increasing. Legislative Chair Jamnetski said that, according to the research in the draft study, the highest bond amount that CSLB could seek that would not require a separate underwriting process would be \$25,000. He said that approximately 1,315 contractor bonds pay out each year and currently approximately 20% of bond claims result in a \$15,000 payout, so the bond amount is not sufficient, particularly when considering that, according to the draft study, the average home remodeling project costs approximately \$60,000.

Legislative Chief Jamnetski said that for the purposes of this study, the Legislature simply asked the board to review whether the \$15,000 amount is sufficient or whether an increase is necessary; it did not ask CSLB to recommend a new amount; therefore, the study concluded that the current \$15,000 bond amount is not sufficient and an increase is necessary.

Public Comment

Allen Dias asked if there could be a sliding scale for the bond amount, with small, newer companies paying the \$15,000 and large, established companies paying more because they are doing larger projects. Legislative Chief Jamnetski said the study solicited feedback from licensed contractors regarding a tiered bonding approach based on license classification and/or project size and scope. He said that large public works or other large commercial contracts often have other additional bonds requirements for contractors. Legislative Chief Jamnetski said that the draft study includes a discussion of this and similar information which will be presented to the Legislature.

MOTION: That the Legislative Committee authorize staff to make any minor and technical changes to the study, including any changes recommended by the Committee, and present the draft study for consideration by the full Board in December of 2020 .

Miguel Galarza moved; Rodney Cobos seconded. The motion carried unanimously, 7-0.

YEA: Augie Beltran; Frank Altamura, Jr.; Rodney Cobos; Miguel Galarza; Susan Granzella; Jim Ruane; Mary Teichert

NAY: None

ABSENT: None



G. REVIEW, DISCUSSION, AND POSSIBLE ACTION TO AMEND 2019-21 LEGISLATIVE STRATEGIC PLAN OBJECTIVES

Committee Chair Beltran asked Legislative Chief Jamnetski to update the Committee on the Legislative Division’s Strategic Plan Objectives, as well as provide an update on revisions on which the Committee may need to vote.

Legislative Chief Jamnetski reviewed the items, saying that Item 3.1 is a good general policy for the Legislative Division to have, as he regularly works collaboratively with industry and consumer leaders on legislative matters.

Regarding Item 3.2, Legislative Chief Jamnetski said that he will seek authorship of a workers’ compensation bill, as discussed previously under Agenda Item D.

Legislative Chief Jamnetski said that SB 1189 addressed parts of Item 3.3 by incorporating disaster-related consumer protections in existing home improvement contract law. He also said that a survey is in development and a study will be conducted regarding the certification.

As discussed under Agenda Item D, Legislative Chief Jamnetski said that the bond study in Item 3.4 has been conducted and includes analysis on qualifiers who serve on multiple licenses and on the appropriateness of the amount of the bond of qualifying individual.

Regarding Item 3.5, Legislative Chief Jamnetski said that the home improvement contract requirements are extensive and include notices that could benefit from clarification. He further said that the \$750 service and repair contract amount and the three-day right to cancel provisions should be evaluated for appropriateness.

Legislative Chief Jamnetski said that CSLB is looking for a legislative author for a bill to increase the civil penalty amounts, as discussed in Item 3.6 and under Agenda Item D.

Legislative Chief Jamnetski said that the Committee will be asked to consider a revision to the language of Item 3.7 to make it a “Statutory” focus instead of “Regulatory” to be a quicker process and clearer implementation for contractors.

Regarding Item 3.8, Legislative Chief Jamnetski said that the fee study discussed at the Executive Committee meeting earlier in the day contains comprehensive analysis of the feasibility of graduated fees for larger licensed contractors, such as large corporations.



MOTION: That the Legislative Committee authorize staff to change the description of Strategic Plan Item 3.7 from “Regulatory” to “Statutory.”

Susan Granzella moved; Rodney Cobos seconded. The motion carried unanimously, 7-0.

YEA: Augie Beltran; Frank Altamura, Jr.; Rodney Cobos; Miguel Galarza; Susan Granzella; Jim Ruane; Mary Teichert

NAY: None

ABSENT: None

H. ADJOURNMENT

MOTION: That the Legislative Committee adjourn the meeting at 12:21 p.m.

Mary Teichert moved; Rodney Cobos seconded.



CONTRACTORS STATE LICENSE BOARD

Enforcement Committee Meeting Summary Report

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

Enforcement Committee Chair Kevin Albanese called the meeting of the Contractors State License Board (CSLB) Enforcement Committee to order on November 4, 2020, at 10:10 a.m. via WebEx. A quorum was established.

Committee Members Present

Kevin Albanese, Chair
Don Giarratano
Diana Love
Michael Mark
Marlo Richardson
Johnny Simpson
Nancy Springer

CSLB Staff Present

David Fogt, Registrar
Tonya Corcoran, Chief Deputy Registrar
Jason Perez, Chief of IT
Mike Melizza, Chief of Administration
Jessie Flores, Deputy Chief of Enforcement
Michael Jamnetski, Chief of Legislation
Justin Paddock, Chief of Licensing
Rick Lopes, Chief of Public Affairs
Jason Hurtado, DCA Legal Counsel
Phyliz Jones, Executive Staff

B. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS

There was no public comment.

C. UPDATE AND DISCUSSION REGARDING ENFORCEMENT PRIORITIES

Committee Chair Kevin Albanese provided the committee with a summary of the state of the enforcement division. The summary included the following topics:

- Vacancy Updates - The Enforcement division has 25 vacancies. Of those, 17 enforcement staff have been redirected to contact tracing and nearly one dozen enforcement employees are working a reduced time base to address the demands of distance learning (the 12 staff working reduced time base are equivalent to six full time staff). As a result of these challenges there is a decrease in 48 Enforcement positions available to address CSLB-related work.



The recent reclassification from Enforcement Representatives to Special Investigators has increased the candidate pool significantly with a highly qualified group of applicants.

- Complaint Prioritization – At the June 2019 Board meeting, the board approved the Complaint Prioritization Guidelines. The process changes have not changed the guideline priorities addressing proactive and reactive complaints
- Complaint Mediation Success - CSLB receives approximately 1000 consumer-filed complaints per month in one of two Intake and Mediation Centers (IMCs). The IMCs are staffed with Program Technicians and Consumer Services Representatives (CSRs) who triage the complaints. For the less egregious complaints, the CSRs attempt mediation and are very successful. Between January 2020 and September 2020, the complaints settled in the IMCs resulted in over \$16 million in restitution.
- Alternate Dispute Resolution Challenges - The Board approved a process change at the June 5, 2020 meeting that would refer non-egregious complaints with a financial injury of less than \$10,000 to an “Alternate Dispute Resolution”; either to small claims court and/or to the surety bond for financial redress. Due to a decrease in incoming consumer complaint volume over the last 6 months, likely attributed to COVID-19, staff is able to use discretion when implementing this change as consumers are generally dissatisfied with this complaint resolution. To date, only 37 complaints have been referred to Alternate Dispute Resolution.
- Training for Investigative Center Staff - Field investigators continue to conduct investigations into the more egregious complaints. In the early days of telecommuting due to COVID restrictions, Enforcement Leadership, in partnership with CSLB’s Attorney General liaisons, conducted valuable training focused on remote interviewing techniques to ensure admissibility of the content at an administrative hearing. Additional training provided by CAL-OSHA was conducted in August 2020 which focused on key COVID-19 safety prevention practices. Following the safety training, field investigators were given permission to return to the field, depending on their comfort level.
- Focus on Public Works - CSLB continues to work closely with industry partners, compliance organizations and other state agencies to address contractor law violations in the public works arena. Complaints that result from larger commercial public works projects often include violations such as inappropriate licensure, public contract code violations, misuse of construction funds, labor law violations and workers’ compensation avoidance.



- Proactive Enforcement Strategies - The Statewide Investigative Fraud Team (SWIFT), CSLB's proactive enforcement division, was disproportionately affected by the restrictions implemented due to COVID-19 as well as the redirection of many of the staff to contact tracing as previously mentioned. During the time when fieldwork was discouraged, staff increased investigations into advertisements using online marketplaces and social media to identify and issue administrative citations for unlicensed and uninsured practice.
- Work in Declared Disaster Areas - SWIFT has been instrumental in establishing a presence in declared disaster areas that have been ravaged by the wildfires during the 2020 season. SWIFT investigators continue to partner with local law enforcement and other state agencies to disseminate materials to homeowners and place signs warning the wildfire survivors of the risk of unlicensed and predatory contractors.

Public Affairs and Enforcement staff have been working with state agencies and local government officials to develop Rebuild Seminars that will provide consumers with information beyond what is provided to them at a Local Assistance Centers and educate them about Home Improvement Contract provisions so they are better informed when entering into a contract with a licensee to rebuild their homes. This outreach will provide information beyond checking the license and verifying the presence of a worker's compensation policy. While those are two very important components in choosing a contractor, CSLB hopes that this next level of education will empower the consumers in the fire zones and reduce further victimization of those impacted.

Committee Member Comment:

Committee Member Nancy Springer inquired about the monitoring of complaints as they apply to the Prioritization Guidelines. Registrar Fogt stated that the enforcement division could provide a sampling of complaints from a 30-day period to address Committee Member Springer's inquiry.

D. Review, Discussion, and Possible Action to Amend CSLB's 2019-21 Enforcement Strategic Plan Objectives

Deputy Chief of Enforcement Jessie Flores highlighted for the committee the progress the enforcement division has made in achieving Enforcement's Strategic Plan Objectives. No amendments were made.

Committee Member Comment:

Committee Member Michael Mark inquired further into Item 2.4. Committee Member Mark asked about the process of identifying unlicensed contractors on social media sites, specifically as to whether the enforcement division only looks at profiles or if they also investigate sponsored posts. Chief of Enforcement Flores confirmed that enforcement staff investigates both profiles and sponsored posts.



Committee Member Michael Mark inquired if the Enforcement division has reached out to social media companies to ask for submissions to the CSLB when a contractor or company is out of compliance. Registrar Fogt noted that the Public Affairs Office has been very strategic in reaching out to NextDoor as well as other social media sites to educate them on license requirements and most have been receptive, but he stated that we have had little success with Craigslist. He also noted that CSLB routinely receives information from the public and industry partners regarding Facebook pages and NextDoor posts where individuals are professing to have the ability to do construction without having a CSLB license or claim to have employees but lack workers' compensation insurance. When possible, CSLB has taken the opportunity to post on social media sites the license requirements and to warn unlicensed individuals they are subject to administrative or criminal penalties for acting in the capacity of a contractor without a license.

E. Adjournment

MOTION: To adjourn the November 4, 2020, Enforcement Committee meeting Johnny Simpson moved; motion was seconded by Nancy Springer. The motion carried, 7-0.

NAME	AYE	NAY	ABSTAIN	ABSENT	RECUSAL
Kevin Albanese	✓				
Don Giarratano	✓				
Diana Love	✓				
Michael Mark	✓				
Marlo Richardson	✓				
Johnny Simpson	✓				
Nancy Springer	✓				

The Enforcement Committee adjourned at approximately 10:33 a.m.



CONTRACTORS STATE LICENSE BOARD

PUBLIC AFFAIRS COMMITTEE SUMMARY REPORT

Public Affairs Committee Summary Report

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

Diana Love, Committee Chair, called the Contractors State License Board (CSLB) Public Affairs Committee meeting to order at 10:33 a.m. on Wednesday, November 4, 2020. A quorum was established.

Committee Members Present

Diana Love, Chair
Kevin Albanese
Don Giarrantano
Michael Mark
Marlo Richardson
Johnny Simpson
Nancy Springer

Board Members Present

Frank Altamura, Jr.
Augie Beltran
Rodney Cabos
David De La Torre
Miguel Galarza
Susan Granzella
Jim Ruane
Mary Teichert

CSLB Staff Present

Dave Fogt, Registrar	Phyliz Jones, Executive Staff
Tonya Corcoran, Chief Deputy Registrar	Rick Lopes, Chief of Public Affairs
Claire Goldstene, Public Affairs Staff	Shelly Jones, DCA Staff
Jason Hurtado, Legal Counsel	Justin Paddock, Chief of Licensing
Michael Jamnetski, Chief of Legislation	Stacey Paul, Budget Office
Jessie Flores, Deputy Chief, Enforcement	Jason Perez, Chief of IT

Committee Chair Diana Love noted that this marks Chief of Public Affairs' Rick Lopes last meeting with CSLB after 16 years before he begins a new job with the Department of Real Estate. Ms. Love thanked Chief Lopes for his years of service to CSLB and acknowledged the certificate of recognition that he received during the November 4, 2020, Executive Committee meeting.



Kevin Albanese thanked Mr. Lopes for his work representing CSLB to consumers and wished him all the best.

Nancy Springer noted how much she enjoyed working with Mr. Lopes, especially in post-disaster work, thanked him for all his work for CSLB, including assistance with the transition to virtual meetings, and noted that she hopes to continue to work together as he moves to his new position.

Chief of Public Affairs Rick Lopes thanked everyone on the committee and the board and commented that throughout his years at CSLB he has worked with 47 different board members, all of whom have been very supportive of Public Affairs efforts. He thanked board members for their continued support, the staff in the Public Affairs Office, and the registrar and chief deputy registrar. He also noted his pride that throughout his years, the only PAO staff that have left have either retired or promoted..

B. Public Comment

There was no public comment.

C. Update and Discussion on CSLB Response to 2020 Wildfires

Committee Chair Diana Love introduced this item by noting that CSLB dedicates a significant amount of resources to its post-disaster response to protect survivors from being victimized by unlicensed or predatory contractors.

Chief of Public Affairs Rick Lopes reviewed CSLB's current post-disaster response efforts and noted that while these efforts date back to the 1990s, the last three years have been especially active. He also reported that five of the six largest fires in state history occurred in last three months and damaged or destroyed 9,200 structures.

Mr. Lopes explained that because of the timeframes involved in rebuilding following a disaster, CSLB's outreach efforts in response to a particular fire can extend a number of years. Thus, while outreach in response to prior fires continues, CSLB simultaneously responds to new fires as they erupt.

He explained that disaster response begins with supporting local assistance centers with both staff and material resources. Because of COVID, some LACs have been virtual only; in some instances, CSLB has sent materials only; and in some cases, in response to requests from particular counties, CSLB has sent staff. When approved by the county for CSLB to provide remote assistance a secondary disaster phone line was established so those visiting the LAC could call CSLB directly for assistance.

He also explained that Enforcement staff post warning signs about the risks of unlicensed contracting throughout disaster areas, often in partnership with the Department of Insurance and local district attorney offices.



Mr. Lopes also outlined a variety of additional disaster response efforts, including: waiving certain fees for licensees who are disaster survivors; participating on both a housing and debris removal taskforce; active social media outreach and efforts to expand CSLB's presence on NextDoor; and continued disaster workshops for both consumers and contractors who want to work in disaster areas, for which board member participation is welcome.

He also reported that in response to the recent fires in Oregon, CSLB reached out to staff at the Oregon Construction Contractors Board to offer assistance and to share best practices and material.

Board Member Comment:

Nancy Springer commented that all of these efforts, from social media to sign posting to the workshops are effective and serve consumers in important ways by letting them know that CSLB is present. Ms. Springer thanked staff for all of their work related to disaster response, which can be difficult and emotional, and said that she is available to help with future workshops.

Committee Chair Diana Love expressed her hope about continuing conversations related to ongoing outreach to seniors.

D. Update and Discussion on Outreach to Potential Licensees

Chief of Public Affairs Rick Lopes presented this item. He explained that the number of CSLB licenses peaked in 2009 and then declined, but employment in the construction industry has grown over the last number of years, so staff began to consider what CSLB can do to attract those working in the industry to apply for a license.

Staff have identified four areas of outreach as part of this effort:

1. Outreach to promote the new B-2 Residential Remodeling classification
2. Conducting the monthly licensing applicant workshop virtually—generally, there are between 200 and 300 attendees; Board Member Jim Ruane will offer welcoming comments at the November 6, 2020, workshop
3. Outreach to minority and low-income communities—ensure that information about CSLB is available in these communities to educate those working in the industry about the benefits of becoming licensed



4. Outreach to women in construction—will be discussed in more detail during the upcoming Licensing Committee meeting

Chief Lopes reported that next steps will involve establishing partnerships with potential allies and that a meeting with a representative from the Los Angeles Urban League is being scheduled.

Board Member Comment

Nancy Springer asked about planned outreach around the new B-2 license. Mr. Lopes responded that Public Affairs plans to use various avenues to inform the industry about the new license, including the newsletter, social media, industry bulletins, and the website. Initial focus will be on the scope and limitations of the new license.

Public Comment

Scott Latracco asked about the difference between the “B” license and the B-2 license, particularly in regard to the exams. Registrar Fogt responded that the B-2, called the Residential Remodeling classification was developed to meet the remodeling needs of consumers; it does not require substantial framing or rough carpentry experience, as the “B” General Building license does. He noted that CSLB has found that many applicants for the “B” license lack this experience but would likely meet the requirements for the new B-2 license. He also said that the exam will focus on the workmanship issues that CSLB learns about through consumer complaints related to remodeling work.

E. Review, Discussion, and Possible Action to Amend the 2019-21 Public Affairs Strategic Plan Objectives

Chief of Public Affairs Rick Lopes presented this item and briefly reviewed each strategic plan objective:

4.1—Distribute a calendar of key events to board members: Because of the restrictions associated with COVID, there have been fewer events for board members to participate in, but that board members have offered welcoming remarks at the virtual licensing workshops and that there will likely be future opportunities as outreach around the recent wildfires gets underway.

4.2—Formalize CSLB’s disaster response: Plan is being updated to accommodate changes related to COVID.

4.3—Conduct workload analysis for Public Affairs Office: Work has been completed. A Television Specialist was hired some months ago.



- 4.4—Increase publicity of enforcement actions: CSLB’s Most Wanted was relaunched and new individuals added.
- 4.5—Research feasibility of text alert system: Other IT priorities have taken precedence and will need to develop process to gather licensee cellphone numbers.
- 4.6—Expand website content: This work is ongoing and a joint effort between IT and Public Affairs.
- 4.7—Develop online license application: Focus has shifted to developing process for online renewals.
- 4.8—Create orientation video for new staff and board members: Production on this has begun.
- 4.9—Review and update website content: Work on ADA compliance and website accessibility continues, along with work to ensure accuracy of information.
- 4.10—Develop online courses for licensees: Course for building permit violations has been completed and is available; working with Licensing and Enforcement to identify opportunities to expand future offerings.

F. Adjournment

MOTION: To adjourn the November 4, 2020, Public Affairs Committee meeting. Johnny Simpson moved; Kevin Albanese seconded.

Committee Chair Diana Love adjourned the Public Affairs Committee meeting at approximately 11:16 a.m.

AGENDA ITEM D-2

Registrar's Report

- a. Tentative Board Meeting Schedule
- b. Status Update on Contract with Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems





Consultant to Study Battery Energy Storage Systems—Status Update

Background

At its December 12, 2019 meeting, the board directed staff to retain an outside consultant to study the appropriate contractor classifications to install solar-paired battery energy storage systems. On March 4, 2020, CSLB published a request for proposal (RFP) to contract with a consultant for this study, with a submission deadline of May 6, 2020.

On April 30, 2020, the California Department of Finance issued budget letter 20-11 that, among other things, precludes departments from entering into new service contracts, unless an agency secretary or cabinet-level director grants an exemption.

In response to that budget letter, on May 11, 2020, the Department of Consumer Affairs requested an explanation from CSLB about the critical nature of this contract. That same day, CSLB submitted a formal request that this consultant contract be exempt from the budget letter prohibitions. On June 4, 2020, the Business, Consumer Services, and Housing Agency (BCSH) approved the exemption request.

The process of selecting the consultant followed requirements set forth by state contracting rules and was conducted by the Department of Consumer Affairs, with a CSLB evaluation team comprised of Registrar David Fogt, Chief Deputy Registrar Tonya Corcoran, and Administration Chief Mike Melliza.

Between August and September of 2020, CSLB and DCA engaged in a comprehensive three-phase evaluation process. The first two phases involved reviewing the written and oral presentations of prospective bidders. DCA independently performed the final cost component evaluation.

DCA awarded the contract to the bidder who accumulated the highest final score (factoring in technical, oral presentation, cost components). On September 11, 2020, DCA issued a “Notice of Intent to Award” to the winning bidder, the Institute for Research on Labor and Employment (IRLE) at University of California (UC), Berkeley. As required, this notice was physically posted at DCA and CSLB headquarters and online at [FI\\$CAL.ca.gov](http://FI$CAL.ca.gov). CSLB took the additional measure of posting the notice on the Energy Storage System page on CSLB’s website: www.cslb.ca.gov. DCA has confirmed no protests were filed within the five- business day protest period.

UC Berkeley has performed a preliminary review of available public data regarding this matter, which includes the testimony of more than 300 people and hundreds of documents submitted by interested parties and prepared by CSLB, and has advised



staff it may take up to six months to complete their report to the board. CSLB anticipates the contract to be executed by January 1, 2021.

Noted below is the proposed timeline of the anticipated three-phase next steps in the process.

Proposed Timeline to Hire Consultants to Research and Draft Report on Battery Energy Storage Systems

PHASE 1

Hire consultants to research and draft report.

DCA will draft and execute the contract with the UC Berkeley. The tentative contract term dates are January 1, 2021 through June 30, 2021.

January 1, 2020 through June 30, 2021: The consultant researches and prepares a report that will assist CSLB in determining if there is a need to modify its existing regulations regarding the appropriate classification to contract and install battery energy storage systems (BESS).

The report will include an analysis of BESS issues that the CSLB Legislative Committee identified for study at its November 2019 meeting, and that CSLB staff included in the RFP.

The BESS issues identified for study are identified on page 3 of the March 4, 2020 Request for Proposal, and are listed here as follows:

1. Considering BESS risk, hazard, size and complexity considerations, is there an existing or prospective harm to public safety, and if so what is the likelihood of the existing or prospective harm occurring and/or will that harm be fixed by enacting a regulation?
2. Whether the solar contractor classification should be authorized in regulation to install a BESS and if so to what extent/in what way?
3. Applicability of state and national standards and codes to these inquiries.
4. Economic impact analysis of a restriction on the CSLB Solar Contractor regulation (California Code of Regulations (CCR), Title 16, Division 8, Article 3, Section 832.46, hereafter the "C-46" license).
5. An analysis of applicable knowledge, skills and training as it relates to the installation of BESS.

PHASE 2

CSLB determines what, if any, regulatory changes are necessary, in consideration of the consultant's report.



June/July 2021: CSLB will publish the consultant report and post it to its website.

June/July 2021: At a regularly scheduled quarterly public meeting, board members will review and discuss the report and take comment from members of the public and stakeholders.

The board could:

- Vote to adopt the report’s recommendations in their entirety and without further changes
- Make their own recommendations, which may include accepting parts of the report and rejecting other aspects of the report’s recommendations
- Take no action

If the board votes to change the existing regulatory language or create a new regulation CSLB staff would begin drafting regulations as described below in Phase 3.

PHASE 3

If regulations are required, CSLB drafts regulations and proceeds with the regulatory rulemaking process.

July 2021: CSLB staff draft proposed regulatory language.

August 2021: Legislative Committee reviews proposed regulatory language at a regularly scheduled public meeting of the committee, takes public comment from members of the public and stakeholders. Legislative Committee could vote to approve recommending draft rulemaking to full board or could direct staff to make additional changes to rulemaking text.

If Legislative Committee approves first draft of proposed regulatory language:

September 2021: CSLB full board meets to review draft regulatory language and may authorize staff to initiate rulemaking. CSLB board could approve filing rulemaking with the Office of Administrative Law.

September 2021 to May 2022: CSLB staff work with DCA and BCSH attorneys to finalize regulatory package. CSLB staff work with DCA attorneys to draft Initial Statement of Reason, Notice of Proposed Regulatory Action, Fiscal Impact Analysis, and other documents required for OAL. DCA Director and BCSH Secretary review and approve package.



May 2022 to June/July 2022: CSLB submits Initial Statement of Reasons, text, economic impact analysis, and other required documents to OAL. Mandatory 45-day comment period begins.

July 2022 to May 2023: Rulemaking public comment periods. Each time CSLB amends the draft text based on comments received, the package must go out for at least a 15-day comment period. The package must be finalized with OAL within one year of filing the Initial Statement of Reasons and Notice. It is anticipated the entire year will be needed, given stakeholder interest. Stakeholders could also request a public hearing specifically to comment on the regulations.

June 2023: CSLB full board presented an opportunity to review and give final approval to proceed with the rulemaking at a regularly scheduled quarterly public meeting of the board

June 2023 to December 2023: CSLB finalizes Final Statement of Reasons and rulemaking package with DCA and BCSH.

December 2023: CSLB files final package with OAL. OAL has 30 working days to review and approve (or disapprove).

January 2024 to April 2024: CSLB regulations become effective pursuant to OAL's quarterly calendar with Secretary of State (January, April, July or October), depending on when package is filed with OAL. CSLB could incorporate a delayed implementation date into the regulations, if so desired.

AGENDA ITEM D-3

Review, Discussion, and Possible Action to Amend the Board Member Administrative Procedure Manual





Board Member Administrative Procedures Manual

The Board Member Administrative Procedures Manual was created more than 15 years ago to provide board members a guide on important laws and regulations, board and Department of Consumer Affairs policies, as well as to delineate board member and staff responsibilities. The manual helps ensure that the board operates in an effective, efficient, and legal manner.

The board last approved updates to the manual in April 2018. Proposed revisions are noted as underline to incorporate new language or to clarify existing language, and as ~~strikeout~~ to remove redundant or obsolete language.

The Executive Committee reviewed the manual at their November 4, 2020 meeting.

Executive Committee Recommendation

That the full board approve the proposed updates and revisions to the Board Member Administrative Procedures Manual.

2020

2018

BOARD MEMBER ADMINISTRATIVE
PROCEDURE MANUAL



**CONTRACTORS STATE
LICENSE BOARD**

Table of Contents

	Page
Chapter 1. Introduction	
Overview	1
Mission, Vision, and Values	2
General Rules of Conduct	2 3
Chapter 2. Board Meeting Procedures	
Bagley-Keene Open Meeting Act	3 4
Frequency of Meetings	3 4
Location	3 4
Board Member Attendance at Board Meetings	3 4
Quorum	3 4
Agenda Items	4 5
Notice of Meetings	4 5
Notice of Meetings to be Posted on the Internet	4 5
Record of Meetings	4 5
Voting on Motions	5 6
Audio/Visual Recording	5 6
Meeting Rules	5 6
Public Attendance at Board Meetings	5 6
Public Comment	6 7
Closed Session	7 8
Other types of Board Meetings	8 9
Teleconference Meetings	8 9
Special Meetings	8 9
Emergency Meetings	8 9
Chapter 3. Committee Meetings	
Committee Appointments	9 10
Attendance at Committee Meetings	10 11
Participation at Committee Meetings	10 11
Committee Meetings Quorum	10 11
Chapter 4. Selection of Officers	
Officers of the Board	11 12
Nomination of Officers	11 12
Election of Officers	11 12
Officer Vacancies	11 12



Chapter 5. Travel and Salary Policies and Procedures

Travel Approval 12 13
 Travel Arrangements 12 13
 Concur 12 13
 Lodging 12 13
 Out-of-State Travel..... 12 13
 Travel Reimbursements 13 14
 Salary Per Diem 13 14

Chapter 6. Board Administration and Staff Responsibilities

Board Administration..... 15 16
 Board Budget..... 15 16
 Strategic Planning 15 16
 Legislation..... 15 16
 Registrar Evaluation 16 17
 Board Staff 16 17

Chapter 7. Representations on Behalf of the CSLB

Communication, Other Organizations and Individuals..... 17 18
 Public or News Media Inquiries 17 18
 Stationery 17 18
 Business Cards 17 18
 Letterhead..... 17 18

Chapter 8. Training

Board Member Orientation Training 18 19
 Board Member Ethics Training 18 19
 Sexual Harassment Prevention Training 18 19
 Defensive Drivers Training..... 18 19

Chapter 9. Other Policies and Procedures

Board Member Disciplinary Actions..... 19 20
 Removal of Board Members 19 20
 Resignation of Board Members 19 20
 Conflict of Interest 20 21
 Financial Disclosure 20 21
 Incompatible Activities 21 22
 Contact with License Applicants..... 21 22
[Contact with Parties to a Complaint/Investigation 23](#)
 Gifts from License Applicants 22 23
 Request for Records Access..... 22 23
 Ex Parte Communications..... 22 23

Abbreviations and Acronyms Glossary..... 23 25



Chapter 1. Introduction

Overview

The Contractors State License Board (CSLB) was created by the California Legislature in 1929 as the Contractors License Bureau under the Department of Professional and Vocational Standards to safeguard the public's health, safety, and welfare. Today, CSLB is one of the boards, bureaus, commissions, and committees within the Department of Consumer Affairs (DCA), part of the Business, Consumer Services and Housing Agency under the aegis of the Governor. The Department is responsible for consumer protection and representation through the regulation of licensed professions and the provision of consumer services. While DCA provides administrative oversight and support services, CSLB has policy autonomy and sets its own policies and procedures, and initiates its own regulations.

The Board is comprised of 15 members. By law, nine are public members (eight non-contractors and one local building official), five are contractors, and there is one labor representative. Eleven appointments are made by the Governor. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members. Board members may serve up to two full four-year terms. Board members fill non-salaried positions, but are paid \$100 per day for each meeting day or day spent in the discharge of official duties (see Section entitled "Salary Per Diem") and are reimbursed for travel expenses.

This Board Member Administrative and Procedures Manual is provided to Board members as a ready reference of important laws, regulations, DCA policies, and Board policies to guide the actions of Board members and ensure Board effectiveness and efficiency.

Mission, Vision, and Values

Mission

~~CSLB protects consumers by regulating the construction industry through licensure, enforcement, and education.~~ CSLB protects 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 Board accomplishes this by:

- Ensuring that construction is performed in a safe, competent, and professional manner;
- Licensing contractors and enforcing licensing laws;
- Requiring licensure for any person practicing or offering to practice construction contracting;
- Enforcing the laws, regulations, and standards governing construction contracting in a fair and uniform manner;
- Providing resolution to disputes that arise from construction activities; and
- Educating consumers so they can make informed choices.

Vision

CSLB is a model consumer protection agency, providing regulatory oversight of the construction industry as essential to the protection of consumers and licensed contractors.

Values

CSLB provides the highest quality throughout its programs by:

- Being responsive and treating all consumers and contractors fairly;
- Focusing on prevention and providing educational information to consumers and contractors;
- Embracing technology and innovative methods to provide services; and
- Supporting a team concept and the professional development of staff.

General Rules of Conduct

- Board Members shall not speak or act for the Board without proper authorization from the Board Chair.
- Board members shall maintain the confidentiality of confidential documents and information.
- Board members shall commit the time to prepare for Board responsibilities.
- Board members shall recognize the equal role and responsibilities of all Board members.
- Board members shall act fairly, be nonpartisan, impartial, and unbiased in their role of protecting the public.
- Board members shall treat all applicants and licensees in a fair and impartial manner.
- Board Members' actions shall serve to uphold the principle that the Board's primary mission is to protect the public.
- Board members shall not use their positions on the Board for personal, familial, or financial gain.

Chapter 2. Board Meeting Procedures

Bagley-Keene Open Meeting Act

All meetings of the CSLB are subject to the Bagley-Keene Open Meeting Act ("Act"), which governs meetings of the state regulatory boards and committees of those boards. The Act specifies meeting notice and agenda requirements, and prohibits discussing or taking action on matters not included on the agenda.

This Act is summarized in the "Guide to the Bagley-Keene Open Meeting Act" developed by DCA's Legal Affairs Division, available on-line at www.dca.ca.gov and distributed to Board Members at the beginning of each calendar year.

Frequency of meetings

(Business & Professions Code sections 7006)

The Board shall meet at least once each calendar quarter for the purpose of transacting such business as may properly come before it. Regular Board Meeting dates are established by fiscal year (July 1 through June 30).

Location

(Board Policy)

CSLB chooses meeting locations that are ADA (The Americans with Disabilities Act) compliant and easily accessible to the public. CSLB will hold board meetings in different locations throughout the state. CSLB also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.

Board Member Attendance at Board Meetings

(Board Policy)

Board Members shall attend each meeting of the Board. If a member is unable to attend, he or she must contact the Board Chair or the Registrar and ask to be excused from the meeting for a specific reason. If the absence is approved, it will be recorded as an "approved absence" in Board records. Should a member miss two consecutive meetings, the CSLB Chair may notify the Director of the DCA.

Quorum

(B&P Code section 7007)

Eight Board members constitute a quorum for the transaction of business. The concurrence of a majority (more than one-half of the entire body) who are present and voting at a meeting shall be necessary to constitute an act or decision of the Board.

Agenda Items

(Board Policy)

The CSLB Chair, with the assistance of the Registrar, shall prepare the agenda and tentative meeting timeframe. Any Board member may submit items for a Board meeting agenda to the Registrar 15 days prior to the meeting.

Notice of Meetings

(Government Code section 11120 et seq.; Business and Professions Code section 101.7)

Meeting notices (including agendas for Board meetings) shall be sent to persons on the Board's mailing or email list at least 10 calendar days in advance. The agenda mailing list shall include a staff person's name, work address, and work telephone number who can provide further information prior to the meeting. The mailing list shall include all CSLB Board Members, as well as those parties who have requested notification.

Notice of Meetings to be Posted on the Internet

(Government Code Section 11125 et seq.)

Unless the meeting meets the requirements for a special or emergency meeting under the Act, notice shall be given and also made available on the Internet at least 10 calendar days in advance of the meeting, and shall include the name, address, and telephone number of a staff person who can provide further information prior to the meeting, but need not include a list of witnesses expected to appear at the meeting. The written notice shall additionally include the Internet address where notices required by the Act are made available.

Record of Meetings

(Board Policy)

The minutes are a summary, not a transcript, of each Board meeting. They shall be prepared by Board staff and submitted for review by Board members before the next Board meeting. The minutes must contain a record of how each member present voted for each item on which a vote was taken. Board minutes shall be approved at the next scheduled meeting of the Board. When approved, the minutes shall serve as the official record of the meeting.

Voting on Motions

All votes must be taken publicly. Secret ballots and proxy votes are prohibited. A majority of the board or committee vote is determined by the votes actually cast. Abstentions are recorded, but not counted, unless a law provides otherwise.

Options for Board members:

- 1) Support / in Favor / Yes / Aye
- 2) Oppose / No / Nay
- 3) Abstain (not counted as a vote)
- 4) Recused (not counted as a vote)

Audio/Visual Recording

(Board Policy)

The meeting may be audio/video recorded and/or broadcast live via the Internet. Recordings may be disposed of upon Board approval of the minutes; broadcasts may be available in perpetuity. If a webcast of the meeting is intended, it shall be indicated on the agenda notice.

Meeting Rules

(Board Policy)

The Board will use Robert's Rules of Order, to the extent that it does not conflict with state law (e.g., Bagley-Keene Open Meeting Act), as a guide when conducting the meetings.

Public Attendance at Board Meetings

(Government Code section 11120 et seq.)

All meetings are open for public attendance.

Public Comment

(Board Policy)

Discussion of items not on a noticed agenda violates the Act's advance notice provision. However, the Board may accept public testimony on an item not on the agenda, provided that the Board takes no action or does not discuss the item at the same meeting. For items not on the agenda that the Board wishes to address, the Chair may refer a member of the public to staff or the Registrar, or refer the matter for placement on a future agenda. The Board cannot prohibit public criticism of the Board's policies or services. The Chair may set reasonable time limitations.

Public comment must be allowed on open session agenda items before or during discussion of each item and before a vote, unless the public was provided an opportunity to comment at a previous committee meeting of the Board, where the committee consisted exclusively of Board members. If the item has been substantially changed since the Committee meeting, the Board must provide another opportunity for comment at a later meeting.

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

1. If, during a Board meeting, a person attempts to provide the Board with substantive information regarding matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the person shall be advised that the Board cannot properly consider or hear such substantive information and the person shall be instructed to refrain from making such comments. The Board may ask or direct a staff member to speak with the person directly outside the confines of the meeting room.
2. If, during a Board meeting, a person wishes to address the Board concerning alleged errors of procedure or protocol or staff misconduct involving matters that are currently under or subject to investigation or involve a pending administrative or criminal action, the Board will address the matter as follows:
 - a. Where the allegation involves errors of procedure or protocol, the Board may designate either its Registrar or a Board employee to review whether the proper procedure or protocol was followed and to report back to the Board.

- b. Where the allegation involves significant staff misconduct, ~~the Board may designate one of its members to review the allegation and to report back to the Board.~~ the Registrar will follow state law, departmental policies and procedures to investigate.

The Registrar may also refer the matter to DCA for investigation.

3. The Board may deny a person the right to address the Board and have the person removed if such person becomes disruptive at the Board meeting.

Closed Session

(Government Code Section 11126)

Examples of types of Closed Session meetings include:

- Discuss and vote on disciplinary or enforcement matters under the Administrative Procedure Act (APA);
- Prepare, approve, or grade examinations;
- Discuss pending litigation; or;
- Discuss the appointment, employment, [evaluation](#) or dismissal of the Registrar unless the Registrar requests that such action be taken in public.

If the agenda contains matters which are appropriate for closed session, the agenda shall cite the particular statutory section and subdivision authorizing the closed session.

No members of the public are allowed to remain in the meeting room for closed sessions. At least one staff member must be present at all closed sessions to record topics discussed and decisions made. Closed session must be specifically noticed on the agenda (including the topic and legal authority). Before going into closed session the Board Chair should announce in open session the general nature of the item or items to be discussed. If the item involves the Registrar's employment, appointment, [evaluation](#) or dismissal, and action is taken in closed session, CSLB must report that action and any roll call vote that was taken at the next public meeting.

OTHER TYPES OF BOARD MEETINGS

Teleconference Meetings

(Government Code Section 11123)

Special Rules for Notice of Teleconference Meetings are as follows:

- Same 10-day notice requirement as in-person meetings.
- Notice and agenda must include teleconference locations.
- Every teleconference location must be open to the public and at least one Board Member must be physically present at every noticed location. All Board Members must attend the meeting at a publicly noticed location.
- Additional locations may be listed on the agenda that allow the public to observe or address the Board by electronic means.

Special Meetings

(Government Code Section 11125.4; Business and Professions Code Section 7006)

Four members can call a special meeting held with 48 hours' notice in specified situations (e.g., consideration of proposed legislation) and a meeting can be held where two-thirds of the Board members find that there is a "substantial hardship on the state body or immediate action is required to protect the public interest."

Emergency Meetings

(Government Code Section 11125.5)

An emergency meeting may be held after finding by a majority of the Board at a prior meeting or at the emergency meeting that an emergency situation exists due to work stoppage or crippling disaster. [A quorum is required for the Board to meet in the event of emergency, such as a work stoppage or crippling disaster.] Emergency meetings require a one hour notice.

Chapter 3. Committee Meetings

Standing Committees of the Board:

- Enforcement
- Licensing
- Legislative
- Public Affairs
- Executive

The Board Chair appoints each Committee Member, with the exception of the Executive Committee, which shall be comprised of the current Board Chair, the Vice Chair, the Secretary, and the immediate past Board chair.

Each Committee shall have a Chairperson, designated by the Board Chair, and who is tasked with:

- Running committee meetings
- Opening and adjourning committee meetings
- Coordinating the creation of the summary reports with staff
- Presenting committee meeting reports and minutes to the Board

Committee Appointments

(Board Policy)

At the beginning of each fiscal year, the newly appointed Board Chair will ask CSLB Board Members if they wish to participate on a committee for the following year. The Registrar's Executive Assistant will compile a list of interested parties and supply it to the Chair. The Chair shall establish or abolish additional committees, as he or she deems necessary. Composition of the committees and the appointment of the members shall be determined by the Board Chair in consultation with the Registrar. When committees include the appointment of non-Board members, all interested parties should be considered. Committee Officers term lengths are for one year, beginning July 1 of the next fiscal year.

Attendance at committee meetings

(Board Policy)

If a board member wishes to attend a committee meeting of which he or she is not a member, the Board member shall obtain permission to attend from the Board Chair and shall notify the committee chair and staff. Board members who are not members of the committee that is meeting cannot vote during the committee meeting. ~~If there is a quorum of the Board at a committee meeting,~~ Board members who are not members of the committee must sit in the audience and cannot participate in committee deliberations.

Participation at Committee Meetings

(Government Code section 11122.5 et seq.)

When a majority of the members of the Board are in attendance at an open and noticed meeting of a standing committee, members of the Board who are not members of the standing committee may attend only as observers. Board members who are not members of a committee where a majority of the members of the Board committee are present, cannot ask questions, talk or sit with the members of the committee ~~at the meeting table.~~

Committee Meetings Quorum

A quorum is majority (more than one-half) of those committee members appointed by the Board Chair. Committees can include no more than seven members in order to avoid a full quorum of the Board, which would constitute a full Board meeting.

Chapter 4. Selection of Officers

Officers of the Board

(B&P Code section 7005)

The Board shall elect from its members a Chair, a Vice Chair, and a Secretary to hold office for one year or until their successors are duly elected and qualified.

Nomination of Officers

(Board Policy)

The Board Chair shall appoint a Nominations Committee prior to the last meeting of the fiscal year and shall give consideration to appointing a public and a professional member of the Board to the Committee. The Committee's charge will be to recommend a slate of officers for the following year. The Committee's recommendation will be based on the qualifications, recommendations, and interest expressed by the Board members. A survey of Board members may be conducted to obtain interest in each officer position. A Nominations Committee member is not precluded from running for an officer position. If more than one Board member is interested in an officer position, the Nominations Committee will make a recommendation to the Board and others will be included on the ballot for a runoff if they desire. The results of the Nominations Committee's findings and recommendations will be provided to the Board members. Notwithstanding the Nominations Committee's recommendations, Board members may be nominated from the floor at the meeting.

Election of Officers

(B&P Code section 7005)

The Board shall elect the officers at the last meeting of the fiscal year. Officers shall serve a term of one year, beginning July 1 of the next fiscal year. All officers may be elected on one motion or ballot as a slate of officers unless more than one Board member is running per office. An officer may be re-elected and serve for more than one term.

Officer Vacancies

(Board Policy)

If an office becomes vacant during the year, an election shall be held at the next meeting. If the office of the Chair becomes vacant, the Vice Chair shall assume the office of the Chair. Elected officers shall then serve the remainder of the term.

Chapter 5. Travel and Salary Policies and Procedures

Travel Approval

(DCA Memorandum 96-01)

Board Members shall have Board Chair approval for all travel except for regularly scheduled Board and Committee Meetings to which the Board Member is assigned.

Travel Arrangements

(Board Policy)

Board Members are encouraged to coordinate with the Registrar's Executive Assistant for any Board-related travel arrangements, including air or train transportation, car rental, and lodging through Cal Travel Store's online booking tool, Concur. The Registrar's Executive Assistant will setup Board Members' Concur accounts.

CSLB Board Members must also utilize the most economic source of transportation available. For example, if the hotel provides a shuttle from the airport to the hotel it is not fiscally responsible to rent a car or take a taxi. Reimbursements may be reduced or denied if the most economical sources are not used.

Concur

All Board-related travel must be booked using Cal Travel Store's self-service reservation system, Concur, if a Board member seeks reimbursement.

Lodging

In advance of Board and Committee Meetings, the Registrar's Executive Assistant will provide Members information detailing the name and address of the chosen hotel where a room block has been established for lodging. The Registrar's Executive Assistant is available to assist in making these travel reservations, or Board Members may coordinate them on their own.

Out-of-State Travel

(SAM Section 700 et seq.)

Out-of-state travel for all persons representing the state of California is controlled and must be approved by the Governor's Office.

Travel Reimbursements

(SAM section 700 et seq. and DCA Memorandum 96-01)

Rules governing reimbursement of travel expenses for Board Members are the same as for management-level state staff. Board members must submit the originals of all receipts, with the exception of meals, and, when applicable, a copy of the airline itinerary and hotel receipt showing the balance paid, to the Registrar's Executive Assistant. Reimbursement requests for personal vehicle mileage must include where the trip originated from, where it ended, and the license plate number of the vehicle driven.

All travel must be booked through Concur if the Board Member seeks reimbursement.

The Registrar's Executive Assistant completes Travel Expense Claim reimbursements in CalATERS Global and maintains copies of these reports and submitted receipts. It is advisable for Board Members to submit their travel expenses immediately after returning from a trip and not later than two weeks following the trip.

Salary Per Diem

(B&P Code section 103)

Compensation in the form of salary per diem and reimbursement of travel and other related expenses for Board Members is regulated by B&P Code section 103.

In relevant part, this section provides for the payment of salary per diem for Board members "for each day actually spent in the discharge of official duties," and provides that the Board member "shall be reimbursed for traveling and other expenses necessarily incurred in the performance of official duties."

Accordingly, the following general guidelines shall be adhered to in the payment of salary per diem or reimbursement for travel:

1. No salary per diem or reimbursement for travel-related expenses shall be paid to Board members except for attendance at official Board or committee meetings, unless a substantial official service is performed by the Board Member. Attendance at gatherings, events, hearings, conferences or meetings other than official Board or committee meetings in which a substantial official service is performed shall be approved in advance by the Board Chair. The Registrar shall be notified of the event and approval shall be obtained from the Board Chair prior to Board Member's attendance.

2. The term “day actually spent in the discharge of official duties” shall mean such time as is expended from the commencement of a Board Meeting or Committee Meeting to the conclusion of that meeting. Where it is necessary for a Board Member to leave early from a meeting, the Board Chair shall determine if the member has provided a substantial service during the meeting and, if so, shall authorize payment of salary per diem and reimbursement for travel-related expenses.

For Board-specified work, Board Members will be compensated for actual time spent performing work authorized by the Board Chair. That work includes, but is not limited to, authorized attendance at other gatherings, events, meetings, hearings, or conferences, and NASCLA or CLEAR committee work. That work does not include preparation time for Board or committee meetings. Board Members cannot claim salary per diem for time spent traveling to and from a Board or Committee Meeting.

Chapter 6. Board Administration and Staff Responsibilities

Board Administration

(DCA Reference Manual)

Board members should be concerned primarily with formulating decisions on Board policies rather than decisions concerning the means for carrying out a specific course of action. It is inappropriate for Board members to become involved in the details of program delivery. Strategies for the day-to-day management of programs and staff [personnel matters](#) shall be the responsibility of the Registrar.

Board Budget

(Board Policy)

The Secretary shall serve as the Board's budget liaison with staff and shall assist staff in the monitoring and reporting of the budget to the Board. Staff will conduct an annual budget briefing with the Board with the assistance of the Secretary.

The Registrar or the Registrar's designee will attend and testify at legislative budget hearings and shall communicate all budget issues to the Administration and Legislature.

Strategic Planning

(Board Policy)

The Executive Committee shall have overall responsibility for the Board's Strategic Planning Process. The Vice Chair shall serve as the Board's strategic planning liaison with staff and shall assist staff in monitoring and reporting of the strategic plan to the Board. The Board will conduct a biennial strategic planning session and may utilize a facilitator to conduct the strategic planning process.

Legislation

(Board Policy)

In the event that time constraints preclude Board action, the Board delegates to the Chair of the Legislative Committee for the authority to take action on legislation that would change Contractors State License Law that impacts a previously established Board policy or affects the public's health, safety, or welfare. Prior to taking a position on legislation, the Registrar shall consult with the [Board Chair and the](#) Chair of the Legislative Committee. The Board shall be notified of such action as soon as possible.

Registrar Evaluation*(Board Policy)*

Board members shall evaluate the performance of the Registrar of Contractors on an annual basis [or as necessary](#). The Board Chair will use Board Members' surveys to complete a written summary of the evaluations and then meet with the Registrar to discuss his/her performance during a closed session of a Board Meeting. The original evaluation is signed by the Board Chair and the Registrar and sent to the DCA Human Resources Office for placement in the Registrar's Official Personnel File.

Board Staff*(DCA Reference Manual)*

Employees of the Board, with the exception of the Registrar, are civil service employees. Their employment, pay, benefits, advancement, discipline, termination, and conditions of employment are governed by civil service laws, regulations, and collective bargaining labor agreements. Because of this complexity, it is most appropriate that the Board delegate all authority and responsibility for management of the civil service staff to the Registrar. Board Members shall not intervene or become involved in specific day-to-day personnel transactions or matters.

Chapter 7. Representations on Behalf of the CSLB

Communication, Other Organizations and Individuals

(Board Policy)

All communication relating to any Board action or policy to any individual or organization, including, but not limited to, NASCLA and CLEAR, shall be made only by the Chair of the Board, his or her designee, or the Registrar. Any Board member who is contacted by any of the above should immediately inform the Board Chair or Registrar of the contact. All correspondence shall be issued on the Board's standard letterhead and will be created and disseminated by the Registrar's office.

Public or News Media Inquiries

(Board Policy)

All technical, licensing, or disciplinary inquiries to a CSLB Board or committee member from applicants, licensees, or members of the public should be referred to the Registrar. Contact of a Board or committee member by a member of the news media should be referred to the Chief of Public Affairs.

Stationery

(Board Policy)

- **Business Cards**

Business cards will be provided to each Board Member with the Board's name, address, telephone and fax number, and website at the Board Member's request.

- **Letterhead**

Only correspondence that is transmitted directly by the CSLB office may be printed or written on CSLB letterhead stationery. Any correspondence from a Board or committee member requiring the use of CSLB stationery or the CSLB logo should be transmitted to the CSLB office for finalization and distribution.

Chapter 8. Training

Once a Board Member is appointed, the Registrar's Executive Assistant will send an email containing a list of all the required trainings, their due dates, and instructions about their completion. Board Members should send the certificate of completion or signature page to the Registrar's Executive Assistant who maintains Board Members records. For additional information, Board Members may refer to DCA's online Board Member Resource Center which may be found at: www.dca.boardmembers.ca.gov

Board Member Orientation Training

(Business and Professions Code section 453)

Newly appointed and reappointed Board Members must attend a Board Member orientation training course offered by DCA within one year of assuming office. The orientation covers information regarding required training, in addition to other topics that will ensure a members' success, including an overview of DCA.

Board Member Ethics Training

(AB 2179)

With the passage of AB 2179 (1998 Chapter 364), state appointees and employees in exempt positions are required to take an ethics orientation within the first six months of their appointment and every two years thereafter. To comply with that directive, Board or committee members may take the interactive course provided by the Office of the Attorney General, which can be found at www.oag.ca.gov/ethics.

Sexual Harassment Prevention Training

(Government Code section 12950.1)

Board members are required to undergo sexual harassment prevention training and education once every two years, in odd years. Staff will coordinate the training with the Department of Consumer Affairs.

Defensive Drivers Training

(SAM section 0751)

All state employees, which includes board and committee members, who drive a vehicle (state vehicle, vehicles rented by the state, or personal vehicles for state business) on official state business must complete the Department of General Services (DGS) approved defensive driver training (DDT) within the first six months of their appointment and every four years thereafter.

CHAPTER 9. Other Policies and Procedures

Board Member Disciplinary Actions

(Board Policy)

A member may be censured by the Board if, after a hearing before the Board, the Board determines that the member has acted in an inappropriate manner.

The Chair of the Board shall sit as chair of the hearing unless the censure involves the Chair's own actions, in which case the Vice Chair of the Board shall sit as hearing chair. In accordance with the Bagley-Keene Open Meetings Act, the censure hearing shall be conducted in open session.

Removal of Board Members

(Business and Professions Code sections 106, 106.5, 7005)

The Governor has the power to remove from office at any time any member of any board appointed by him or her for continued neglect of duties required by law or for incompetence or unprofessional or dishonorable conduct. The Governor also may remove from office a Board member who directly or indirectly discloses examination questions to an applicant for examination for licensure.

Resignation of Board Members

(Government Code section 1750)

In the event that it becomes necessary for a Board member to resign, a letter shall be sent to the appropriate appointing authority (Governor, Senate Rules Committee, or Speaker of the Assembly) with the effective date of the resignation. Written notification is required by state law. A copy of this letter also shall be sent to the director of the Department, the Board Chair, and the Registrar.

Conflict of Interest

(Government Code section 87100)

No Board Member may make, participate in making, or in any way attempt to use his or her official position to influence a governmental decision in which he or she knows or has reason to know he or she has a financial interest. Any Board member who has a financial interest shall disqualify him- or herself from making or attempting to use his or her official position to influence the decision. Any Board Member who feels he or she is entering into a situation where there is a potential for a conflict of interest should immediately consult the Registrar or the Board's legal counsel. The question of whether or not a CSLB Member has a financial interest that would present a legal conflict of interest is complex and must be decided on a case-by-case review of the particular facts involved. For more information on disqualifying yourself because of a possible conflict of interest, please refer to the Fair Political Practice Committee's manual on their website: www.fppc.ca.gov.

Financial Disclosure

The Conflict of Interest Code also requires CSLB Board Members to file annual financial disclosure statements by submitting a Form 700 – Statement of Economic Interest. New CSLB Board Members are required to file a disclosure statement within 30 days after assuming office or, if subject to Senate confirmation, 30 days after being appointed or nominated. Annual financial statements must be filed no later than April 1 of each calendar year.

A "leaving of office statement" must be filed within 30 days after an affected CSLB Board Member or other official leaves office.

CSLB Board Members are not required to disclose all of their financial interests. Government Code Section 87302 (b) explains when an item is reportable:

An investment, interest in real property, or income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee by virtue of his or her position.

Refer to DCA's Conflict of Interest Code to determine what investments, interests in property, or income must be reported by a CSLB Member. Questions concerning particular financial situations and related requirements should be directed to DCA's Legal Office.

Incompatible Activities

(Government Code Section 19990)

Following is a summary of the employment, activities, or enterprises that might result in or create the appearance of being inconsistent, incompatible, or in conflict with the duties of state officers:

- Using the prestige or influence of a state office or employment for the officers or employees private gain or advantage, or the private gain or advantage of another.
- Using state time, facilities, equipment, or supplies for the officers or employees private gain or advantage, or the private gain or advantage of another.
- Using confidential information acquired by the virtue of state employment for the officer's or employee's private gain or advantage or advantage of another.
- Receiving or accepting money, or any other consideration, from anyone other than the state for the performance of an act which the officer or employee would be required or expected to render in the regular course or hours of his or her state employment or as a part of his or her duties as a state officer or employee.
- Performance of an act other than in his or her capacity as a state officer or employee knowing that such an act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such officer or employee of the agency by which he or she is employed. (This would not preclude an "industry" member of CSLB from performing normal functions of his or her occupation.)
- Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is seeking to do business of any kind with the state or whose activities are regulated or controlled in any way by the state, under circumstances from which it reasonably could be inferred that the gift was intended to influence him or her in his or her official duties or was intended as a reward for any official action on his or her part.

The aforementioned limitations do not attempt to specify every possible limitation on employee activity that might be determined and prescribed under the authority of Section 19990 of the Government Code. [DCA's Incompatible Work Activities Policy and Procedure OHR 10-01 are included in Appendix A.](#)

Contact with License Applicants

Board Members shall not intervene on behalf of an applicant for licensure for any reason; they should forward all contacts or inquiries to the Registrar.

Contact with Parties to a Complaint/Investigation

Board Members shall not obtain substantial information from parties to a CSLB complaint; they should forward all contacts or inquiries to the Registrar.

Gifts from License Applicants

Gifts of any kind to Board Members or staff from license applicants shall not be permitted.

Request for Records Access

No Board Member may access the file of a licensee or applicant without the Registrar's knowledge and approval of the conditions of access. Records or copies of records shall not be removed from CSLB's office.

Ex Parte Communications

(Government Code section 11430.10 et seq.)

The Government Code contains provisions prohibiting ex parte communications. An "ex parte" communication is a communication to the decision-maker made by one party to an enforcement action without participation by the other party. While there are specified exceptions to the general prohibition, the key provision is found in subdivision (a) of section 11430.10, which states:

"While the proceeding is pending, there shall be no communication, direct or indirect, regarding any issue in the proceeding to the presiding officer from an employee or representative of an agency that is a party or from an interested person outside the agency, without notice and an opportunity for all parties to participate in the communication."

Board members are prohibited from ex parte communications with Board enforcement staff while a proceeding is pending.

Occasionally, an applicant who is being formally denied licensure, or a licensee against whom disciplinary action is being taken, will attempt to directly contact Board members.

If the communication is written, the person should read only far enough to determine the nature of the communication. Once he or she realizes it is from a person against whom an action is pending, they should reseal the documents and send them to the Chief of Enforcement.

If a Board member receives a telephone call from an applicant or licensee against whom an action is pending, he or she should immediately tell the person that discussion about the matter is not permitted; that he or she will be required to recuse him or herself from any participation in the matter; and continued discussion is of no benefit to the applicant or licensee. The Board member should end the conversation in a firm and cordial manner.

If a Board member believes that he or she has received an unlawful ex parte communication, he or she should contact the Board's assigned legal office counsel.

Abbreviations and Acronyms Glossary

ALJ	Administrative Law Judge
ACD	Automated Call Distribution system
ACT	Bagley-Keene Open Meeting Act
ADA	The Americans with Disabilities Act
ADR	Alternative Dispute Resolution
AG	Office of the Attorney General
AGENCY	Business, Consumer Services and Housing Agency
AMCC	Arbitration Mediation Conciliation Center
APA	Administrative Procedure Act
APP	Application for contractor license or Home Improvement Salesperson registration
App Fee	Application Fee Number
ASB	Asbestos Certification
B&P	Business and Professions Code
BCP	Budget Change Proposal
BQI	Bond of Qualifying Individual
Cal/OSHA	DIR Division of Occupational Safety & Health
CAT	Computer Assisted Testing CB Contractor's Bond
CCCP	California Code of Civil Procedure
CCR	California Code of Regulations Cite Citation
CDI	California Department of Insurance
CLC	California Licensed Contractor newsletter
CLEAR	Council on Licensure Enforcement and Regulations
CP/CORP	Corporation
CSLB	Contractors State License Board
CSR	Consumer Services Representative
DAG	Deputy Attorney General
DB	Disciplinary Bond
DBA	Doing Business As
DCA	Department of Consumer Affairs
DDT	Defensive Drivers Training
DGS	Department of General Services
DIR	Department of Industrial Relations
DLSE	Division of Labor Standards Enforcement
DOI	Department of Insurance DCA Division of Investigation
DOL	Department of Labor
DOSH	DIR Division of Occupational Safety & Health (also referred to as Cal/OSHA)
EDD	Employment Development Department
EO	Executive Officer / Registrar of Contractors

ER	Enforcement Representative
ES	Enforcement Supervisor
FSR	Feasibility Study Report
FTA	Failure to Appear
FTB	Franchise Tax Board
HAZ	Hazardous Substances Removal Certification
HIS	Home Improvement Salesperson
IC	Investigative Center
IE	Industry Expert
IEP	Industry Expert Program
IMC	Intake and Mediation Center
IT	Information Technology
IVR	Interactive Voice Response system (automated telephone system)
JV	Joint Venture
LEG	State Legislature, legislative
LETF	Labor Enforcement Task Force
MARB	Mandatory Arbitration Program
MOU	Memoranda(um) of Understanding
MSC	Mandatory Settlement Conference
NASCLA	National Association of State Contractors Licensing Agencies
NTA	Notice to Appear
OA	Occupational Analysis
OSN	On-Site Negotiation Program
PAO	Public Affairs Office
PD	Proposed Decision
PT	Partnership
QPT	Qualifying Partner
RFP	Request for Proposal
RME	Responsible Managing Employee
RMO	Responsible Managing Officer
SAM	State Administrative Manual
SCIF	State Compensation Insurance Fund
SME	Subject Matter Expert
SOI	Statement of Issues
SI	Special Investigator
SSI	Supervising Special Investigator
SSN	Social Security Number
SWIFT	Statewide Investigative Fraud Team
TVDS	Test Validation and Development Specialist
VARB	Voluntary Arbitration Program



CONTRACTORS STATE LICENSE BOARD

P.O. Box 26000
SACRAMENTO, CA 95826-0026

9821 BUSINESS PARK DRIVE
SACRAMENTO, CA 95827
800.321.CSLB (2752)

www.cslb.ca.gov
CheckTheLicenseFirst.com
SeniorScamStopper.com

AGENDA ITEM D-4

Budgets

- a. CSLB Budget Update
- b. Statistics Summary





CONTRACTORS STATE LICENSE BOARD

CSLB BUDGET

CSLB Budget Update

Fiscal Year (FY) 2020-21 CSLB Budget and Expenditures

CSLB's FY 2020-21 authorized Governor's Budget is \$73.6 million (plus an additional \$5.5 million in mandatory external costs = \$79.1 million); however, the board adopted a \$7.1 million expenditure reduction plan to maintain fund solvency through the fiscal year, which modifies the spending budget to \$66.5 million. Through the end of the fiscal year, June 30, 2021, CSLB projects to spend \$66.5 million in expenditures, with an additional \$5.5 million in mandatory external costs, for a total of \$72.0 million in total expenditures.

Expenditures

Through September 30, 2020, CSLB spent or encumbered \$17.4 million, roughly 24 percent of its FY 2020-21 budget:

EXPENDITURE DESCRIPTION	FY 2020-21 BUDGET ACT	SEPTEMBER 2020 EXPENSES	BALANCE	% OF BUDGET REMAINING
PERSONNEL SERVICES				
Salary & Wages (Staff)	28,268,000	5,844,927	22,423,073	79.3%
Board Members	16,000	1,200	14,800	92.5%
Temp Help	800,000	150,252	649,748	81.2%
Exam Proctor	101,000	56,493	44,507	44.1%
Overtime	146,000	6,010	139,990	95.9%
Staff Benefits	15,620,000	3,268,476	12,351,524	79.1%
TOTALS, PERSONNEL	44,951,000	9,327,358	35,623,642	79.2%
OPERATING EXPENSES AND EQUIPMENT (OE&E)				
Operating Expenses	17,604,000	6,613,641	10,990,359	62.4%
Exams – Subject Matter Experts	436,000	0	436,000	100.0%
Enforcement	11,011,000	1,703,032	9,307,968	84.5%
TOTALS, OE&E	29,051,000	8,316,673	20,734,327	71.4%
TOTALS	74,002,000	17,644,031	56,357,969	76.2%
Scheduled Reimbursements (i.e., fingerprint, public sales)	-353,000	-33,056	-319,944	
Unscheduled Reimbursements (i.e., invest. cost recovery)		-175,538	175,538	
GRAND TOTALS	73,649,000	17,435,437	56,213,563	76.3%



Revenue

CSLB received the following revenue through September 30, 2020:

Revenue Category	Through 09/30/2020	Percentage of Revenue	Change from prior year (09/30/2019)
Duplicate License/Wall Certificate Fees	\$29,332	0.2%	-2.6%
New License and Application Fees	\$3,623,599	19.2%	-8.9%
License and Registration Renewal Fees	\$13,147,256	69.7%	20.4%
Delinquent Renewal Fees	\$1,633,340	8.7%	153.6%
Penalty Assessments	\$403,372	2.1%	-20.7%
Misc. Revenue	\$26,744	0.1%	0.0%
Total	\$18,863,643	100.00%	16.8%

CSLB Fund Condition

Below is the fund condition for the Contractors' License Fund, which shows the final FY 2019-20 reserve (\$3.8 million—less than 1.0 months' reserve), along with the projected fund reduction amount for current year (CY) 2020-21 (with \$7.1 million approved reduction in expenditures) through budget year (BY) 2021-22 (see notes below):

<i>(Dollars in thousands)</i>	Final FY 2019-20	Projected CY 2020-21	Projected BY 2021-22
Beginning Balance (Fund/Savings Account)	\$8,403	\$3,822	\$3,875
Revenues and Transfers			
Revenue	\$67,200	\$72,062	\$73,488
Total Resources (Revenue + Fund/Savings Acct.)	\$75,603	\$75,884	\$77,363
Expenditures			
Board Expenditures	\$66,330	\$73,649	\$71,649
External Costs	\$5,451	\$5,460	\$5,460
		-\$7,100	
Total Expenditures	\$71,781	\$72,009	\$77,109
Ending Balance (Fund/Savings Account)	\$3,822	\$3,875	\$ 254
Months in Reserve	0.7	0.7	0.0
Dollars in Reserve	\$3.8 M	\$3.9 M	\$250 K

Notes:

- 1) Board Expenditures include staff pay, benefits, and operating expenses
- 2) External Costs include statewide pro rata
- 3) Revenue assumes no growth in new applications or renewals, and only includes increased renewal fees
- 4) Expenditures based on governor's budget in FY 2020-21, with \$7.1M reduction, and FY 2021-22 assumes same budget from prior year with typical \$2 million reversion



Construction Management Education Account (CMEA) Fund Condition

Below is the CMEA fund condition, which shows the final FY 2019-20 reserve (\$420,000 – approximately 46 months’ reserve), along with the projected reversion amounts for current year (CY) 2020-21 through budget year (BY) 2021-22:

<i>(Dollars in thousands)</i>	Final FY 2019-20	Projected CY 2020-21	Projected BY 2021-22
Beginning Balance	\$ 374	\$ 420	\$ 460
Prior Year Adjustment	\$0	\$0	\$0
Adjusted Beginning Balance	\$ 374	\$ 420	\$ 460
Revenues and Transfers			
Revenue	\$143	\$150	\$150
Totals, Resources	\$ 517	\$ 570	\$ 610
Expenditures			
Disbursements:			
Program Expenditures (State Operations)	\$6	\$10	\$10
Local Assistance Grant Disbursements	\$92	\$100	\$100
Total Expenditures	\$ 98	\$ 110	\$ 110
Fund Balance			
Reserve for economic uncertainties	\$ 420	\$ 460	\$ 500
Months in Reserve	45.8	50.2	54.5



CSLB FY 2020-21 Expenditure Reduction Plan - Modified

To remain solvent until the fee study concludes and revenues increase, the board adopted the following modified expenditure reduction plan at its September 9, 2020 meeting for FY 2020-21. The chart below outlines the approved \$7.1 million annual reduction plan, along with identified savings through September 2020:

Licensing and Testing

ACTION	ANNUAL SAVINGS	FIRST QUARTER SAVINGS
<ul style="list-style-type: none"> Conduct subject matter expert workshops via WebEx or other technology platform to reduce travel costs 	\$250,000	\$120,000

Executive and Administrative

ACTION	ANNUAL SAVINGS	FIRST QUARTER SAVINGS
<ul style="list-style-type: none"> Maintain 20 vacant positions (\$2 million) Savings due to the 9.23 percent reduction in pay to full-time employees (\$2.5 million) 	\$4.5 million	\$1.7 million
<ul style="list-style-type: none"> Delay replacing three vehicles in Enforcement 	\$100,000	\$100,000

Information Technology

ACTION	ANNUAL SAVINGS	FIRST QUARTER SAVINGS
Reduce ADA compliance contract from \$250,000 to \$50,000, and have CSLB staff assume more ADA remediation functions	\$200,000	\$200,000
<ul style="list-style-type: none"> IT contract and purchases savings 	\$250,000	\$50,000

Enforcement

ACTION	ANNUAL SAVINGS	FIRST QUARTER SAVINGS
<ul style="list-style-type: none"> Hold Attorney General’s Office at \$7 million for the year (roughly \$580,000 monthly) 	\$1.0 million	\$220,000
<ul style="list-style-type: none"> Hold the Office of Administrative Hearings at \$1.2 million (roughly \$100,000 monthly) 	\$300,000	No bills received yet from OAH
<ul style="list-style-type: none"> Modify processes to reduce arbitration costs by 40% (from \$900,000 to \$550,000) 	\$350,000	\$60,000
<ul style="list-style-type: none"> Modify procedures to reduce expenditures for industry expert consultants by 20% (from \$750,000 to \$600,000) 	\$150,000	\$120,000
TOTAL SAVINGS	\$7.1 million	\$2.5 million

Notes:

1) First quarter savings were calculated using either actual savings or a combination of prior year ratios and straight-line projections



CONTRACTORS STATE LICENSE BOARD

STATISTICS SUMMARY

Statistics Summary

All Applications Received

Month	2017-18	2018-19	2019-20	2020-21
July	2,624	3,478	4,511	3,323
August	3,141	3,761	4,733	3,863
September	3,254	3,418	4,366	3,441
October	3,188	4,550	4,166	4,324
Total	12,207	15,207	17,776	14,951
			<i>% Change from Prior FY</i>	<i>-15.9%</i>

Original Applications Received (includes exam and waivers)

Month	2017-18	2018-19	2019-20	2020-21
July	1,197	1,454	1,935	1,311
August	1,141	1,815	1,967	1,226
September	1,624	1,595	1,820	1,122
October	1,429	2,182	1,616	1,834
Total	5,391	7,046	7,338	5,493
			<i>% Change from Prior FY</i>	<i>-25.1%</i>
			<i>% of Apps Rcvd are Original Apps</i>	<i>37.0%</i>

Original Licenses Issued

Month	2017-18	2018-19	2019-20	2020-21
July	1,150	1,394	1,426	1,032
August	1,355	1,616	1,331	1,084
September	1,095	1,377	1,293	1,171
October	986	1,580	1,383	1,257
Total	4,586	5,967	5,433	4,544
			<i>% Change from Prior FY</i>	<i>-16.4%</i>
			<i>% Licenses Issued of Original Apps Rcvd</i>	<i>83.0%</i>

Licenses Renewed

Month	2017-18	2018-19	2019-20	2020-21
July	8,153	8,307	11,234	12,460
August	9,283	10,544	9,631	10,396
September	9,534	8,173	9,409	11,507
October	8,805	13,154	7,901	9,252
Total	35,775	40,178	38,175	43,615
			<i>% Change from FY 2018-19</i>	<i>8.6%</i>
			<i>% Change from Prior FY</i>	<i>14.3%</i>

**Original HIS Registrations Issued**

Month	2017-18	2018-19	2019-20	2020-21
July	302	476	677	596
August	420	422	526	487
September	405	442	634	570
October	495	549	579	594
Total	1,622	1,889	2,416	2,247

*% Change from Prior FY -7.0%***HIS Registrations Renewed**

Month	2017-18	2018-19	2019-20	2020-21
July	213	328	408	646
August	402	435	497	714
September	302	354	421	646
October	280	461	387	548
Total	1,197	1,578	1,713	2,554

*% Change from Prior FY 49.1%***License Population by Status**

Status	Nov. 1, 2017	Nov. 1, 2018	Nov. 1, 2019	Nov. 1, 2020
Active	225,803	229,599	232,084	229,400
Inactive	56,767	55,542	54,556	52,828
Total	282,570	285,141	286,640	282,228

*% Change from Prior FY -1.5%***HIS Registration Population by Status**

Status	Nov. 1, 2017	Nov. 1, 2018	Nov. 1, 2019	Nov. 1, 2020
Active	17,450	17,949	20,309	21,749

*% Change from Prior FY 7.1%***Complaints by Fiscal Year**

Complaints	2016-17	2017-18	2018-19	2019-20
Received	18,875	20,674	20,474	18,190
Reopened	971	969	1,124	1,133
Closed	19,390	21,584	21,644	20,272
Pending (As of June 30)	4,734	4,796	4,807	3,898

AGENDA ITEM D-5

Presentation from CPS HR Consulting on Fee Audit Study and Recommendations

- a. Review, Discussion, and Possible Action on
CPS Fee Audit Study and Recommendations
- b. Review, Discussion, and Possible Action on
Legislative Proposal to Implement CPS HR
Fee Audit Study and Recommendations





Fee Audit Study

Update and Summary

At its September 24, 2019 meeting, the board directed staff to conduct a fee study to determine the potential need and appropriate fees for a possible legislative fee increase. The study was initiated in response to an increase in expenditures and projections of insufficient revenue for continued operations.

Following that board meeting, staff began the process of hiring an independent contractor to conduct the fee audit study. In March 2020, CSLB contracted with Cooperative Personnel Services HR Consulting (CPS) to conduct the fee audit. The scope of the audit involved analyzing CSLB's fee structure to determine if the current fees are appropriate to recover the actual costs of operations. CPS concluded its work in October 2020.

CPS's method included a review of staff work time allocations to determine CSLB's current and future expenses for license issuance and maintenance, and related enforcement costs.

The fee audit study includes an analysis of CSLB's projected financial trends and funding gaps as well as a determination of fee adjustments required to cover the fee specific expenditures and to ensure that revenue is sufficient to meet the costs of existing operations.

As outlined in the report, CPS recommendations are based on establishing a five-month fund reserve for CSLB's overall budget to account for economic uncertainties. CPS recommends increases to most existing fees and proposes a new fee for business name changes. In addition, they recommend a two-tier fee structure based on entity type for the Initial Contractors License Fee and Renewal Fee, such that the fees would remain at the current rate for sole owners but would increase for corporations, partnerships, joint ventures, and limited liability companies.

On October 16, 2020, the two-person advisory committee, comprised of Vice Chair Susan Granzella and Board Secretary Mary Teichert reviewed the report with CSLB staff and representatives from CPS consulting.

At the November 4, 2020 Executive Committee meeting, the full committee reviewed the CPS HR fee audit study.

For reference purposes, a comparison of California's current application and renewal fees to other western states of Oregon, Nevada and Arizona is noted in the following chart.



State	Original Application Fee	Initial License Fee	Renewal Fee	Other Fees
California	\$330	\$200	\$450 every two years	\$60 Exam fee included in Original Application fee
Oregon	\$250	\$250	\$250 every two years	Additional Exam fee of \$60 paid directly to vendor, PSI
Nevada	\$300	\$600	\$600 every two years	<p>\$200 admin fee if you have cash bond with board</p> <p>Some must pay Residential Recovery Fund Assessment every 2 years. \$200 (for under \$1 million) \$500 (for above \$1 million but with limits) \$1,000 (for unlimited)</p> <p>Additional Exam fee (2 exams \$140, 1 exam \$95) paid directly to vendor, PSI</p>
Arizona	<p>\$200 (General Commercial-GC)</p> <p>\$100 (Specialty Commercial-SC)</p> <p>\$180 (General Residential-GR)</p> <p>\$80 (Special Residential-SR)</p> <p>\$200 (General Dual-GD)</p> <p>\$100 (Specialty Dual-SD)</p>	<p>\$580 (GC)</p> <p>\$480 (SC)</p> <p>\$320 (GR)</p> <p>\$270 (SR)</p> <p>\$480 (GD)</p> <p>\$380 (SD)</p>	<p>\$580 (GC)</p> <p>\$480 (SC)</p> <p>\$320 (GR)</p> <p>\$270 (SR)</p> <p>\$480 (GD)</p> <p>\$380 (SD)</p>	<p>Recovery Fund Assessments</p> <p>\$0 (GC)</p> <p>\$0 (SC)</p> <p>\$370 (GR)</p> <p>\$370 (SR)</p> <p>\$370 (GD)</p> <p>\$370 (SD)</p> <p>Additional Exam fee of \$66 paid directly to vendor, PSI</p>

Executive Committee Recommendation

That the fee study be forwarded to the full board for consideration.

Consultants for CPS HR will present the fee audit study to the full board at the December 10, 2020 meeting.

October 16, 2020

FINAL REPORT

Contractors State License Board: Fee Study

PREPARED BY:

CPS HR Consulting

2450 Del Paso Rd, Suite 220

Sacramento, CA 95834

P: 916-263-3614

www.cpshr.us



Your Path to Performance

Table of Contents

Introduction	3
Project Scope and Objectives	3
Approach and Methodology	4
Project Initiation and Project Management	4
Revenue and Expense Analysis.....	4
Funding Gap Analysis.....	4
Fee Costing Analysis Methodology	5
CSLB Staffing and Functions	6
Board Members	7
Executive Office	7
Division of Administration	7
Office of Information Technology	7
Licensing and Examination Division	7
Enforcement Division.....	9
Licensing, Exam, and Enforcement Workload Statistics.....	11
Licensing Program.....	11
Examination Program	15
Enforcement Program.....	16
Current Fees and Fee History.....	18
Fee Level History.....	19
Revenue and Expense Analysis	19
Fee and Non-Fee Scheduled Revenue	21
Selected Fee Revenue Analysis.....	22
Expense Analysis	23
Personnel Services Expenses	24
Operating Expenses and Equipment (Non-Enforcement)	25
External Enforcement	27
Reimbursement as Expense Offsets.....	28
Funding Gap Analysis	29
Closing the Gap – Identifying Needed Revenue	30

Fee Costing Analysis.....	31
Work Allocation Analysis.....	31
Distribution of Expenses.....	35
Determination of Initial Fee Levels and Adjustments.....	37
Additional Considerations	38
COVID-19 Pandemic Implications	38
Possible Impact of Current Recession on CSLB Revenue Projections.....	38
Recommended Fee Levels.....	42
Projected Fund Condition with Recommended Fees.....	43
Sole Owner vs. Non-Sole Owner Fees.....	44
Appendix A: Work Allocation Spreadsheet Task Definitions	47
Appendix B: Summary of Fee Revenue Analysis.....	55
Appendix C: About CPS HR Consulting	59

Introduction

The California Contractors State License Board (CSLB) was established in 1929, by the Legislature as the Contractors' License Bureau, under the Department of Professional and Vocational Standards. It was formed to regulate the state's construction industry and protect the public from irresponsible contractors. In 1935, the agency's mission and duties were placed under the auspices of a seven-member board.

In 1938, the Legislature mandated that contractor license applicants 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 for the classification of contractors in a manner consistent with established practice and procedure in the construction business.

Now classified as a board within the California Department of Consumer Affairs (DCA), CSLB operates with a 15-member board and upholds its mission to protect consumers by regulating the construction industry through licensure, enforcement, and education.

CSLB regulates contractors in 44 license classifications and two certifications under which members of the construction industry practice their trades. CSLB issues three license types: 1) general engineering; 2) general building; and 3) specialty contractors. The latter designation contains 42 different classifications for contractors whose construction work requires special skill and whose principal contracting business involves the use of specialized building trades or crafts. CSLB also registers home improvement salespersons.

CSLB's responsibility to enforce California state contractors' license law includes investigating complaints against licensed and unlicensed contractors, issuing citations and suspending or revoking licenses, seeking administrative, criminal, and civil sanctions against violators, and informing consumers, contractors, and the industry about CSLB actions. To support its consumer protection and education objectives, CSLB provides 24/7 access to licensee information, construction guides and pamphlets, forms and applications, and a host of pertinent information about contracting and construction-related topics through its website (www.cslb.ca.gov) and its automated toll-free phone number (800-321-CSLB).

Project Scope and Objectives

CSLB is a consumer protection agency that is entirely funded by license fees and disciplinary action assessments. Despite fee increases in 2011, 2017 and 2019, CSLB's fund has maintained a structural imbalance since FY 2013-14 due to significant increases in expenditures, the majority of which are outside of CSLB's control. CSLB's financial data project insufficient funds for ongoing operations by 2021, with negative 0.1 months in reserve by the end of FY 2020-21 if cost saving measure were not already taken and another fee increase is not implemented.

In March 2020, CSLB contracted with CPS HR Consulting (CPS) to conduct a study of its fee structures to determine if fee levels are appropriate for the recovery of the actual program costs to meet their mandated functions for the next five years. Business and Professions Code section 7138 sets the current legal maximum months in reserve to six months. CSLB management requested that fees be set at a level that would increase the reserve to four to five months over the next five years to be conservative and not exceed the legal maximum. The specific recommended fee levels to recover actual program costs and to increase the reserve to four to five months can be found in the Recommended Fee Levels section of the report.

Approach and Methodology

The CPS HR approach to determining the recommended fees is outlined in the high-level methodology below.

Project Initiation and Project Management

CPS conducted an initial kick-off meeting with CSLB leadership and supervisors to confirm the scope of the study, request the needed background documents, and obtain a high-level understanding of the work performed and the current fee structure. Meetings were held with the project sponsor on a regular basis to provide updates, discuss subsequent steps, and request additional information or clarification as needed.

Revenue and Expense Analysis

The Revenue and Expense Analysis examines historical and projected revenue and expenditures in detail and identifies the causes behind the structural imbalance that has created the need for the fee increase. It also highlights the categories of smallest and largest revenue and expenses to understand CSLB's complete financial picture.

Funding Gap Analysis

The Funding Gap Analysis examines the projected revenues and expenditures in context of the overall fund condition. This analysis determined the required revenue to cover the projected expenditures in addition to building a healthy four to five-month reserve. The difference between the projected revenue and the required revenue was categorized as the funding gap – the amount needed to be covered by the increased fees.

Fee Costing Analysis Methodology

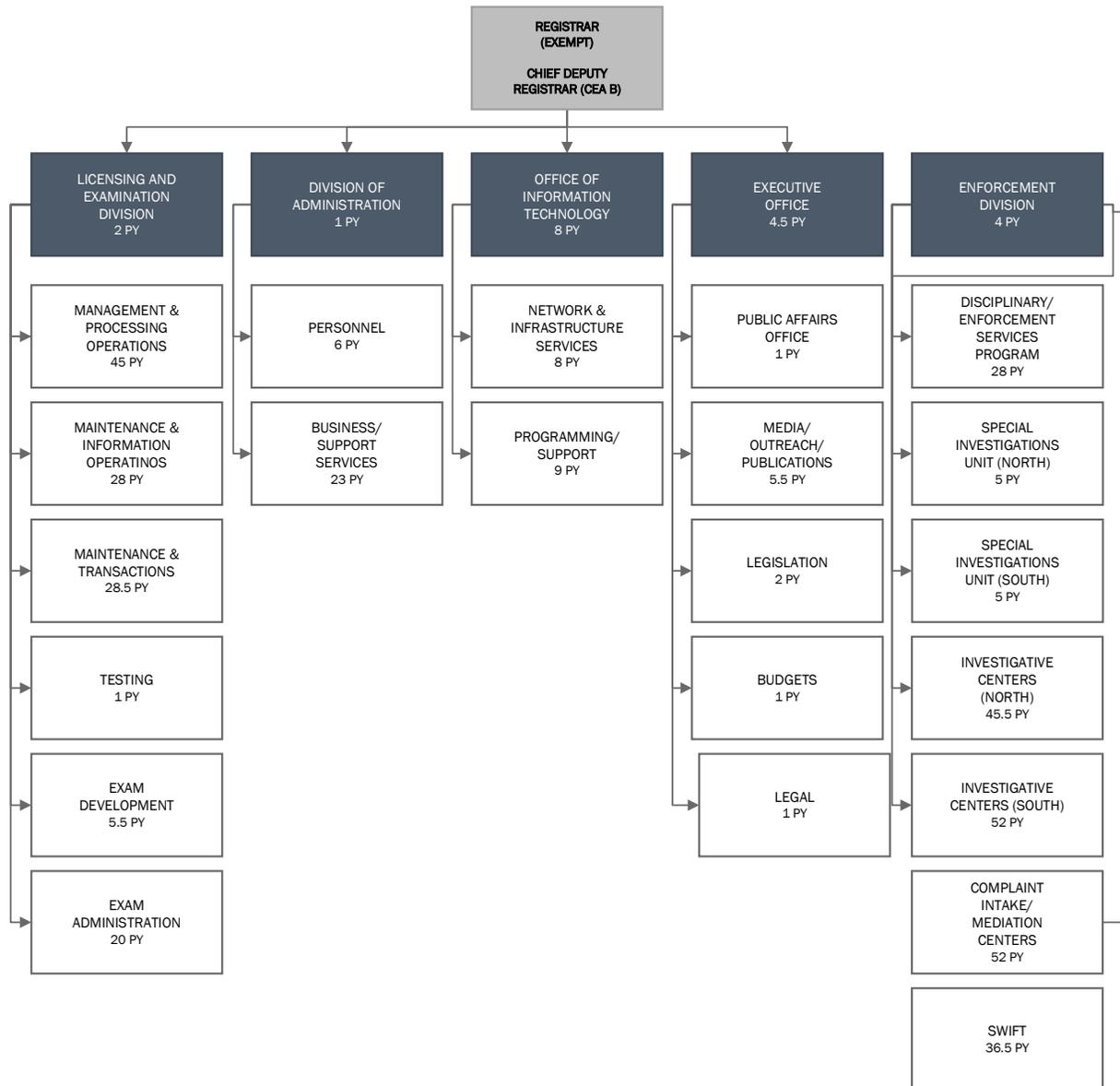
The Fee Costing Analysis determined the revenue needed to cover the expenditures associated with each fee, outlining the work requirements and industry considerations utilized in determining the recommended fees. This analysis involved four distinct phases.

- **Work Time Allocation Analysis** – Describes the quantification of work related to the various fees, including an analysis of staff time through work time allocation spreadsheets and the distribution of administrative position time – one of the two key inputs in determining the needed fee amounts.
- **Licensing, Examination, and Enforcement Workload Statistics Analysis** – Describes the review of historical workload statistics to identify trends or anomalies in the frequency of work in order to project the future workload requirements – the second of the key inputs in determining the needed fee amounts.
- **Distribution of Expenses** – Describes how the Personnel, Operating, Enforcement, and Direct Assessment expenditures outlined in CSLB’s budget were distributed among the fees.
- **Determination of Fee Adjustments** – Describes how overall fees were calculated and how adjustments were made to take into consideration the impact on licensees, industry practice, and the practicality of the recommended fee changes.

CSLB Staffing and Functions

CSLB is comprised of programs whose functions, duties and goals are to meet its mandate of consumer protection. CSLB accomplishes this through its Licensing and Enforcement divisions, to which the Executive, Administrative, and Information Technology functions provide support. Figure 1 below presents CSLB’s organizational chart, effective 4/30/2020, followed by a brief description of each functional area.

Figure 1: CSLB Organizational Chart



BOARD MEMBERS

CSLB's is overseen by a 15-member board comprised of:

- One "A" General Engineering contractor
- Two "B" General Building contractors
- Two "C" Specialty contractors
- One labor organization representative
- One local building official
- Eight public members, one of whom must represent a statewide senior citizen organization.

EXECUTIVE OFFICE

The Executive Office is managed by Registrar and Chief Deputy Registrar who oversee operations and manage resources and staff. The Executive unit includes Public Affairs, Legislation and Regulations and Budgets.

DIVISION OF ADMINISTRATION

The Administration staff support multiple functions for the Executive Office and Licensing and Enforcement Divisions, including Cashiering, Mailroom, Personnel and other Business/Support Services.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology provides technology support to all CSLB functions, including Network and Infrastructure Services, the Help Desk and Programming Support.

LICENSING AND EXAMINATION DIVISION

CSLB licenses, certifies, or registers the following:

- "A"—General Engineering contractors
- "B"—General Building contractors
- "C"—Specialty contractors, covering 42 specialties
- Asbestos certification
- Hazardous Substance Removal certification
- Home improvement salesperson (HIS) registrations.

CSLB's Licensing division reviews all applications and develops and administers all required exams to ensure that applicants meet minimum licensure or registration requirements before they provide contracting services.

For all contractor and home improvement salesperson applications, Licensing division staff review criminal background history. For contractor applications, staff also review license history and verify that applicants meet the experience requirements. Additionally, the division processes all documents related to compliance with bond and workers' compensation insurance requirements. The Licensing division processes requests to update licensee and registrant information, including address changes and replacing qualified individuals.

The Licensing division also processes biennial renewals for all licensees and registrants. Renewal fees are 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 need to be renewed every four years.

The division also performs several other important functions listed below:

Exam Development Unit

CSLB regulates contractors in 44 license classifications and two certifications under which members of the construction industry practice their trades. California must administer both a trade related and law and business examination as part of the licensure process (BPC sections 7065 and 7068). Exams must be empirically linked to the content outline of a recent occupational analysis in order to be valid and legally defensible. CSLB has exam development specialists on staff to ensure that its exams meet psychometric standards for licensure examinations. CSLB performs occupational analyses every five-to-seven years for all exams, and regularly compiles statistics on and updates its examination forms.

Exam Administration Unit (EAU)

The Testing division's EAU administers CSLB's 46 different examinations (43 trade, two certification, and one law and business) at eight computer-based test centers throughout the state (Berkeley, Fresno, Norwalk, Oxnard, Sacramento, San Bernardino, San Diego, and San Jose). Most test centers are allocated two full-time test monitor positions, with part-time proctors filling in as needed. After Licensing staff review and approve an application, candidates are automatically scheduled for their exams at one of the eight test centers, based on their zip code. Typically, applicants must take the California Law and Business Exam and their applicable trade exam. On exam day, applicants sit at randomly assigned seats and take their exams on touchscreen computers. When they finish, they submit their exams for scoring and receive their results immediately.

License Information Center

The License Information Center is CSLB's call center where staff answer questions from consumers, licensees, and applicants and assist in navigating several transactions, including filing complaints and completing applications.

Veterans Application Assistance

The Veterans Application Assistance program assists those transitioning from military service to civilian employment. The program offers expedited application processing to veteran applicants where specially trained staff evaluate transferable military experience and training, as well as education to meet experience requirements.

Judgment Unit

The Judgment unit processes all outstanding judgments, monitor bond payment of claims, and outstanding liabilities reported to CSLB by licensees, consumers, attorneys, credit recovery firms, bonding companies, CSLB's Enforcement division, and other governmental agencies. In calendar year 2017, CSLB collected over \$20 million in final judgments, \$23 million in outstanding liabilities, and nearly \$9 million in payment of bond claims.

ENFORCEMENT DIVISION

CSLB's mission 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. Two of the ways in which CSLB accomplishes this are:

- Enforcing the laws, regulations, and standards governing construction in a fair and uniform manner; and
- Providing resolution for disputes that arise from construction activities.

Enforcement staff are authorized to investigate complaints against licensees, non-licensees acting as contractors, registrants, and unregistered home improvement salespeople. CSLB administrative enforcement actions against licensees are prosecuted pursuant to the Administrative Procedure Act. In addition, CSLB may refer cases involving criminal activity to district attorneys who may prosecute these cases under the Business and Professions Code and other applicable state codes. Most Enforcement division staff work directly on consumer complaints. The majority of complaints CSLB receives are filed by residential property owners who contracted for home improvement and repair projects. CSLB also receives complaints from members of the public, licensees, industry groups, governmental agencies, and others. These complaints cover all aspects of the construction industry. CSLB's complaint process involves several steps through which cases may pass and CSLB uses several corrective and disciplinary tools to compel compliance with contractors' state license law. The Enforcement division is broken up into three broad work groups – the Complaint Intake and Mediation Center, Investigative Centers, and the SWIFT (Statewide Investigative Fraud Team).

Complaint Intake and Mediation Center

CSLB's two Intake and Mediation Centers (Sacramento and Norwalk) review all incoming complaints, focus on the settlement of most consumer complaints against licensed contractors, and prepare unlicensed complaints for field investigation. After a complaint is received, a customer service representative (CSR) contacts both parties and the licensee is

encouraged to settle the complaint. If the complaint is not settled, the CSR may attempt to mediate or escalate the case to a field investigation. After Mediation, mandatory and voluntary arbitration are considered.

Investigative Centers

If a settlement cannot be reached, if a case is complex, if the contractor is a repeat or egregious offender who may pose a threat to the public, or if a complaint moves through arbitration and the licensee fails to implement the decision, an investigation is initiated. CSLB maintains eight Investigative Centers (Fresno, Norwalk, Sacramento, San Bernardino, San Diego, San Francisco, Valencia, and West Covina) and four satellite offices (Bakersfield, Oxnard, Redding, and Santa Rosa) that handle investigations. First, a full review of databases for background on the licensee including any flag reviews is completed. The background information is received from the initial complaint and this review and a meeting with the complainant and licensee is scheduled to collect further information. Any subsequent arrests or convictions related to contractor activity are reviewed along with checking proper licenses and workers' compensation documentation. If an isolated or minor violation is established, an Advisory Notice or Letter of Admonishment is sent, and may warrant an Informal Conference.

If the licensee does not comply with an Advisory Notice and/or Letter of Admonishment or if a serious violation has occurred, then a Citation is issued. If licensee contests the Citation, a Mandatory Settlement Conference is scheduled, followed by a Hearing before an Administrative Law Judge if necessary. If the licensee does not prevail or comply, the license may be Suspended or Revoked.

If a licensee does not comply with a Citation or has made a flagrant violation of the law, an Accusation is sent to the Attorney General with the intent to Suspend or Revoke the contractor's license. A Mandatory Settlement Conference may be offered. If not settled, the licensee can defend themselves at a Hearing before an Administrative Law Judge. As an option, the licensee and the Registrar may negotiate a settlement (Stipulation). If the licensee fails to respond, the Registrar decides on appropriate action and determines the length of time the license is to be Revoked or Suspended. A Disciplinary Bond requirement and recovery of investigation and enforcement costs are established. An Injunction may be filed against unlawful activity and a blatant violation may be referred for a possible criminal filing to a local district attorney. The complaint is disclosed on the CSLB website.

SWIFT

Often without a specific complaint, the CSLB completes Proactive Investigations on the underground economy and unlicensed contractors through the Statewide Investigative Fraud Team (SWIFT). SWIFT may request proof of license and/or workers' compensation insurance at any job site. Undercover stings may be scheduled in partnership with County Sheriffs. SWIFT conducts sweeps to monitor job sites and may include partnerships with other agencies, such as the Department of Industrial Relations. SWIFT personnel may go to

active job sites to review complaints of possible violations. Injunction against unlicensed activity may be pursued and referral to the local District Attorney for criminal actions may be pursued.

Licensing, Exam, and Enforcement Workload Statistics

CSLB provided CPS with the necessary licensing, enforcement, and exam administration workload statistics from FY 2013-14 to FY 2018-19 for each of the fee areas. This included both initial licensing and renewal application statistics, enforcement action statistics, and re-examination statistics which were utilized to identify potential trends or anomalies in the workload. This includes a reflection of potential impacts due to the following factors:

- Implementation of SB 561 in January 2015 changed the HIS Registration requirement to allow the transfer of a HIS registration with one contractor to another contractor.
- A decrease in the pass rate of exams in FY 2016-17 resulting in an increase in re-examinations; acknowledging that exams are re-written every five years to ensure alignment with current standards.
- The splitting of Additional Classification and Supplemental Classification/Replacing the Qualifier in FY 2017-18 into two different tracked metrics (previously combined).
- Started tracking the Added Personnel/Officer Change for existing licenses in FY 2017-18. and
- Started tracking an approximate number of Name Changes in FY 2018-19.

LICENSING PROGRAM

The Licensing Program is responsible for the applications and renewals of all CSLB licenses and registrations, including processing all Initial Contractor's License applications and subsequent license applications. Additionally, staff process Home Improvement Salesperson (HIS) registrations and Hazardous Waste Removal and Asbestos certifications.

The workload statistics for New Applications, License Maintenance, and Renewals for FY 2013-14 through FY 2018-19 are summarized in Tables 1, 2, and 3, respectively.

Table 1: New Application Workload Statistics

Application Type	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Original Contractors Application fee (exam or test waiver)	17,775	18,894	21,023	22,280	23,242	24,394
Initial Contractors License Fee - Sole Owner	8,163	8,865	8,623	10,090	10,003	10,425
Initial Contractors License Fee - Corp/Partners/JV/LLC	4,395	4,986	5,065	6,184	6,395	7,244
Additional Classification, Supplemental Classification/ Replacing the Qualifier (RME/RMO) – (Prior to splitting)	7,940	8,058	8,242	8,484	n/a	n/a
Additional Classification (for original license)	n/a	n/a	n/a	n/a	2,381	2,328
Home Improvement Salesperson (HIS) Initial Registration Fee	9,444	12,515	12,408	9,676	9,353	10,444
Hazardous Substance Removal Certification	209	150	163	164	146	151
Asbestos Certification	148	141	76	73	59	55

The workload statistics provided by CSLB combined the Sole Owner and Corporation/Partners/JV/LLC (also referred to as “Non-Sole Owner” within this report) Contractor’s License applications. However, this study assessed the workload of each individually to determine a recommended fee for each type of contractor license application. In order to calculate the fees separately, the contractor’s license applications were split as either Sole Owner or Corporation/Partners/JV/LLC based on historical data reflecting the percentage of applications in each group. On average, an estimated 60% of contractor applications were Sole Owner and 40% were Non-Sole Owner licensees.

A review of the new application workload statistics identified the following trends between FY 2013-14 and FY 2018-19:

- The number of contractor’s initial applications *increased* 37.2%.
- The total contractor’s license applications *increased* 40.7%.
- Overall, approximately 70% of contractor original applications proceed to licensure.
- The HIS registrations *increased* 10.6%.
- In contrast to the increases of the others, the Asbestos and Hazardous Substance Removal certifications *decreased* 62.8% and 27.8%, respectively.

However, during the development of this report, the workload statistics for FY 2019-20 became available and showed some notable decreases in the new application workload statistics. It is unknown how much of this is due to the economic downturn and/or the impact of the COVID-

19 pandemic. At the time of delivery, the workload statistics analyses had already been completed and it was unclear how representative the workload statistics were given the current environment.

Table 2: License Maintenance Workload Statistics

Application Type	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Supplemental Classification (for existing license)/Replacing the Qualifier (RME/RMO)	n/a	n/a	n/a	n/a	5,997	6,888
Add Personnel/Officer Change (for existing licenses)	n/a	n/a	n/a	n/a	1,844	2,104
Replacement License Pocket or Wall Certificate	7,102	7,025	7,881	8,251	8,996	9,397
Name Change	n/a	n/a	n/a	n/a	n/a	15,954

A review of the License Maintenance Workload Statistics identified the following observations:

- The combination of Supplemental Classification and Replacing the Qualifier increased 14.9% between FY 2017-18 and FY 2018-19; prior to this, the workload statistics were combined with the Additional Classification in the New Licenses.
- Adding Personnel/Officer Changes for existing licenses increased 14.1% between FY 2017-18 and FY 2018-19; prior to this, the workload statistics were not collected as an independent fee.
- The Replacement License Pocket or Wall Certificates increased 32.3% between FY 2013-14 and FY 2018-19.
- The workload statistic/volume count for Name Change was not previously collected so no trends were identified.

A brief review of the corresponding FY 2019-20 workload statistics showed a mild decrease in the Supplemental Classification and Add Personnel and slightly more of a decrease in the Replacement Certificates. Similar to the new applications, this was not incorporated into the analyses, but it is worth noting.

Table 3: License/Registration Renewal Workload Statistics

Renewal Type	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Biennial Contractor Renewal - Active Timely Renewal - Sole Owner	66,734	68,034	64,498	67,467	65,294	62,069
<i>Delinquent Contractor Active Renewal - Sole Owner</i>	<i>10,382</i>	<i>9,112</i>	<i>7,937</i>	<i>7,865</i>	<i>7,422</i>	<i>7,061</i>
Biennial Contractor Renewal-Active Timely Renewal -Corp/Partners/JV/LLC	35,933	38,269	37,879	41,350	41,746	43,132
<i>Delinquent Contractor Active Renewal - Corp/Partners/JV/LLC</i>	<i>5,591</i>	<i>5,126</i>	<i>4,661</i>	<i>4,821</i>	<i>4,746</i>	<i>4,907</i>
4-yr Timely Inactive Renewal - Sole Owner	14,168	13,867	13,617	15,081	12,711	12,500
<i>Delinquent 4-yr Timely Inactive Renewal - Sole Owner</i>	<i>2,241</i>	<i>2,162</i>	<i>2,048</i>	<i>2,048</i>	<i>1,754</i>	<i>1,729</i>
4-yr Timely Inactive Renewal - Corp/Partners/JV/LLC	1,401	1,371	1,347	1,492	1,257	1,236
<i>Delinquent 4-yr Timely Inactive Renewal - Corp/Partner/JV/LLC</i>	<i>222</i>	<i>214</i>	<i>203</i>	<i>203</i>	<i>173</i>	<i>171</i>
Reactivate Inactive Contractors License - Sole Owner	2,068	1,819	1,709	1,648	1,402	1,367
Reactivate Inactive Contractors License - Corp/Partners/JV/LLC	204	180	169	163	139	135
Biennial Renewal – HIS	1,802	2,123	1,969	3,519	4,615	4,744
<i>Delinquent HIS Renewal (Renewal Fee plus penalty)</i>	<i>421</i>	<i>439</i>	<i>364</i>	<i>660</i>	<i>1,178</i>	<i>1,467</i>

Contractor licenses and HIS registrations are due for renewal every two years, while inactive contractor’s pay a renewal every four years to remain current. The active contractor renewals, 4-year inactive timely renewals, and reactivations were also split into Sole/Non-Sole Owner fee categories based on historical data of the percentage of renewal applications in each type. The active contractor renewals aligned with the original contractors applications utilizing a 60% Sole Owner and 40% Non-Sole Owner split while the inactive 4-year and reactivations were split using an average of 91% Sole and 9% Non-Sole renewals.

The table above shows the number of each type of renewal with the portion of them that are delinquent in subsequent rows (e.g., In FY 2013-14, of the 66,734 Biennial Sole Owner Contractor renewals, 10,382 were delinquent and paid an additional fee equivalent to half the renewal fee).

A review of the License and Registration Renewal Workload Statistics identified the following observations:

- Active contractor renewals have remained relatively stable, with an overall increase of 2.5% from FY 2013-14 to FY 2018-19, with a four-year average delinquency rate of 11.7% (which is figured into the initial fee calculations in the Fee Costing Analysis).
- HIS renewals increased 34.8% from FY 2016-17 (after the implementation of SB 561) to FY 2018-19, however this includes a 78.7% increase in FY 2016-17 followed by a 31.1% increase in FY 2017-18 and 2.8% in FY 2018-19, showing a decreasing percentage change over time.
- HIS renewals have an average delinquency rate of 23.4%, which is built into the Fee Costing Analysis.
- 4-year timely inactive renewals started decreasing in FY 2017-18 with a 15.7% drop in renewals, followed by a 1.7% decrease in FY 2018-19, while the average delinquency rate remained relatively consistent with an average of 14.1% delinquent over the last four years.
- Similar to the 4-year inactive renewals, the number of Reactivations of Inactive licenses decreased 14.9% between FY 2016-17 and FY 2017-18, and then decreased again by 2.5% by FY 2018-19.

A brief review of the FY 2019-20 workload statistics showed the biennial active contractor and 4-year inactive contractor renewals remaining relatively stable with the reactivation of inactive contractors slightly decreasing. In contrast, the number of HIS renewals showed a notable increase in FY 2019-20.

EXAMINATION PROGRAM

The Examination Program is responsible for the administration of licensure examinations in eight test centers statewide in addition to developing/updating contractor examinations every five years to ensure each examination reflects current standards and required knowledge. Currently, examinations are required for all contractor’s, hazardous substance removal and asbestos certifications, additional classifications on an original license, supplemental classifications on existing licenses, and replacing the qualifier.

Table 4 outlines the total examinations administered per year with the portion of them that were re-examinations in the second row.

Table 4: Examination Administration Workload Statistics

Examinations Administered	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Examinations Administered	25,603	29,392	31,000	42,571	42,791	46,586
<i>Re-examinations</i>	<i>9,714</i>	<i>10,871</i>	<i>12,076</i>	<i>17,127</i>	<i>17,110</i>	<i>19,033</i>

The number of examinations administered has increased 82% from FY 2013-14 to FY 2018-19, with a sharp 37.3% increase between FY 2015-16 and FY 2016-17. This is largely attributed to a lower pass rate starting in FY 2016-17 which resulted in a sharp increase (41.8%) in the number of re-examinations.

ENFORCEMENT PROGRAM

The Enforcement Program processes and responds to complaints, determines validity, investigates the complaints, and enforces laws and regulations related to the construction industry, and provides resolution to disputes in order to protect consumers. While the pathway of a complaint can vary depending on the severity and responsiveness of the licensee in remediating the concern, they are initiated through a complaint. Table 5 summarizes the overall number of complaints received for FY 2013-14 to FY 2018-19.

Application Investigations are conducted on contractor applications and 3% are subject to rigorous review or investigation by the Licensing experience verification unit, whose time was distributed as a part of Administrative support in the fee costing analysis.

The remaining complaints are handled by Enforcement unit staff, with Licensee Complaints including both active and inactive licensees and non-licensee capturing any complaints without a license or registration number associated with it.

Table 5: Enforcement Complaint Workload Statistics

Enforcement Complaints Received	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Application Investigations	1,000	1,235	854	874	769	777
Home Improvement Salesman (HIS)	31	46	63	106	117	166
Licensee Complaint	12,096	13,247	12,832	13,196	14,809	14,484
Non-Licensee Complaint	5,076	5,194	4,941	4,699	4,979	5,047

Overall, the number of HIS complaints has increased 435.5% from FY 2013-14 to FY 2018-19, largely due to the increase in complaints related to solar salespersons. Meanwhile, licensee complaints increased 19.7% and non-licensee complaints remained relatively consistent between FY 2013-14 and FY 2018-19.

The fees established by this study assumed a consistent level of Enforcement staffing over the next five years; however, if the increasing trends above continue, the Board may have to expand Enforcement staffing to meet the increased need. This will result in the proposed fee schedule being on the conservative side given that only current staffing levels were built into the expenses.

Workload Statistic Projections

The statistics were utilized to identify potential trends or anomalies in the workload. Due to the variation within the statistics, the unknown impact of the downward trends in the economy,

and the unprecedented impact of the COVID-19 pandemic on the future workload, it was determined to primarily utilize the four-year historical average for future workload projections, with the following exceptions:

- Additional Classification – utilized two-year average; Statistics prior to FY 2017-18 also included Supplemental applications.
- Supplemental Classification/Replacing the Qualifier – utilized two-year average; Statistics prior to FY 2017-18 also included Additional Classification applications and after 2017 included Replacing the Qualifier applications.
- Exams Administered, Re-examinations – utilized three-year average; notable drop in pass rate in FY 2016-17, resulting in sharp change in metrics.
- Add Personnel Change/Officer Change – utilized two-year average; only two years historical data available.
- Contractor’s License Fee – utilized three-year average; sharp increase in FY 2016-17, data prior to that may not be representative.
- HIS Registration, HIS Renewals – utilized three-year average; change in registration requirements with passage of SB 561 in January 2015.
- Name Change – utilized FY 2018-19 workload count as representative as it was the only available metric.

Enforcement statistics were reviewed primarily for trends and overall workload that needs to be covered through the inclusion of Enforcement staff time into the renewal fees.

Current Fees and Fee History

CPS performed an analysis of CSLB’s fees to determine the appropriate fee levels for the recovery of its actual costs. Table 6 presents a description of each fee under study, past fee levels, current fee levels and the current statutory maximums.

Table 6: Summary of Current and Previous Fee Schedules

Fee	Description of Fee	Fees July 2011	Fees July 2017	Current Fees (Feb 2020)	Statutory Maximum
New Applications					
Original Contractors Application fee (exam or test waiver)	Original application fee to apply for licensure (including taking the exam, or not, if exam is waived)	\$300.00	\$330.00	\$330.00	\$375.00
Initial Contractors License Fee	Initial license fee for active or inactive license	\$180.00	\$200.00	\$200.00	\$225.00
Additional Classification (for original license)	Adds an additional classification to the contractor's license while the contractor is obtaining initial license	\$75.00	\$75.00	\$75.00	\$85.00
Home Improvement Salesperson (HIS) Initial Registration Fee	Fee to obtain HIS registration	\$75.00	\$83.00	\$83.00	\$95.00
Hazardous Substance Removal Certification	Certification that allows contractor to work on removing hazardous substances	\$75.00	\$83.00	\$83.00	\$95.00
Asbestos Certification	Certification that allows contractor to work with asbestos	\$75.00	\$83.00	\$83.00	\$95.00
Re-Examination	Fee to retake an exam after failing the initial exam	\$60.00	\$60.00	\$60.00	\$70.00
License Maintenance					
Supplemental Classification (for existing license)	Adds an additional classification to a contractor that is already licensed	\$75.00	\$150.00	\$150.00	\$175.00
Replacing the Qualifier (RME/RMO)	Replaces the qualifier on an existing license	\$75.00	\$150.00	\$150.00	\$175.00
Add Personnel/Officer Change (for existing licenses)	Adds or changes new Personnel/Officer (for existing corporations/LLC), or adds new partner (for existing partnerships)	n/a	\$100.00	\$100.00	\$115.00
Replacement License Pocket or Wall Certificate	Replacement of lost pocket or wall certification of issued license	\$11.00	\$12.00	\$12.00	\$14.00
Name Change	Changing the Name on a license or registration (<i>fee to be developed</i>)	n/a	n/a	n/a	n/a
Dishonored Check Fee	Fee to process a returned check ¹	\$10.00	\$10.00	\$10.00	\$10.00

¹ This fee was not part of the time allocation study or the overall fee costing analysis.

Fee	Description of Fee	Fees July 2011	Fees July 2017	Current Fees (Feb 2020)	Statutory Maximum
Renewal Fees					
Biennial Contractor - Active Timely Renewal	Active contractors' licenses are renewed every two years	\$360.00	\$400.00	\$450.00	\$450.00
<i>Delinquent Contractor Active Renewal</i>	<i>The delinquency fee is equal to 50% of the Biennial Contractor Renewal fee</i>	<i>\$540.00</i>	<i>\$600.00</i>	<i>\$675.00</i>	<i>\$675.00</i>
4-yr Timely Inactive Renewal	Inactive contractors' licenses are renewed every four years	\$180.00	\$200.00	\$225.00	\$225.00
<i>Delinquent 4-yr Timely Inactive Renewal</i>	<i>The delinquency fee is equal to 50% of the 4-yr Timely Inactive Renewal</i>	<i>\$270.00</i>	<i>\$300.00</i>	<i>\$337.50</i>	<i>\$337.50</i>
Reactivate Inactive Contractors License	Reactivate an inactive contractors' license (fee is equivalent to renewal)	\$360.00	\$400.00	\$450.00	\$450.00
Biennial Renewal - HIS	Active HIS registrations are renewed every two years	\$75.00	\$83.00	\$95.00	\$95.00
<i>Delinquent HIS Renewal</i>	<i>The delinquency fee is equal to 50% of the Biennial Renewal - HIS fee</i>	<i>\$112.50</i>	<i>\$124.50</i>	<i>\$142.50</i>	<i>\$142.50</i>

FEE LEVEL HISTORY

During the last decade fees have been raised three times – in 2011, 2017 and 2019.

2011: The fees charges by CSLB remained at 1994 levels until July 2011. In July 2011 projected fund shortages compelled the Board to increase its fees to the statutory maximums allowed at the time under Business and Professions Code section 7137.

2017: Passage of SB 1039 granted CSLB the authority to amend Business and Professions Code section 7137 and increase fees by 10 percent (with the exception of the additional classification for original license and the re-exam fee), effective July 2017. The ten percent fee increase was expected to increase revenue by \$5M annually, providing the Board with a stable fund.

2019: Emergency regulations were approved in December 2019 (effective February 2020) to immediately raise renewal fees to the statutory limit while pursuing long term fee structure changes through a fee audit. This fee increase was projected to increase revenue by \$2.5M in FY 2019-20 and \$6M beginning in FY 2020-21 and going forward.

Revenue and Expense Analysis

Important Note: The Revenue and Expense Analysis was completed with financial information as of June 2020.

Beginning in FY 2013-14, CSLB's fund condition has been structurally imbalanced and is projected to remain imbalanced if a fee increase is not implemented.

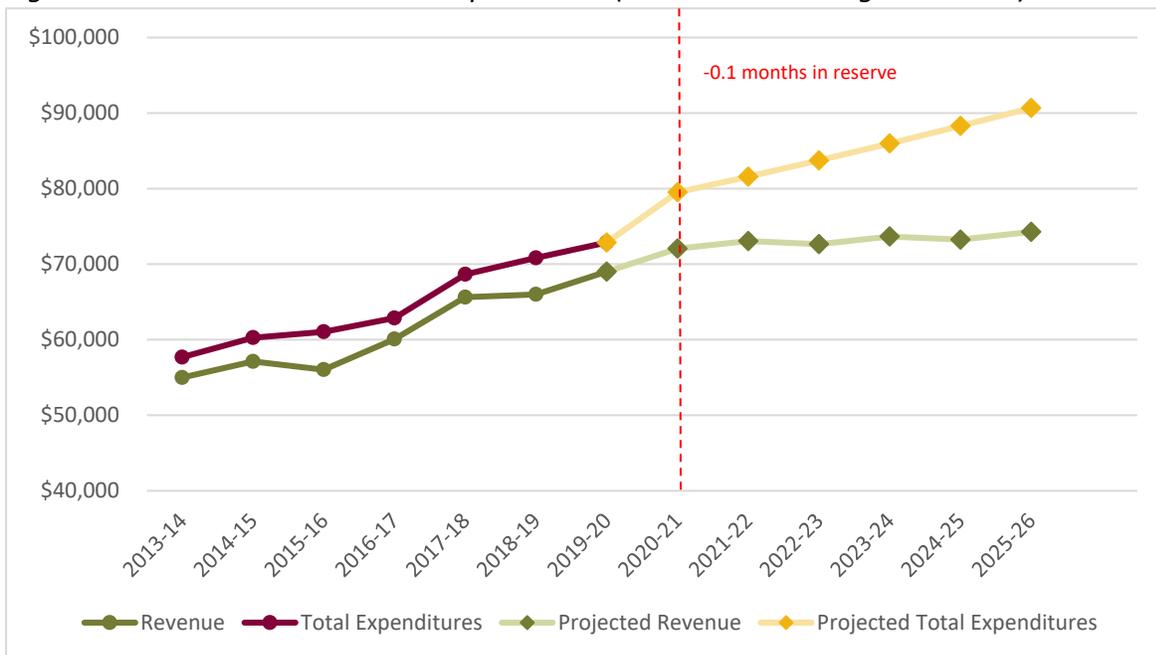
CSLB's revenue has grown from \$55M in FY 2013-14 to \$69M in FY 2019-20, thanks in part to a 10% fee increase in 2017 and an emergency renewal fee increase effective February 2020. This represents a **25.5% increase** in revenue over the last seven fiscal years. During the same period,

CSLB expenditures have grown from \$57.7M in FY 2013-14 to \$72.9M in FY 2019-20. This **26.3% increase** in expenditures has exceeded revenues, thus perpetuating the structural imbalance that began in FY 2013-14.

Over the next seven fiscal years, this structural imbalance will continue to grow even wider if a fee increase is not implemented. Current projections incorporating the February 2020 fee increase show revenue growing from \$69M in FY 2019-20 to \$74.3M in FY 2025-26 – only a **7.6% increase**. Current projections show expenditures growing from \$72.9M in FY 2019-20 to \$90.7M in FY 2025-26 – this represents a **24.4% increase, which is more than three times the rate of increase compared to revenues**.

Figure 2 shows the historical and projected revenue and expenditures with a growing gap as expenditures outpaces revenues further each subsequent year. CSLB’s fund is estimated to have a balance of \$6.5 million (1 months-in-reserve) by the end of FY 2019-20 and will be insolvent in FY 2020-21.

Figure 2: CSLB Revenue and Total Expenditures (without cost savings measures)



Dollars in thousands

Source: CSLB Budget Office

Fee and Non-Fee Scheduled Revenue

Table 7 contains a breakdown of the fee and non-fee scheduled revenue CSLB collected from FY 2016-17 through FY 2019-20. CSLB gets most of its revenue from fee scheduled revenue (96.4%) compared to non-fee scheduled revenue (3.6%).

Table 7: Fee and Non-fee scheduled Revenues

Revenue Category	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Projected	4 Yr. Avg Revenue	% of 4 Yr. Avg Revenue
Fee scheduled revenue - Renewal fees	\$42,432	\$45,996	\$45,219	\$48,046	\$45,423	69.7%
Fee scheduled revenue - Other regulatory licenses and permits	\$12,590	\$14,511	\$15,472	\$15,952	\$14,631	22.4%
Fee scheduled revenue - Delinquent fees	\$2,511	\$2,675	\$2,644	\$2,623	\$2,613	4.0%
Fee scheduled revenue - Other regulatory fees	\$116	\$136	\$137	\$136	\$131	0.2%
Total fee scheduled revenue	\$57,649	\$63,318	\$63,472	\$66,757	\$62,799	96.4%
Total non-fee scheduled revenue	\$2,429	\$2,309	\$2,519	\$2,255	\$2,378	3.6%
Total Revenue	\$60,078	\$65,627	\$65,991	\$69,012	\$65,177	100.0%

Dollars in thousands

Source: CSLB Budget Office

Fee scheduled revenue categories contain revenue from the first four categories in the table: renewal fees, other regulatory licenses and permits, delinquent fees and other regulatory fees. The renewal fee category includes renewal fee revenue for home improvement salespersons and contractors which constitutes the highest amount of total revenue (69.7%). The other regulatory licenses and permits category includes revenue associated with initial license fees, application fees, certification fees, etc.

Delinquent fees revenue covers additional money that contractors and home improvement salespersons are charged for paying their renewal fees late. The other regulatory fees revenue includes citations and fine fees, license pocket/wall replacements, etc.

Non-fee scheduled revenue contains revenue from miscellaneous services to the public, income from surplus money investments, escheat of unclaimed checks and warrants, escheat of unclaimed property, miscellaneous revenue and penalty assessments. The scope of the current study did not involve examining or recommending amounts to charge for non-fee scheduled items.

Selected Fee Revenue Analysis

Table 8 displays the total actual revenue collected for each fee examined in this study.

Table 8: Fee Revenue FY 2016-17 to FY 2019-20

Fees	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4-year Average	
	Actual	Actual	Actual	Projected	Revenue	
New Applications						
Original Contractors Application Fee (exam or test waiver)	\$6,684,045	\$7,669,706	\$8,049,952	\$8,291,580	\$7,673,821	11.8%
Initial Contractors License Fee	\$2,929,230	\$3,279,645	\$3,533,785	\$3,639,800	\$3,345,615	5.1%
Additional Classification (for original license)	\$636,285	\$178,603	\$174,575	\$174,000	\$290,866	0.4%
Home Improvement Salesperson (HIS) Initial Registration	\$725,705	\$776,279	\$866,883	\$910,261	\$819,782	1.3%
Hazardous Substance Removal Certification	\$12,300	\$12,118	\$12,568	\$12,450	\$12,359	0.0%
Asbestos Certification	\$5,475	\$4,892	\$4,584	\$4,565	\$4,879	0.0%
Re-Examination	\$1,027,635	\$1,026,600	\$1,141,964	\$1,062,000	\$1,064,550	1.6%
License Maintenance						
Supplemental Classification (for existing license) & Replacing Qualifier (RME/RMO)	n/a	\$899,483	\$1,033,231	\$1,050,000	\$994,238	1.5%
Add Personnel/Officer Change (for existing licenses)	n/a	\$184,400	\$210,440	\$220,000	\$204,947	0.3%
Replacement License Pocket or Wall Certificate	\$90,757	\$107,955	\$112,762	\$111,960	\$105,859	0.2%
Renewal Fees						
Biennial Contractor Renewal - Active Timely Renewal	\$39,184,233	\$42,816,073	\$42,080,436	\$44,700,000	\$42,195,186	64.7%
Delinquent Contractor Active Renewal	\$2,283,437	\$2,433,670	\$2,393,611	\$2,374,400	\$2,371,280	3.6%
4-yr Timely Inactive Renewal	\$2,983,580	\$2,793,684	\$2,747,230	\$2,900,000	\$2,856,124	4.4%
Delinquent 4-yr Timely Inactive Renewal	\$202,410	\$192,700	\$190,000	\$191,800	\$194,228	0.3%
Reactivate Inactive Contractors License	\$651,780	\$616,303	\$600,672	\$600,000	\$617,189	0.9%
Biennial Renewal – HIS	\$263,997	\$383,022	\$393,738	\$443,000	\$370,939	0.6%
Delinquent HIS Renewal	\$24,760	\$48,895	\$60,880	\$56,772	\$47,827	0.1%
Selected Fee Totals²	\$57,705,629	\$63,424,028	\$63,607,311	\$66,742,588	\$63,169,685	96.9%
Total Revenue (fee scheduled and non-fee scheduled)	\$60,078,000	\$65,627,000	\$65,991,000	\$69,012,000	\$65,177,000	

Source: CSLB Budget Office

² Selected fee totals do not match the total fee scheduled revenue row in table 7 because the Board collects revenue from other fees not displayed in table 8.

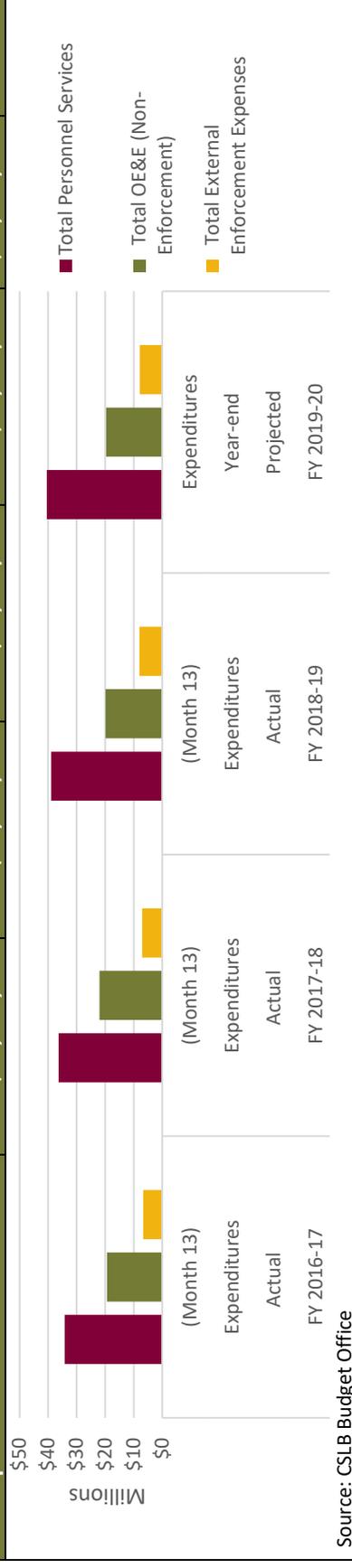
The three fees that constituted the largest percentage of total revenue were the Biennial Contractor Renewal – Active Timely Renewal Fee (64.7%), the Original Contractors Application Fee (exam or test waiver) (11.8%), and the Initial Contractors License Fee (5.1%).

Expense Analysis

The Board’s two largest expense categories are Personnel and Operating Expenses and Equipment (OE&E), with the latter further broken down into OE&E (Non-Enforcement) and External Enforcement Expenses. The expenditures for each of these categories for FY 2016-17 through FY 2019-20 are summarized below, with Personnel being the largest expense (58.2%), followed by OE&E (Non-Enforcement (31.4%), and External Enforcement (11.5%). Reimbursements as offsets reduced expenditures by -1.0%.

Table 9: Personnel and OE&E Expenditures FYs 16-17 through 19-20

Total Expenditures	FY 2016-17 Actual Expend. (Month 13)	FY 2017-18 Actual Expend. (Month 13)	FY 2018-19 Actual Expend. (Month 13)	FY 2019-20 Projected Year- End Expend.	4 Year Average Expenditures Total	% Total
Total Personnel Services	\$34,233,961	\$36,351,050	\$38,940,045	\$40,478,394	\$37,500,863	58.2%
OE&E (Non-Enforcement)	\$19,378,375	\$21,997,976	\$19,869,332	\$19,667,854	\$20,228,384	31.4%
External Enforcement Expenses	\$6,656,107	\$7,055,556	\$8,006,624	\$7,835,654	\$7,388,485	11.5%
Total OE&E	\$26,034,482	\$29,053,532	\$27,875,956	\$27,503,508	\$27,616,870	42.8%
Total Expenditures	\$60,268,443	\$65,404,582	\$66,816,001	\$67,981,902	\$65,117,732	101.0%
Total Reimbursements as Offsets	(606,139)	(714,855)	(758,185)	(563,019)	(660,550)	-1.0%
Net Expenditures	\$59,662,304	\$64,689,727	\$66,057,816	\$67,418,883	\$64,457,183	100.0%



The following sections present a more detailed analyses of each major budget category.

PERSONNEL SERVICES EXPENSES

Table 10 details and summarizes Board Personnel Services expenses. At 58.2% of total expenses, Personnel Services is the largest expense under the Board’s control. Most of the cost is due to regular staff salary (Civil Service-Perm and BL 12-03 Blanket) and Benefits (96.7%). Temporary help, Exam proctors, Board member compensation and Overtime constitute the remaining personnel expenses.

From FY 2016-17 to FY 2019-20 total Personnel Services expenses increased by 18.2%. Total Personnel Services expenses are expected to increase by 11% from \$40.5M in FY 2019-20 to \$45M in FY 2020-21. From FY 2020-21 through FY 2025-26 total Personnel Services expenses are expected to increase an annual average of 2.9% per year. These increases are primarily driven by collective bargaining agreements that increase employee salaries, health care and retirement benefits.

Table 10: Personnel Services Expenditures

PERSONNEL SERVICES:	FY 2016-17 Actual Expend. (Month 13)	FY 2017-18 Actual Expend. (Month 13)	FY 2018-19 Actual Expend. (Month 13)	FY 2019-20 Projected Year- End Expend.	4 Year Average	% Total
Civil Service-Perm	\$20,977,368	\$21,678,180	\$23,119,343	\$25,000,000	\$22,693,723	60.5%
Temp Help (907)	\$646,318	\$836,455	\$730,634	\$602,482	\$703,972	1.9%
BL 12-03 Blanket	\$1,121,536	\$1,133,933	\$1,192,880	\$0	\$862,087	2.3%
Exam Proctors (915)	\$171,981	\$172,107	\$178,065	\$180,000	\$175,538	0.5%
Statutory-Exempt (Registrar)	\$233,222	\$134,323	\$142,612	\$142,612	\$163,192	0.4%
Board/Commission (901,920)	\$13,700	\$13,100	\$12,400	\$6,300	\$11,375	0.0%
Overtime (909)	\$120,046	\$257,433	\$182,820	\$110,000	\$167,575	0.4%
Benefits	\$10,949,790	\$12,125,519	\$13,381,291	\$14,437,000	\$12,723,400	33.9%
Total Personnel Services	\$34,233,961	\$36,351,050	\$38,940,045	\$40,478,394	\$37,500,863	100%

Source: CSLB Budget Office

OPERATING EXPENSES AND EQUIPMENT (NON-ENFORCEMENT)

Table 11 details and summarizes the Board's Operating and Equipment Expenses that are not related to External Enforcement. These expenses constitute 31.4 % of the Board's total expenditures. Departmental Services (DCA Pro Rata) constitutes the largest expenditure in this category (34.3%), followed by Facilities Operations (25.0%) and Consolidated Data Center (Teale) (11.8%).

Departmental Services (DCA Pro Rata) – This expense includes all DCA services charged to the Board. This includes Administrative pro-rata costs associated with the salary and benefits of the centralized DCA staff that support the Board, such as Human Resources, Finance, Procurement, the Budget Office, Accounting, the Executive Office, Information Services, etc. Depending on the service or DCA department or division charging the service, DCA allocates or charges these expenses to CSLB annually on the basis of authorized positions or workload units consumed (e.g., license transactions). Pursuant to Business and Professions Code section 7136, DCA pro rata is not to exceed 10% of total revenue.

Facilities Operations - CSLB is one of the largest agencies within the Department of Consumer Affairs. The amount of office space required for this many employees results in a large facilities cost.

Consolidated Data Center (Teale) – This cost goes to support the mainframe legacy system (TEALE) and is through OTECH (California Department of Technology). This includes support, data storage, etc. As CSLB increases online application submittals this cost will continue to rise.

From FY 2016-17 to FY 2019-20, total OE&E Non-Enforcement costs remained relatively stable, increasing only 1.5%. Total OE&E expenses are projected to decline by 6.5% from \$19.7M in FY 2019-20 to \$18.4M in FY 2020-21. However, total OE&E expenses are projected to increase an annual average of 1% from FY 2020-21 to FY 2025-26.

Table 11: OE&E (Non-Enforcement) Expenditures

OE&E (Non-Enforcement)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4 Year Average	
	Actual Expend. (Month 13)	Actual Expend. (Month 13)	Actual Expend. (Month 13)	Projected Year- End Expend.	Expend.	% Total
Fingerprint Reports	\$40,850	\$36,158	\$39,396	\$39,396	\$38,950	0.2%
General Expense	\$673,398	\$630,961	\$416,168	\$538,743	\$564,818	2.8%
Printing	\$620,032	\$547,945	\$321,035	\$362,863	\$462,969	2.3%
Communication	\$302,854	\$311,176	\$333,529	\$356,605	\$326,041	1.6%
Postage	\$555,859	\$229,931	\$626,650	\$306,630	\$429,768	2.1%
Insurance	\$40,040	\$50,208	\$170,814	\$27,332	\$72,099	0.4%
Travel In-State	\$418,997	\$279,096	\$198,666	\$162,033	\$264,698	1.3%
Travel Out-Of-State	\$3,209	\$4,629	\$572	\$2,757	\$2,792	0.0%
Training	\$10,220	\$20,162	\$8,473	\$28,168	\$16,756	0.1%
Facilities Operations	\$4,638,096	\$6,449,205	\$4,474,783	\$4,658,318	\$5,055,101	25.0%
C/P Services – Internal	\$6,639	\$18,390	\$2,875	\$123,376	\$37,820	0.2%
C/P Services – External	\$1,058,890	\$977,278	\$853,802	\$1,036,500	\$981,618	4.9%
Departmental Services (DCA Pro Rata)	\$6,772,765	\$7,204,480	\$6,606,598	\$7,209,000	\$6,948,211	34.3%
Consolidated Data Center (Teale)	\$1,950,376	\$2,184,852	\$3,316,579	\$2,059,132	\$2,377,735	11.8%
DP Maintenance & Supplies	\$1,166,521	\$1,280,244	\$1,208,267	\$1,486,189	\$1,285,305	6.4%
Expert Examiners (SME)	\$289,292	\$236,511	\$310,416	\$295,537	\$282,939	1.4%
Equipment (Major & Minor)	\$702,359	\$443,393	\$841,743	\$878,709	\$716,551	3.5%
Other Items of Expense	\$6,841	\$15,442	\$202	\$459	\$5,736	0.0%
Vehicle Ops	\$120,720	\$126,415	\$129,029	\$96,107	\$118,068	0.6%
Special Items of Expense	\$417	\$951,500	\$9,735	\$0	\$240,413	1.2%
Total OE & E (Non-Enforcement)	\$19,378,375	\$21,997,976	\$19,869,332	\$19,667,854	\$20,228,384	100.0%

Source: CSLB Budget Office

EXTERNAL ENFORCEMENT

Table 12 summarizes the Board’s expenses for External Enforcement activities. At 11.5% of the Board’s total budget, these external expenses have a significant overall effect which are beyond the Board’s control. Of particular concern are the services provided by the Attorney General’s office which constituted an average of 71.5% of total External Enforcement expenses. Moreover, effective July 1, 2020, CSLB will be subject to paying the Attorney General’s 30% rate increase. The Attorney General (AG) costs are for work performed by State employees who handle escalated investigations of licensed contractors. The Office of Administrative Hearings (OAH) costs are associated with work performed by State employees when a licensee appeals a violation they have been charged with.

From FY 2016-17 to FY 2019-20, total External Enforcement Expenses increased by 17.7%. Total External Enforcement expenses are expected to increase by 48.6% from \$7.4M in FY 2019-20 to \$11M in FY 2020-21. From FY 2020-21 through FY 2025-26, total External Enforcement expenses are expected to increase an annual average of 5% per year due to increasing Enforcement activities and rising salary and benefits costs for AG and OAH employees.

Table 12: OE&E - Enforcement Expenditures

OE&E (Non-Enforcement)	FY 2016-17 Actual Expend. (Month 13)	FY 2017-18 Actual Expend. (Month 13)	FY 2018-19 Actual Expend. (Month 13)	FY 2019-20 Projected Year- End Expend.	4 Year Average	% Total
Attorney General	\$4,731,300	\$5,009,960	\$5,584,868	\$5,800,000	\$5,281,532	71.5%
Office of Admin Hearings	\$1,050,861	\$973,300	\$992,670	\$1,200,000	\$1,054,208	14.3%
Evidence/Witness	\$682,060	\$828,871	\$1,102,829	\$632,854	\$811,654	11.0%
Court Reporter Servs	\$53,631	\$95,052	\$137,551	\$140,000	\$106,559	1.4%
DOI Investigation	\$138,255	\$148,373	\$188,706	\$62,800	\$134,534	1.8%
TOTAL OE&E – External Enforcement	\$6,656,107	\$7,055,556	\$8,006,624	\$7,835,654	\$7,388,485	100.0%

Source: CSLB Budget Office

REIMBURSEMENT AS EXPENSE OFFSETS

Table 13 shows that scheduled and unscheduled (due to investigative cost recovery) reimbursements have averaged about \$661,000 over the last four fiscal years. The reimbursements are treated as expense offsets in determining net budgetary expenditures.

The largest item in this category, accounting for 73.4% of total reimbursements, is Unscheduled Reimbursement – Cost Recovery AG, money recovered from investigations performed by the Attorney General’s Office.

The expense projections include \$353,000 annually for scheduled and unscheduled reimbursements for FY 2020-21 through FY 2025-26.

Table 13: Reimbursement Offsets

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4 Year	%
REIMBURSEMENT OFFSETS	Actual Expend. (Month 13)	Actual Expend. (Month 13)	Actual Expend. (Month 13)	Projected Year- End Expend.	Average	Total
Scheduled Reimbursement - Fingerprints	(\$39,004)	(\$40,818)	(\$41,552)	(\$38,792)	(\$40,042)	6.1%
Scheduled Reimbursement - Public Sales	(\$164,960)	(\$153,115)	(\$135,376)	(\$90,457)	(\$135,977)	20.6%
Unscheduled Reim. - Cost Recovery AG	(\$402,175)	(\$520,922)	(\$581,257)	(\$433,770)	(\$484,531)	73.4%
TOTAL REIMBURSEMENTS	(\$606,139)	(\$714,855)	(\$758,185)	(\$563,019)	(\$660,550)	100.0%

Source: CSLB Budget Office

Funding Gap Analysis

Business and Professions codes section 7137 dictates CSLB’s current regulatory and statutory fee levels. Business and Professions code section 7138.1 indicates, notwithstanding Section 7137, that the Board shall fix fees to be collected pursuant to that section to generate revenues sufficient to maintain the Board’s reserve fund at a level not to exceed approximately six months of annual authorized Board expenditures.

CSLB provided CPS with the historical and projected financial documentation, including 5-year expenditure and revenue summaries, and a fund condition analysis. CSLB’s current financial picture was reviewed to document the current status of the fund condition and the projected expenses in order to identify the needed revenue to meet the corresponding expenditures.

Based on financial information as of June 2020, Table 14 shows that CSLB’s fund is structurally imbalanced and is estimated to have a fund balance of \$6.5 million (1 month-in-reserve) by the end of FY 2019-20 and will have a negative fund balance by FY 2020-21. If CSLB incurs any unexpected costs beyond what is currently authorized, the fund reserve will drop even further to a negative 8.4 months in reserve by FY 2025-26.

Table 14: CSLB’s Projected Growth Budget without additional fee increases

CSLB’s Projected Growth Budget							
	Projected Year-end Expenditures 2019-20	Projected Budget FY 2020-21	Projected Budget FY 2021-22	Projected Budget FY 2022-23	Projected Budget FY 2023-24	Projected Budget FY 2024-25	Projected Budget FY 2025-26
Beginning Reserve Balance	\$10,333	\$6,475	(\$971)	(\$9,490)	(\$20,578)	(\$32,890)	(\$47,946)
Revenues	\$69,012	\$72,062	\$73,062	\$72,649	\$73,662	\$73,243	\$74,269
Total Resources¹	\$79,345	\$78,537	\$72,091	\$63,159	\$53,084	\$40,353	\$26,324
Expenditures ²	\$67,419	\$74,008	\$76,042	\$78,156	\$80,353	\$82,637	\$85,008
Direct Assessments ³	\$5,451	\$5,500	\$5,540	\$5,580	\$5,621	\$5,662	\$5,662
Total Expenditures	\$72,870	\$79,508	\$81,582	\$83,736	\$85,974	\$88,299	\$90,670
Fund Balance	\$6,475	(\$971)	(\$9,490)	(\$20,578)	(\$32,890)	(\$47,946)	(\$64,347)
Months in reserve	1.0	(0.1)	(1.4)	(2.9)	(4.5)	(6.3)	(8.4)

¹Total Resources figures consist of total revenues, transfers, and other adjustments.

² Expenditure figures include CSLB’s Operating Expenses and Equipment and Personnel Services cost categories. These costs are described in detail in the Expense Analysis section.

³Direct assessments are expenses assessed against the fund condition in addition to the OE&E and Personnel Services categories and include Statewide Pro Rata and Supplemental Pension Payments. Statewide Pro Rata is a recovery of statewide general administrative costs (i.e., indirect costs incurred by central service agencies). Supplemental Pension Payments are related to Senate Bill 84 (Chapter 50, Statutes of 2017) that authorized a one-time \$6 billion supplemental pension payment in FY 2017/18 to CalPERS. This loan is to be repaid through funds responsible for retirement contributions.

Dollars in thousands

Source: CSLB Budget Office

An overall increase in revenue is required to close the revenue gap and build a satisfactory reserve over the next five years.

Closing the Gap – Identifying Needed Revenue

The following methodology was utilized to identify the total revenue needed to close the gap between the total expenditures and projected revenue with current fees as documented in Table 14 above, including building a four to five-month reserve.

1. The financial information for FY 2014-15 (five years ago) projected through FY 2025-26 was reviewed to identify the beginning balances, revenues, expenditures, and months in reserve if the fees remained at the current level (as of the fee change in February 2020).
2. The expenditures summary was utilized to identify a breakdown of expenditures, including personnel, operations, enforcement, and direct expenses, with consideration to the reimbursements. Each expense category was further distributed among the fees based on the corresponding workload, as discussed in the Distribution of Expenses section.
3. The additional revenue required to build a four to five-month reserve, assuming increased fees in July 2021, was identified based on the projected expenditures for FY 2020-21 through FY 2026-27.³
4. The projected expenditures were added to the additional revenue needed to meet the targeted months in reserve to identify the total revenue needed each year. This was compared to the expected revenue for each year to identify the funding gap that would need to be filled by the fee schedule changes.

The following Fee Costing Analysis describes how the needed fees were determined to ensure coverage of the increased revenue requirements.

³Projections go out five years to FY 2025/26, however the total expenditure for FY 2026/27 was needed to calculate the needed revenue to have four to five months in reserve for FY 2025/26.

Fee Costing Analysis

Work Allocation Analysis

CPS HR Consultants reviewed the CSLB website, *California Contractors License Law & Reference Book*, and duty statements and work-flow charts to develop a high-level task list defining the key processes associated with the current fee schedule. Consultants worked with Enforcement and Licensing/Examination management to refine the task list to ensure clarity, mutual exclusivity, and comprehensiveness of the included tasks. In addition to defining the key work tasks defining the majority of the work of CSLB staff, each section has general work tasks to capture the miscellaneous tasks related to Licensing, Examination, or Enforcement that are not covered by the key work tasks. The finalized list of tasks including the work area (e.g., Licensing, Enforcement, Administration, etc.), task number, and task definition is provided in Appendix A.

Each supervisor completed a work time allocation spreadsheet identifying the percentage of time spent on each discrete task area over the course of a year for each of their staff (as of April 30, 2020). The completed spreadsheet was then reviewed by a second level manager for accuracy prior to submission to CPS. Once all the results were compiled, the Licensing and Enforcement managers reviewed the overall time allocated to each task prior to utilization.

Administrative Time

In addition to the task list defining the key processes for line staff, three additional tasks were utilized by CPS to document the time managers and Administrative staff whose work supports the entire organization.

- The Overall Administrative task (Task AA-1) was reserved for positions that supported the organization as a whole (such as the Division of Administration, the Office of Information Technology and the Executive Office).
- The Licensing/Examination Administrative task (AA-2) was reserved for positions that supported Licensing or Examination functions overall.
- The Enforcement Administrative task (AA-3) was reserved for positions that supported Enforcement functions overall.

Table 15 summarizes the total annual hours and the equivalent number of Personnel Years (PY) allocated to each task. A Personnel Year is a measure of the number of working hours associated with a full-time employee. While there are technically 2080 hours in a working year (52 weeks * 40 hours/week), the DCA Budget Office uses 1776 hours to define a single “PY” which removes hours for vacation, holiday and leave. CSLB had a total of 430 PY as of April 30, 2020.

Table 15: Annual Hours and PY spent on Tasks

Task #	Task Description	Annual Hours	Equivalent PY	% of Total PY
ADMINISTRATIVE (attributed to multiple fees and/or program areas)				
AA-1	Overall Administrative functions	151,848.0	85.5	19.9%
AA-2	Licensing/Examination Administrative functions	15,984.0	9.0	2.1%
AA-3	Enforcement Administrative functions	19,536.0	11.0	2.6%
LICENSING				
Application and Initial Licensing Tasks				
LA-1	Original Contractor’s Application ⁴	27,003.9	15.2	3.5%
LA-2	Contractor’s License (Sole Owner)	8,364.0	4.7	1.1%
LA-3	Contractor’s License (Non-Sole Owner)	8,002.1	4.5	1.0%
LA-4	Supplemental Class (for existing license)	5,789.8	3.3	0.8%
LA-5	Additional Class (for original license)	550.6	0.3	0.1%
LA-6	Replacing Qualifier (RME / RMO)	3,676.3	2.1	0.5%
LA-7	Hazardous Substance Removal Certificate	195.4	0.1	0.0%
LA-8	Asbestos Certification	301.9	0.2	0.0%
LA-9	HIS Salesperson – Initial Registration	7,992.0	4.5	1.0%
LA-10	Replacement Pocket License or Wall Certificate	2,930.4	1.7	0.4%
LA-11	Add Personnel/Officer Change	3,081.4	1.7	0.4%
LA-12	Name Change	2,974.8	1.7	0.4%
Licensing Renewal Tasks				
LR-1	Biennial Renewal – HIS	1,678.3	0.9	0.2%
LR-2	Biennial Contractor Renewal – Active – Sole Owner	1,678.3	0.9	0.2%
LR-3	Biennial Contractor Renewal – Active – Non-Sole Owner	1,678.3	0.9	0.2%
LR-4	Timely Inactive Renewal – Sole Owner	1,678.3	0.9	0.2%
LR-5	Timely Inactive Renewal – Non-Sole Owner	1,678.3	0.9	0.2%
LR-6	Reactivate Contractor’s License (Sole Owner)	1,678.3	0.9	0.2%
LR-7	Reactivate Contractors’ License (Non-Sole Owner)	1,678.3	0.9	0.2%
Licensing General Work Tasks (captures other Licensing work not covered above)				
LG-1	Other Licensing Tasks	47,836.6	26.9	6.3%

⁴ The work allocation responses allocated all Contractor’s Application and License time into the two Licensure tasks, with 12.5 PY allocated to Sole Owner (LA-2) and 11.9 PY allocated to Non-Sole Owner (LA-3). This time was split out between the Contractor’s Application (LA-1) and Licensure tasks based on the proportional relationship between the two within the current fee.

Task #	Task Description	Annual Hours	Equivalent PY	% of Total PY
LG-2	Licensing Supervision	13,408.8	7.6	1.8%
EXAM ADMINISTRATION				
XA-1	Exam Administration	23,088.0	13.0	3.0%
Exam Administration General Work Tasks (Exam Administration work not covered above)				
XA-2	Other Exam Administration Tasks	9,679.2	5.5	1.3%
XA-3	Exam Administration Supervision	2,752.8	1.6	0.4%
EXAM DEVELOPMENT				
XD-1	Non-Asbestos and Non- Hazardous Substance Removal Exams	5,860.8	3.3	0.8%
XD-2	Asbestos Certification	177.6	0.1	0.0%
XD-3	Hazardous Substance Removal Certification	177.6	0.1	0.0%
Exam Development General Work Tasks (Exam Development work not covered above)				
XD-4	Other Exam Development Tasks	3,463.2	2.0	0.5%
XD-5	Exam Development Supervision	888.0	0.5	0.1%
ENFORCEMENT				
EA-1	Licensee Complaint (Sole Owner)	26,142.7	14.7	3.4%
EA-2	Licensee Complaint - Non-Sole Owner	45,696.5	25.7	6.0%
EA-3	Non-Licensee Complaint	18,434.9	10.4	2.4%
EA-4	HIS Complaint	8,231.8	4.6	1.1%
EA-5	Licensee Investigation (Sole Owner)	32,465.3	18.3	4.3%
EA-6	Licensee Investigation – Citation (Sole Owner)	31,435.2	17.7	4.1%
EA-7	Licensee Investigation – Accusation (Sole Owner)	18,426.0	10.4	2.4%
EA-8	Licensee Investigation (Non-Sole Owner)	38,343.8	21.6	5.0%
EA-9	Licensee Investigation - Citation (Non-Sole Owner)	39,001.0	22.0	5.1%
EA-10	Licensee Investigation - Accusation (Non-Sole Owner)	22,652.9	12.8	3.0%
EA-11	Non-Licensee Investigation	48,795.6	27.5	6.4%
Enforcement General Work Tasks (Enforcement work not covered above)				
EA-12	Other Enforcement Tasks	25,308.0	14.3	3.3%
EA-13	Enforcement Supervision	31,435.2	17.7	4.1%

While the table above shows the raw distribution of staff time across the different tasks and functions, the analysis of the fee structure required the inclusion of Administrative, Examination, and Enforcement staff into the licensing fees. The total PY allocated to each of the fees is summarized in Table 16 below, including the number of Administrative, Examination, and Enforcement staff contributing to each fee based on the distribution of expenses in the next section.⁵

⁵ License Processing PY (time initially allocated to LA-1 through LA-12) work directly on the license-process related tasks; Admin PY support the whole organization (time initially allocated to AA-1 to AA-3); Exam Admin/Develop support fees with an exam component (time initially allocated to XA-1 to XA-3; XD-1 to XD-5); and Enforcement PY support fees that may elicit Enforcement actions (time initially allocated to EA-1 to EA-13).

Table 16: Redistribution of Time to Fees

Task #	Task Description	License Processing PY	Admin. PY	Exam Admin., Dev.	Enforcement PY	Total PY
New Applications						
LA-1	Original Contractor's Application	15.2	20.5	17.0	0.0	52.7
LA-2	Contractor's License (Sole Owner)	4.7	6.3	0.0	0.0	11.1*
LA-3	Contractor's License (Non-Sole Owner)	4.5	6.1	0.0	0.0	10.6
LA-5	Additional Class (for original license)	0.3	0.4	1.8	0.0	2.5
LA-9	HIS Salesperson – Initial Registration	4.5	6.1	0.0	0.0	10.6
LA-7	Hazardous Substance Removal Certificate	0.1	0.1	0.3	0.0	0.6*
LA-8	Asbestos Certification	0.2	0.2	0.2	0.0	0.6
XA-1	Re-examination ⁶	0.0	0.0	10.9	0.0	10.9
License Maintenance						
LA-4 LA-6	Supplemental Class (for existing license)/Replacing Qualifier (RME/RMO) ⁷	5.3	7.2	4.8	0.0	17.4*
LA-11	Add Personnel/Officer Change	1.7	2.3	0.0	0.0	4.1*
LA-10	Replacement Pocket License or Wall Certificate	1.7	2.2	0.0	0.0	3.9
LA-12	Name Change	1.7	2.2	0.0	0.0	3.9
Licensing Renewal Fees						
LR-2	Biennial Contractor Renewal – Active – Sole Owner	0.9	1.3	0.0	105.3	107.5
LR-3	Biennial Contractor Renewal – Active – Non-Sole Owner	0.9	1.3	0.0	141.6	143.8
LR-4	4-year Timely Inactive Renewal – Sole Owner	0.9	1.3	0.0	22.4	24.6
LR-5	4-year Timely Inactive Renewal – Non-Sole Owner	0.9	1.3	0.0	4.5	6.7
LR-6	Reactivate Contractor's License (Sole Owner)	0.9	1.3	0.0	2.5	4.7
LR-7	Reactivate Contractors' License (Non-Sole Owner)	0.9	1.3	0.0	0.5	2.7
LR-1	Biennial Renewal – HIS	0.9	1.3	0.0	9.1	11.3

*Total slightly different than sum of categories due to rounding.

⁶ The Re-examination PY was determined by applying the portion of total exams that were re-examinations to the 27.0 total Exam Administration staff (13.0 processing plus 14.0 administrative PY).

⁷ LA-4 and LA-6 were combined during analysis to align with available workload statistics and the staff assessment that the processing time for the two were similar.

Key Findings

- A review of the overall staffing allocations in Table 16 above identified the following staff breakdowns, with the remainder making up a small percentage of total PY. Percentages include all staff allocated to the fee (Processing, Administrative, Exam and Enforcement).
- Overall, 30% of staff time was allocated to new applications and license maintenance tasks while 70% was allocated to renewal fees. The 70% includes 3.6% dedicated to processing the renewal applications and 66.4% dedicated to Enforcement actions. It was determined to distribute Enforcement time across the renewals as a part of licensure maintenance.
- 17.3% of staff were allocated to Contractor Application and Licenses (LA-1, LA-2, LA-3), while 58.4% of staff (including Enforcement) were allocated to Contractor Biennial renewals (LR-2, LR-3).
- 2.5% of staff were allocated to HIS applications (LA-9), while 2.6% of staff (including Enforcement) were allocated to HIS renewals (LR-1).
- 1.7% of staff were allocated to re-examinations (XA-1).

Distribution of Expenses

The total revenue required for each year FY 2020-21 through FY 2025-26 (including expenditures plus needed reserve) was determined utilizing projections from the CSLB Fund Condition and Five-Year Expenditures reports. The percentage of expenditures allocated to Personnel, Operating, Enforcement, and Direct Assessment in each projected year was applied to the total required revenue to determine the expenses linked to each category. Table 17 outlines how each expenditure category was further distributed among the fees to determine the total revenue required by each fee to meet overall expenditures.

Table 17: Summary of Distribution Methodology

Expenditure Category	Expenditure Line Item(s)	Distribution Method
Personnel	Exam Proctor	Expenses proportionally distributed among fees requiring examinations (including re-examinations) based on projected workload statistics for each year.
	All Other Personnel	Expenses distributed among fees based on the number of allocated PY identified in the work time allocation spreadsheets. <ul style="list-style-type: none"> • PY directly attributed to processing applications/renewals • Exam Admin. PY distributed proportionally only on fees with exams based on projected workload statistics • Specific Hazardous Substance Removal and Asbestos Exam Development PY allocated directly to those application fees. • Remaining Exam Development PY distributed proportionally to other exam-based fees based on projected workload statistics. • Enforcement PY distributed among renewals based on methods described in Enforcement distribution within this table. • Administrative PY was proportionally distributed across all fees based on the number of PY attributed in the above methods.
Operating – Non-Enforcement	<ul style="list-style-type: none"> • Printing, Postage • Consolidated Data Center (Teale) • DP Maint. /Supplies 	Operating expenses linked to the number of licenses being maintained/serviced. Expenses proportionally distributed among license application, registration, and renewal fees based on projected workload statistics for each year.
	Expert Examiners	Expenses proportionally distributed among fees requiring examinations (including re-examinations) based on projected workload statistics for each year.
	All Other Operating lines (<i>travel, training, facilities, vehicles, etc.</i>)	Operating expenses linked to the number of PY. Expenses distributed among fees based on the number of allocated PY identified in the work time allocation spreadsheets.
	Scheduled Reimbursement – Public Sales	Reimbursement proportionally distributed among application and renewal fees based on projected workload statistics.
Enforcement (under Operating)	All Enforcement	Expenses proportionally distributed among renewals based on number of Enforcement PY allocated to each fee. This includes: <ul style="list-style-type: none"> • HIS specific Enforcement PY allocated directly to HIS renewal. • PY dedicated to Sole Owner enforcement actions (licensee complaints, investigations, citations, accusations) distributed proportionally based on projected Sole Owner workload statistics (Renewals, Timely Inactive, Reactivation) • PY dedicated to Non-Sole Owner enforcement actions distributed proportionally based on projected workload statistics. • PY dedicated to non-licensed enforcement activity distributed proportionally among all licensed renewal categories based on projected HIS and Contractor renewals, timely renewals, and reactivations. Since it is not possible to attach the enforcement costs to non-licensees, it was distributed across all license/registration renewals as the function keeps the industry as a whole safer.

Expenditure Category	Expenditure Line Item(s)	Distribution Method
Direct Assessments	<ul style="list-style-type: none"> • Supplemental Pension Payments • Statewide Gen. Admin. Pro Rata 	Expenses distributed among fees based on the number of allocated PY identified in the work time allocation spreadsheets.

Determination of Initial Fee Levels and Adjustments

The distribution of expenses (described above) identified the total revenue needed by each fee to meet the total expenditures plus a portion of the targeted months in reserve. This information was utilized in conjunction with the projected workload statistics in each fee to identify an initial recommended fee structure based entirely on workload statistics and financial requirements.

The fees were initially calculated using the projected revenue and expenditures for FY 2020-21 through FY 2026-27, as outlined in the “Revenue and Expense Analysis” section. However, CSLB identified a likely loss in revenue for FY 2020-21 due to the COVID pandemic and economic recession, which are further discussed in the “Additional Considerations” section below. In order to address these financial impacts, CSLB has proactively committed to reducing expenditures by \$7.1 million in FY 2020-21 and \$4.25 million in FY 2021-22. This includes maintaining vacant positions, savings in reduced travel, delayed or reduced purchases, and a reduction in Attorney General’s Office, Administrative Hearing Office, and arbitration costs in FY 2020-21, and a 9.23% salary reduction in both FY 2020-21 and FY 2021-22. These financial adjustments have already been established with concrete numbers which were built into the calculations when determining the recommended fees.

In contrast to the foreseen lost revenue triggering the reduction of expenditures, there are two new sources of fund generation on the horizon. The Governor signed two new bills on 9/30/2020 that will generate an additional projected \$1.1 million annually in cost savings and additional revenue for CSLB starting in January 2021. This includes Bill No. SB 1189 which creates a Residential Remodeling Contractor license with an estimated annual revenue of \$500,000 in application and license fees and Bill No. AB 3087 authorizing the outsourcing of CSLB’s Testing Administration for a cost savings of an estimated \$625,000 per year.

Given that these are estimations of future revenue and savings and it is unknown how close these estimates will be until they are put in place, they were not included in the actual calculation of the recommended fees. However, it was considered when determining the goal months in reserve to ensure the additional revenue did not push the reserve beyond the maximum. The projected additional \$1.1 million would account for an extra 0.14 to 0.17 months in reserve on top of the current budgeted amount produced by the recommended fees. Similarly, CSLB has historically been able to save approximately \$2 million in expenditures each year, which results in a potential for an additional 0.26 to 0.31 months in reserve.

Taking into consideration the budgetary adjustments, projected revenue and savings, the impact of the pandemic and recession, and CSLB's proactive efforts to reduce expenditures where possible, it was determined to target a four to five-month reserve with the recommended fees. This allows CSLB to maintain a balance between building a sufficient reserve without exceeding the six-month maximum.

The recommended initial fee structure was then adjusted to round fee amounts and incorporate CSLB staff feedback on the practicality and acceptable increases with consideration to the current fees and industry standards. Additional consideration was given to minimizing the impact on the current and future licensees/registrants by making small adjustments to high frequency fees to subsidize fees with smaller frequencies that would have required a larger change to the current fee to meet expenditures. Throughout the adjustments, care was taken to ensure the fees were still supported by the work time allocation spreadsheet analysis and that the total revenue did not exceed the expenditures plus targeted months in reserve within the next five years.

Additional Considerations

COVID-19 PANDEMIC IMPLICATIONS

The fiscal impacts of the COVID-19 pandemic can make accurate short- and long-term financial forecasting more difficult. Examples of the impact of COVID-19 on specific revenue and expense areas are shared below.

- In the last quarter of FY 2019-20, the Office of Administrative Hearings and Attorney General costs were less than expected because many in-person hearings were cancelled as a result of the COVID-19 pandemic.
- As of July 2020, there was a backlog of roughly 7,000 exam candidates needing to take an exam because testing facilities were shut down most of the last quarter of FY 2019-20. This means the Board has received less revenue for application types associated with exams, such as the Re-examination fee and the Original Contractors Application fee.
- There was roughly \$2M less revenue generated in the last quarter of FY 2019-20 than expected, primarily as result of fewer applications and licenses issued.

POSSIBLE IMPACT OF CURRENT RECESSION ON CSLB REVENUE PROJECTIONS

Since CSLB is entirely self-funded, primarily from fee related revenue (96.4%), having a predictable and consistent influx of license applications, renewals, etc. (Licensing workload statistics) is critical to CSLB maintaining a solvent fund. As suggested in Figure 3 below, in the past, the overall US economy health can affect the California construction economy health, which can then in turn affect CSLB's total Licensing workload statistics. The total Licensing

workload statistics then directly affect the amount of revenue CSLB receives. Therefore, the current recession could impact the CSLB's revenue projections. In FY 2020-21 CSLB's revenue is expected to increase from years prior as a result of the February 2020 fee increase. However, assuming no additional fee increases are made, subsequent year projections anticipate a near flatline in revenue (see Table 14 – CSLB's Projected Growth Budget). Given the current impact of the recession, it is possible that these revenue projections will be less than anticipated.

This study examined three historical factors to look at the relationship between the overall US economy, the California construction economy, and CSLB's total licensing workload statistics to evaluate the historical impact of a prior recession on CSLB:

- The last US recession officially lasted from December 2007 to June 2009.
- California Construction RGDP - The California Construction RGDP is the real gross domestic product for the California Construction industry. RGDP is a macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation). This adjustment transforms the money-value measure, nominal GDP, into an index for quantity of total output.
- Total Licensing Workload Statistics: This is the summation of all the workload statistic counts for FY 2004-05 through FY 2018-19 for the workload categories listed in Tables 1 through 4 in the *Licensing, Exam, and Enforcement Workload Statistics*.⁸

Figure 3 examines the relationship between the total workload statistics and the CA construction real GDP, with the last recession shaded in gray for comparison. During the last major recession, CSLB saw a decrease in the total Licensing workload statistics. As can be seen in Figure 3 below, the total Licensing workload statistic tends to follow the CA construction real GDP.

⁸ Includes Table 1: New Application Workload Statistics, Table 2: License Maintenance Workload Statistics (with the exception of the Name Change fee), Table 3: License/Registration Renewal Workload Statistics, and Table 4: Examination Administration Workload Statistics (only re-examinations are included, since regular exams are processed in conjunction with other licensing fees)

Figure 3: The US Economy, CA Construction RGDP and CSLB Total Licensing Workload Statistics



Shading indicates US 2008 recession

Source: CA Construction Real GDP: U.S. Bureau of Economic Analysis, Real Gross Domestic Product by Industry: Private Industries: Construction for California, Millions of Chained 2012 Dollars, Annual, Seasonally Adjusted Annual Rate⁹

⁹ CA Construction RGDP is tracked on a calendar year basis, whereas the CSLB total licensing workload statistics are tracked on a July to July fiscal year basis. To display the data on the graph more simply, the CA RGDP is displayed on the same fiscal year axis. For instance, the 2005 CA RGDP is displayed on the same axis as the FY 04/05 total licensing workload statistics.

The last US recession occurred between December 2007 and June 2009. However, as can be seen by the CA Construction Real GDP, the construction economy in California began declining as early as 2005 and reached its bottom in 2011 before beginning to recover. Despite this trend, the 2019 numbers are still lower than the pre-recession totals. The total Licensing workload statistics seem to follow a similar trend but lags slightly behind the CA Construction RGDP. As the figure shows, total Licensing workload statistics started slightly declining in FY 2008-09 and reached a bottom in FY 2013-14. Similar to the CA Construction real GDP, the workload levels in FY 2018-19 had still not recovered to what they were prior to the 2008 recession. This could be partially attributed to the two-year renewal cycle in which the renewal numbers would not have reflected the downturn until their next renewal cycle.

Based on the current economic downturn and a review of historical patterns correlating the CSLB workload to the CA real GDP during the last recession, there is a level of uncertainty about the workload projections for future years, which in turn impacts projected fee-based revenue. Therefore, it is imperative that CSLB set new fee amounts with this uncertainty in mind.

Business and Professions Code 7137 dictates the current amount that CSLB charges for each fee along with a maximum amount each fee can be increased to. The current fee amount is referred to as the current regulatory amount and the maximum amount is referred to as the statutory maximum amount. If CSLB wishes to increase fees up to the statutory maximum amount they can do so through a relatively straightforward regulatory process. However, if CSLB wishes to increase the statutory maximum amount, they must do so through a more complex and lengthier legislative process.

CSLB needs to have the flexibility to raise fees as necessary to maintain fund solvency if revenues are less or expenses more than forecasted. To achieve this flexibility, we recommend that CSLB set the new statutory maximum amounts 25% higher than the new recommended regulatory amount. This would allow CSLB to be more likely to have to go through the regulatory process for the next fee increase(s) as opposed to the more complex and lengthier legislative process.

Recommended Fee Levels

The fees required to generate sufficient revenue to cover the increase in expenditures and needed funding to approach the four to five-month reserve are outlined in Table 18. The revised statutory max reflects a 25% increase to provide CSLB flexibility and the ability to quickly respond to future funding issues due to the potential uncertainty of licensee workload volumes associated with the current economic downturn as discussed above.

Table 18: Recommended Fee Levels

Fee Category	Current Regulatory Fee	Current Statutory Max	Revised Regulatory Fees	Revised Statutory Max (+25%)	% Increase from Current to Revised Regulatory Fee
New Applications					
Original Contractor's Application fee (exam or test waiver)	\$ 330	\$ 375	\$ 450	\$ 563	36%
Initial Contractor's License Fee - Sole Owner (approx. 60%)	\$ 200	\$ 225	\$ 200	\$ 250	0%
Initial Contractor's License Fee - Corp/Partners/JV/LLC (approx. 40%)	\$ 200	\$ 225	\$ 350	\$ 438	75%
Additional Classification (for original license)	\$ 75	\$ 85	\$ 150	\$ 188	100%
Home Improvement Salesperson (HIS) Initial Registration Fee	\$ 83	\$ 95	\$ 200	\$ 250	141%
Hazardous Substance Removal Certification	\$ 83	\$ 95	\$ 125	\$ 157	51%
Asbestos Certification	\$ 83	\$ 95	\$ 125	\$ 157	51%
Re-Examination	\$ 60	\$ 70	\$ 100	\$ 125	67%
License Maintenance					
Supplemental Classification (for existing license); Replacing the Qualifier (RME/RMO)	\$ 150	\$ 175	\$ 230	\$ 288	53%
Add Personnel/Officer Change (for existing licenses)	\$ 100	\$ 115	\$ 125	\$ 157	25%
Replacement Pocket/Wall Certificate	\$ 12	\$ 14	\$ 25	\$ 32	108%
Name change	n/a	n/a	\$ 100	\$ 125	n/a
Renewal Fees					
Biennial Contractor Renewal - Active Timely Renewal - Sole Owner	\$ 450	\$ 450	\$ 450	\$ 563	0%
Biennial Contractor Renewal-Active Timely Renewal - Corp/Partners/JV/LLC	\$ 450	\$ 450	\$ 700	\$ 875	56%
Delinquent Biennial Contractor Renewal - Active Timely Renewal - Sole Owner	\$ 675	\$ 675	\$ 675	\$ 844.50	0%
Delinquent Biennial Contractor Renewal-Active Timely Renewal -Corp/Partners/JV/LLC	\$ 675	\$ 675	\$ 1,050	\$ 1,312.50	56%
4-yr Timely Inactive Renewal - Sole Owner	\$ 225	\$ 225	\$ 300	\$ 375	33%
4-yr Timely Inactive Renewal - Corp/Partners/JV/LLC	\$ 225	\$ 225	\$ 500	\$ 625	122%
Delinquent - 4-yr Timely Inactive Renewal - Sole Owner	\$ 337.50	\$ 337.50	\$ 450	\$ 562.50	33%
Delinquent - 4-yr Timely Inactive Renewal - Corp/Partners/JV/LLC	\$ 337.50	\$ 337.50	\$ 750	\$ 937.50	122%
Reactivate Inactive Contractor's License - Sole Owner	\$ 450	\$ 450	\$ 450	\$ 563	0%
Reactivate Inactive Contractor's License - Corp/Partners/JV/LLC	\$ 450	\$ 450	\$ 700	\$ 875	56%
Biennial Renewal – HIS	\$ 95	\$ 95	\$ 200	\$ 250	111%
Delinquent Biennial Renewal – HIS	\$ 142.50	\$ 142.50	\$ 300	\$ 375	111%

Dishonored Check Fee

The current dishonored check service charge authorized by Section 6157 of the Government Code is \$10 for each check. *(Authority cited: Section 7008, Business and Professions Code. Reference: Section 7008, Business and Professions Code; and Section 6157, Government Code).* We would recommend, however, that this fee be raised to align with other California state agencies that charge \$25. For instance, CalCannabis under the California Department of Food and Agriculture charges \$25 for their dishonored check fee: “Returned Checks are subject to a \$25 Dishonored Check Fee issued to the California Department of Food and Agriculture” (<https://www.cdfa.ca.gov/calcannabis/payments.html>). The \$25 is the amount that the bank actually charges CSLB for a dishonored check fee, so this amount should be passed on to the applicant.

Projected Fund Condition with Recommended Fees

Table 14 previously showed CSLB’s projected growth budget based on financial information as of June 2020 with no fee increase. Table 19, however, shows the projected budget and resulting reserve if the recommended fees are implemented in July 2021 *and* includes cost saving measures updated in September 2020. The September cost saving measures incorporated the proactive reduction of \$7.1 million in expenditures in FY 2020-21 (which includes a salary reduction) and a continued 9.23% salary reduction for FY 2021-22. With these expenditure reductions, the budget retains structural balance in FY 2020-21, ending with 1.0 month in reserve. The implementation of the recommended fees allows the structural balance to improve each year, reaching 4.4 months in reserve (equivalent to approximately \$33.5 million) by FY 2024-25.

Table 19: CSLB's Projected Growth Budget with Recommended fees (effective 07/2021)

CSLB's Projected Growth Budget							
	Projected Year-end Expenditures 2019-20	Projected Budget FY 2020-21	Projected Budget FY 2021-22	Projected Budget FY 2022-23	Projected Budget FY 2023-24	Projected Budget FY 2024-25	Projected Budget FY 2025-26
Beginning Reserve Balance	\$10,333	\$6,475	\$6,129	\$19,478	\$26,421	\$31,126	\$33,506
Revenues	\$69,012	\$72,062	\$90,679	\$90,679	\$90,679	\$90,679	\$90,679
Total Resources¹	\$79,345	\$78,537	\$96,808	\$110,157	\$117,100	\$121,805	\$124,185
Expenditures ²	\$67,419	\$74,008	\$76,042	\$78,156	\$80,353	\$82,637	\$85,008
Direct Assessments ³	\$5,451	\$5,500	\$5,540	\$5,580	\$5,621	\$5,662	\$5,662
Budgetary Adjustments ⁴	\$0	(\$7,100)	(\$4,252)	\$0	\$0	\$0	\$0
Total Expenditures	\$72,870	\$72,408	\$77,330	\$83,736	\$85,974	\$88,299	\$90,670
Fund Balance	\$6,475	\$6,129	\$19,478	\$26,421	\$31,126	\$33,506	\$33,514
Months in reserve	1.1	1.0	2.8	3.7	4.2	4.4	4.4

¹Total Resources figures consist of total revenues, transfers, and other adjustments.
² Expenditure figures include CSLB's Operating Expenses and Equipment and Personnel Services cost categories.
³ Direct assessments are expenses assessed against the fund condition in addition to the OE&E and Personnel Services categories and include Statewide Pro Rata and Supplemental Pension Payments. Statewide Pro Rata is a recovery of statewide general administrative costs (i.e., indirect costs incurred by central service agencies). Supplemental Pension Payments are related to Senate Bill 84 (Chapter 50, Statutes of 2017) that authorized a one-time \$6 billion supplemental pension payment in FY 2017/18 to CalPERS. This loan is to be repaid through funds responsible for retirement contributions.
⁴ Budgetary adjustments were made as a proactive response to the COVID-19 pandemic and subsequent financial impacts. The FY 2020-21 \$7.1M reduction in expenses includes a 9.23% salary reduction, maintaining vacant positions, savings in travel, reduced or delayed purchases, and a reduction in Attorney General's Office, Administrative Hearing Office, and arbitration costs. FY 2021-22 \$4.25M reduction includes a 9.23% salary reduction.
Dollars in thousands
Source: CSLB Budget Office

Sole Owner vs. Non-Sole Owner Fees

The major change in the fee structure was creating separate fee levels for Sole Owner vs. Non-Sole Owner. Non-Sole Owners include corporations, joint ventures, LLCs and partnership business entities. The fee separation was proposed by CSLB management due to the longer amount of time it takes staff to complete Non-Sole Owner compared to Sole Owner related tasks. This additional workload primarily stems from multiple individuals being associated with a Non-Sole Owner license compared to only a single individual being associated with a Sole Owner license.

There is additional Licensing staff time to process an initial Non-Sole Owner Contractor's License (corporations, joint ventures, LLC, and partnerships), which includes the additional review to confirm the business entity's status through the Secretary of State; checking that the specific employee bond and insurance requirements have been met and to complete background checks on the officers, partners and owners of these businesses, including the additional work to clear liabilities and judgments.

For the Biennial Contractor – Active Timely Renewal, 4-yr Timely Inactive Renewal and Reactivate Inactive Contractor's License, Licensing staff spend more time reviewing the same items mentioned in the previous paragraph for the Non-Sole Owner Renewal compared to the Sole Owners.

For enforcement related tasks, staff spend significantly more time on complaints, investigations, citations, and accusations associated with Non-Sole Owner than they do for Sole Owners' Licenses due to having to interview multiple parties. It is essential to contact all culpable parties to ensure consumers are protected.

Work Time Allocation Based Processing Times

The overall time allocated to each Sole Owner and Non-Sole Owner Contractor task in the work time allocation spreadsheet was applied to the FY 2018-19 workload statistics to estimate an average time per task. The following table outlines the total staff and equivalent hours per year on each active Initial Contractor's License, Biennial Contractor – Active Timely Renewal, and enforcement actions (including total complaints, investigations, citations, and accusations). The allocated PY is based solely on the positions allocated to doing the specific task and the PY based proportion of the licensing and enforcement general work (tasks LG-1, LG-2, EF-12, EF-13). It does not include the distributed Administrative time (tasks AA-1, AA-2, AA-3) from those that support multiple units that was built into the fees, as this analysis only looks at direct processing time. It applied the historical data records reflecting 59% Sole Owner, 41% Non-Sole Owner to the FY 2018-19 workload statistics to determine the number of Sole and Non-Sole Owner in each area. Table 20 summarizes the total allocated PY, allocated hours, workload statistic for FY 2018-19 (after splitting it into Sole/Non-Sole Owners), and the calculated average processing time per application, renewal or enforcement action.

Table 20: Estimated Workload Allocation Calculated Time per Task standards

Task	Sole/ Non-Sole Owner	Allocated PY	Equivalent Annual Hours	FY 2018-19 workload count	Estimated Average Processing Time
Initial Contractor's License	Sole	8.20	14,563.2	10,425	1.4 hrs.
	Non-Sole	7.85	13,941.6	7,244	1.9 hrs.
Biennial Contractor - Active Timely Renewal	Sole	1.65	2,930.4	62,069	2.8 min.
	Non-Sole	1.65	2,930.4	43,132	4.1 min.
Enforcement Action	Sole	71.6	127,161.6	8690	14.6 hrs.
	Non-Sole	96.2	170,851.2	5794	29.5 hrs.

Based on time allocations and workload statistics, the Non-Sole Owner Initial Contractor's Licenses, renewals, and enforcement actions take longer to process than the Sole Owner Initial Contractor's license, renewals, and enforcement. Overall, the Non-Sole Owner Initial Contractor's license takes 35.7% longer, the biennial renewal takes 46.4% longer, and the average enforcement action takes 102.1% longer than the Sole Owner Contractor counterparts. This is particularly impactful in enforcement where the Non-Sole Owner complaints (and subsequent enforcement actions) take just over twice the time to process than the Sole Owner complaints. This is compounded by the high frequency leading to a need for seven (Sole Owner) to ten (Non-Sole Owner) times as many PY compared to the corresponding PY allocated to the license and renewals combined. These additional time requirements support a higher recommended fee for Non-Sole Owner Contractor actions.

Appendix A: Work Allocation Spreadsheet Task Definitions

Task Code	Task Activity
Administrative Support (not a part of Work Time Allocation Spreadsheets)	
AA-1	Overall Administrative – staff time that support the entire organization as a whole.
AA-2	Licensing/Examination Administrative – staff time supporting licensing/examination functions as a whole; not dedicated to specific individual licensing fees or functions.
AA-3	Enforcement Administrative – staff time supporting enforcement functions as a whole; not dedicated to specific enforcement actions or functions.
Licensing	
LA-1	Original Contractor’s Application: Receive application and fee. Complete initial review to identify military, disaster area, public works and power of attorney. Send application to data entry (Teale), enter initial review and scan documents (IWAS). Confirm entity type (Sole Owner, Non-Sole Owner: corporation, partnership or LLC). Perform SOS confirmation of non-Sole Owner personnel of record and registration status. Verify qualifier and personnel eligibility. Evaluate exam waivers & reciprocity. Review work experience. Search web for classification and business name compatibility. Perform acceptable 90-day work experience transfers. Complete criminal background review, including research of prior/current enforcement issues such as judgments, payments of claims and outstanding liabilities. Obtain required clearances. Obtain SSN/ITIN, DOB and/or personnel name verification for DOJ. Research and review prior void applications. Verify by phone if missing information and return by mail for multiple corrections. Perform final check of SOS confirmation on Non-Sole Owner applications. Make final check on prior/current enforcement issues. Post application and schedule examination(s). Notify exam of any military, expedite, ADA/translator and update Teale and IWAS. Order Live Scan packet if required. Computer generates 3% random sample for detailed review. Send notification of examination(s) to applicant.
LA-2	Contractor’s License – Sole Owner: Once examination passed, applicant notified of requirements for issuance of license, including all bonds, workers’ compensation certification, exemption forms, qualifier percentage statements, inactivation and disassociations. Review all documents for personnel name, business name/class compatibility and Teale match and completion. Confirm proper completion of bonds and acceptance of Cashier’s Check alternative. All information entered into Teale and scanned in IWAS. Confirm criminal background clearance in place. Confirm asbestos open book examination results received. Confirm receipt of License Fee. Obtain single corrections by email/phone and multiple corrections by mail. Perform final check on prior/current enforcement issues. Review IWAS and update Teale with new business records and issued license number. Update Teale to order any additional pocket license card or wall certificate.
LA-3	Contractor’s License – Non-Sole Owner: Once examination passed, applicant notified of requirements for issuance of license, including all bonds (contractor, qualifier, LLC Worker, disciplinary), workers’ compensation certification, exemption forms, liability insurance (confirm amount with additional personnel with supplemental class), inactivation or qualifier percentage statements are reviewed for personnel name, business name/class compatibility and Teale match and completion. SOS confirmation of corporate, LLC, partnership current registration status and personnel of record. Confirm proper completion of bonds and acceptance of Cashier’s Check alternative. All information entered into Teale and scanned in IWAS. Confirm criminal background clearance in place. Confirm asbestos open book examination results received. Confirm receipt of License Fee. Obtain single corrections by email/phone and multiple corrections by mail. Perform final check on prior/current enforcement issues. Review IWAS/update Teale with new business mailing, physical, residential address. Perform final check on SOS confirmation. Review IWAS and update Teale with new business records and issued license number. Update Teale to order any additional pocket license card or wall certificate.

Task Code	Task Activity
LA-4	Supplemental Class (for existing license): Process is identical to combining the process for Original Contractor's Application and Contractor's License Non-Sole Owner except for the following differences: Perform project class review; Research and confirm multiple entity qualifier issues; Post application in Teale and scan into IWAS and Refer for designated exams (No trade exam for C-61/D Class) (rather than Post application and schedule examination(s) shown in Original Contractor's Application); Note Teale license if multiple qualifier or waiver; Return to technician for processing; Return corrections by mail (rather than one correction by phone); Grant additional classification to license on Teale and update IWAS.
LA-5	Additional Class (for original license): Process is identical to combining the process for Original Contractor's Application and Contractor's License Non-Sole Owner except for the following differences: Perform project class review; Research and confirm multiple entity qualifier issues; Post application in Teale and scan into IWAS and Refer for designated exams (No trade exam for C-61/D Class) (rather than Post application and schedule examination(s) shown in Original Contractor's Application); Note Teale license if multiple qualifier or waiver; Return to technician for processing; Return corrections by mail (rather than one correction by phone); Grant additional classification to license on Teale and update IWAS.
LA-6	Replacing Qualifier (RME / RMO): See Supplemental (Additional) Class process shown above. Except granting new qualifier to existing license rather than a new additional class to an existing license.
LA-7	Hazardous Substance Removal Certificate: Receive application and fee. Complete initial review to identify military, disaster area, public works and power of attorney. Send application to data entry (Teale), enter initial review and scan documents (IWAS). Perform SOS confirmation of Non-Sole Owner personnel of record and registration status. Verify qualifier and personnel eligibility. Confirm eligibility based on current classes held. No experience verification required. Review and verify all questions answered. Review criminal background disclosures and research prior/current enforcement issues, such as judgments, payments of claims and outstanding liabilities. Obtain required clearances. Research and review prior void applications. Obtain single corrections by mail and return app for multiple corrections. Perform final check of SOS confirmation on Non-Sole Owner applications. Make check on prior/current enforcement issues. Post application and schedule examination(s). Notify exam of any military, expedite, ADA/translator and update Teale and IWAS. Upon exam completion, perform final check on prior/current enforcement issues. Update Teale and IWAS with certification. Review IWAS and update Teale additional pocket card or wall license request.
LA-8	Asbestos Certification: Same steps as Hazardous Substance Removal Certification shown above. Except verify question 9 – bidding purposes only and confirm certification vs. C-22.
LA-9	HIS Salesperson – Initial Registration: Receive application and fee. Complete initial review to identify military, disaster area, public works and power of attorney. Send application to data entry (Teale), enter initial review and scan documents (IWAS). Verify previous HIS registration if renewable. Verify personnel eligibility/age requirement. No experience verification required. Review and verify all questions answered. Review criminal background disclosures and research prior/current enforcement issues, such as judgments, payments of claims and outstanding liabilities. Obtain required clearances. Research and review prior void applications. Obtain single corrections by mail and return app for multiple corrections. Make final check on prior/current enforcement issues. Confirm criminal background clearances in place. Issue license and mail registration.
LA-10	Replacement Pocket License or Wall Certificate: Receive request for license with fee, send to IWAS to scan and confirm license in Teale. Order pocket/wall certification in Teale and mail replacement.

Task Code	Task Activity
LA-11	Add Personnel Change: Receive application and fee. Send to IWAS to scan and update Teale. Review Teale (CSLB & SOS). Complete criminal background check, flag reviews and clear judgements. Return for correction if needed. Ensure qualifier or officer gets criminal background check. Return for corrections if needed and review when returned. Update Teale and IWAS and complete 2 nd flag review. Add personnel on license. Notify licensee Personnel Change is complete.
LA-12	Name Change: Receive application and fee. Send to IWAS to be scanned. Enter date in Teale. Confirm change has been within 90 days. Confirm no change in entity status or classes. Review Teale (CSLB and SOS) for flags and clear judgments. Return for corrections if needed and review upon return. Update Teale and IWAS. Mail license if fee paid.
Renewal Tasks	
LR-1	Biennial Renewal - HIS: Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB) for flags. Return for corrections if needed and review upon return. Update Teale and IWAS. Send pocket card.
LR-2	Biennial Contractor Renewal – Active – Sole Owner: Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Confirm no change in business entity or qualifier. Document change in address. Confirm appropriate signatures. View and clear pending transactions, such as workers’ compensation and bonds. Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers’ compensation. Includes tasks for delinquent activity renewal: confirm no work completed during unlicensed period and review contractor’s petition for retroactive renewal if beyond their control. Return for corrections if needed and review corrections. Update Teale and IWAS.
LR-3	Biennial Contractor Renewal – Active – Non-Sole Owner: Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB & SOS) to confirm if active. New corporate registration number requires new license. Cannot renew if SOS suspensions. Corporate name change must be confirmed with SOS and CSLB before renewal. Confirm no change in business entity or qualifier. Confirm all bonds in place, LLC insurance, and workers’ compensation or exemption. Document change in address. Confirm appropriate signatures, including officials, partners and qualifier. View and clear pending transactions, such as workers’ compensation and bonds. Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers’ compensation. Includes tasks for delinquent activity renewal: confirm no work completed during unlicensed period and review contractor’s petition for retroactive renewal if beyond their control. Return for corrections if needed and review corrections. Update Teale and IWAS. Pocket card automatically ordered and sent out.
LR-4	Timely Inactive Renewal – Sole Owner: Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB). Confirm no change in business entity or qualifier. Document change in address. Confirm appropriate signatures. View and clear pending transactions, such as workers’ compensation and bonds. Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers’ compensation. Includes tasks for delinquent activity renewal: confirm no work completed during unlicensed period and review contractor’s petition for retroactive renewal if beyond their control. Return for corrections if needed and review corrections. Update Teale and IWAS.

Task Code	Task Activity
LR-5	Timely Inactive Renewal – Non-Sole Owner: Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB & SOS) to confirm if active. New corporate registration number requires new license. Cannot renew if SOS suspensions. Corporate name change must be confirmed with SOS and CSLB before renewal. Confirm no change in business entity or qualifier. Confirm all bonds in place, LLC insurance, and workers' compensation or exemption. Document change in address. Confirm appropriate signatures including officials, partners and qualifier. View and clear pending transactions, such as workers' compensation and bonds. Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers' compensation. Includes tasks for delinquent activity renewal: confirm no work completed during unlicensed period and review contractor's petition for retroactive renewal if beyond their control. Return for corrections if needed and review corrections. Update Teale and IWAS. Pocket card automatically ordered and sent out.
LR-6	Reactivate Contractor's License – Sole Owner: Respond to requests for application. Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB). Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers' compensation. Confirm appropriate bonds in place. Return for corrections if needed and review corrections. Update Teale and IWAS. Post application. No exam is required. Mail license.
LR-7	Reactivate Contractor's License – Non-Sole Owner: Respond to requests for application. Receive application and fee. Enter data into Teale and send to IWAS to be scanned. Review Teale (CSLB & SOS). Confirm appropriate signatures. Confirm appropriate bonds in place. Confirm no change in business entity. Document change in address. View and clear pending transactions. Confirm no outstanding judgments or liabilities and clear before renewal. Clear any suspension except for workers' compensation. Return for corrections if needed and review corrections. Update Teale and IWAS. Post application. No exam is required. Mail license.
Licensing General Work Tasks	
LG-1	Other Licensing Tasks: Performance measures tracking, updating policies, standards and manuals; research and pilot programs, provide training on related tasks, monitor industry trends; coordination with the Board or with other agencies; respond to inquiries, respond to public records requests; miscellaneous clerical work; travel support and other administrative support. Special projects/assignments outside the normal work duties; could include one-time projects; implementation of new processes. Other work tasks not described in the other licensing tasks.
LG-2	Licensing Supervision: Managing staff assignments, schedules and timesheet approvals, conducting meetings, providing guidance/training to staff and reviewing quality and quantity of staff work products. Completing performance management and disciplinary action tasks. Performing analysis and reporting (written and verbal) regarding your program area, answering questions regarding program performance, or issues; meeting with upper level management; monitoring program costs/invoices, and providing feedback into program budget, strategic plan, and/or operational goals. Any other supervisory/program management time not already mentioned in this description.
Exam Administration	
XA-1	Exam Administration: Review accommodation and translator requests. Schedule exam, exam proctors and provide exam booklet. Set-up and prepare test station. Monitor/oversee exam. Respond with exam results. Prepare incident reports. Update Teale/IWAS. Forward Original Application to file then back to applicant.

Task Code	Task Activity
Exam Administration General Work Tasks	
XA-2	Other Exam Administration Tasks: Performance measures tracking, updating policies, standards and manuals; research and pilot programs, provide training on related tasks, monitor industry trends; coordination with the Board or with other agencies; respond to inquiries, respond to public records requests; miscellaneous clerical work; travel support and other administrative support. Special projects/assignments outside the normal work duties; could include one-time projects; implementation of new processes. Other work tasks not described in the other exam development tasks.
XA-3	Exam Administration Supervision: Managing staff assignments, schedules and timesheet approvals, conducting meetings, providing guidance/training to staff and reviewing quality and quantity of staff work products. Completing performance management and disciplinary action tasks. Performing analysis and reporting (written and verbal) regarding your program area, answering questions regarding program performance, or issues; meeting with upper level management; monitoring program costs/invoices, and providing feedback into program budget, strategic plan, and/or operational goals. Any other supervisory/program management time not already mentioned in this description.
Exam Development	
XD-1	Non-Asbestos and Non-Hazardous Substance Removal Exams: Select, coordinate and oversee Subject Matter Experts (SMEs) to support occupational analysis and exam development. Update each exam by completing an occupational analysis: research, job audit interviews, SME workshops, survey licensees, finalize exam plan/outline and document validation process. Complete item bank development: reclassify items in SME workshops; write new items in SME workshops; create/revise blueprints, charts, etc. used for tests; research, format, proofread, and edit items; and set pass point for newly updated item bank in SME workshop. Analyze results of pass point workshop in SPSS to set the final pass point for the bank.
XD-2	Asbestos Certification: These certifications follow the same Exam Development tasks as Non-Asbestos and Non-Hazardous Substance Removal Exams.
XD-3	Hazardous Substance Removal Certification: These certifications follow the same Exam Development tasks as Non-Asbestos and Non-Hazardous Substance Removal Exams.
Exam Development General Work Tasks	
XD-4	Other Exam Development Tasks: Perform ongoing statistical analysis of item and exam performance. Create new exam versions/forms as needed. Research candidate comments and appeals. Create and conduct surveys on various CSLB issues. Evaluate/review other national licensing exams; update policies, standards and manuals; research and pilot programs, provide training on related tasks, monitor industry trends in various trades, coordinate with Board or other agencies on exam development and maintenance, classification studies for the department; prepare SME contracts, workshop materials and payment documents; audit and record SME expenses, miscellaneous clerical work, travel support and other administrative support; other work tasks not described in other exam development tasks.
XD-5	Exam Development Supervision: Managing staff assignments, schedules and timesheet approvals, conducting meetings, providing guidance/training to staff and reviewing quality and quantity of staff work products. Monitoring 46 item banks' quality, statistics, security, and usage. Completing performance management and disciplinary action tasks. Performing analysis and reporting (written and verbal) regarding your program area, answering questions regarding program performance, or issues; meeting with upper level management; monitoring program costs/invoices, and providing feedback into program budget, strategic plan, and/or operational goals. Any other supervisory/program management time not already mentioned in this description.

Task Code	Task Activity
Enforcement	
EA-1	Licensee Complaint (Sole Owner): CSLB receives a Sole Owner complaint and forwards it to the Customer Service Representative (CSR). The CSR determines if the complaint falls within the jurisdiction of the CSLB and reviews databases (such as CLETS, CLEAR, DMV, and Teale) to identify unlicensed contractors. Both parties are contacted, and the licensee is encouraged to settle the complaint. If not settled, the CSR may Mediate or forward the complaint to an Enforcement Representative if complaint meets criteria for a reactive investigation. After Mediation, mandatory and voluntary arbitration are considered. The CSR schedules the Arbitrator and Subject Matter Experts as needed then follows up to ensure the results of the Arbitration are implemented. As an option, the CSR can offer that the complainant contacts the contractor's surety or takes the contractor to small claims or civil court. This task includes all work activity associated with licensee complaints for Sole Owners.
EA-2	Licensee Complaint (Non-Sole Owner): CSLB receives a Non-Sole Owner complaint and forwards it to the Customer Service Representative (CSR). The CSR determines if the complaint falls within the jurisdiction of the CSLB and reviews databases (such as CLETS, CLEAR, DMV, and Teale) to identify unlicensed contractors and Secretary of State to confirm corporation status. Both parties are contacted, and the licensee is encouraged to settle the complaint. If not settled, the CSR may Mediate or forward the complaint to an Enforcement Representative if complaint meets criteria for a reactive investigation. After Mediation, Mandatory and Voluntary Arbitration are considered. The CSR schedules the Arbitrator and Subject Matter Experts as needed then follows up to ensure the results of the Arbitration are implemented. As an option, the CSR can offer that the complainant contacts the contractor's surety or takes the contractor to small claims or civil court. This task includes all work activity associated with licensee complaints for Non-Sole Owners, including the time needed to interview multiple license personnel.
EA-3	Non-Licensee Complaint: CSLB receives the non-licensee complaint and collects evidence to confirm that the accused operated without a license. Databases (including CLETS, CLEAR, DMV, Teale) are searched to identify unlicensed contractors. An Injunction may be initiated to stop work by working through the Attorney General or a local District Attorney. A Citation may be prepared and issued. If the Citation is appealed, a Mandatory Settlement Conference is held followed by a Hearing before an Administrative Law Judge if necessary. If unlicensed work continues, the complaint may be forwarded to a local District Attorney. This task includes all work activity associated with non-licensee complaints.
EA-4	HIS Complaint: CSLB receives the HIS complaint and collects evidence to determine financial injury and to confirm that the accused operated without a license. Databases (including CLETS, CLEAR, DMV, Teale) are searched to identify unlicensed contractors. An Injunction may be initiated to stop work by working through the Attorney General or a local District Attorney. A Citation may be prepared and issued. If the Citation is appealed, a Mandatory Settlement Conference is held followed by a Hearing before an Administrative Law Judge if necessary. If unlicensed work continues, the complaint may be forwarded to a local District Attorney. Action may be taken against contractor of an unlicensed HIS. This task includes all work activity associated with HIS complaints.

Task Code	Task Activity
EA-5	<p>Licensee Investigation (Sole Owner): After a Sole-Owner complaint moves through arbitration and the licensee fails to implement the decision, an investigation is initiated. A full review of databases (Teale) for background on the licensee, including any flag reviews, is completed. The background information is received from the initial complaint and this review and a meeting with the complainant and licensee is scheduled to collect further information. Research a legal determination to conclude whether the licensee is operating out-of-class. Any subsequent arrests or convictions related to contractor activity are reviewed along with checking proper licenses and Workman’s Compensation documentation. If a violation is established and is isolated or minor, a Warning Letter is sent. If no progress, a Letter of Admonishment is sent, and an Informal Conference is scheduled if requested. No admission of violation is required if violation is addressed. This task includes all work activity associated with licensee investigations for Sole Owners.</p>
EA-6	<p>Licensee Investigation – Citation (Sole Owner): If Sole Owner licensee does not comply with a Letter or Warning and Letter of Admonishment or if a serious violation has occurred, then a Citation is issued. If licensee contests the Citation, a Mandatory Settlement Conference is scheduled followed by a Hearing before an Administrative Law Judge if necessary. If licensee does not prevail or comply, license may be Suspended or Revoked. This task includes all work activity associated with Citations for Sole Owners.</p>
EA-7	<p>Licensee Investigation – Accusation (Sole Owner): If a Sole Owner licensee does not comply with a Citation or has made a flagrant violation of the law, an Accusation is sent to the Attorney General with the intent to Suspend or Revoke the contractor’s license. A Mandatory Settlement Conference may be offered. If not settled, licensee can defend themselves at a Hearing before an Administrative Law Judge. As an option, the licensee and the Registrar may negotiate a settlement (Stipulation). If licensee fails to respond, Registrar decides on appropriate action and determines length of time license is to be Revoked or Suspended. A Disciplinary Bond requirement and recovery of investigation and enforcement costs is established. An Injunction may be filed against unlawful activity and a blatant violation may be referred for a possible criminal filing to a local district attorney. The complaint is disclosed on the CSLB website. This task includes all work activity associated with Accusations for Sole Owners.</p>
EA-8	<p>Licensee Investigation (Non-Sole Owner): After a Non-Sole Owner complaint moves through Arbitration and the licensee fails to implement the decision, an investigation is initiated. A full review of databases (Teale) for background on the licensee, including any flag reviews, is completed, including additional review for corporation, LLC or partnership background. The background information is received from the initial complaint and this review and a meeting with the complainant and licensee is scheduled to collect further information. Research is conducted to make a legal determination as to whether the licensee is operating out-of-class. Any subsequent arrests or convictions related to contractor activity are reviewed along with checking proper licenses and Workman’s Compensation documentation. If a violation is established and is isolated or minor, a Warning Letter is sent. If no progress, a Letter of Admonishment is sent, and an Informal Conference is scheduled if requested. No admission of violation is required if violation is addressed. This task includes all work activity associated with licensee investigations for Non-Sole Owners.</p>
EA-9	<p>Licensee Investigation – Citation (Non-Sole Owner): If a Non-Sole Owner licensee does not comply with a Letter or Warning and Letter of Admonishment or if a serious violation has occurred, then a Citation is issued. If licensee contests the Citation, a Mandatory Settlement conference is scheduled followed by a Hearing before an Administrative Law Judge if necessary. If licensee does not prevail or comply, license may be Suspended or Revoked. This task includes all work activity associated with Citations for Non-Sole Owners.</p>

Task Code	Task Activity
EA-10	<p>Licensee Investigation – Accusation (Non-Sole Owner): If a Non-Sole Owner licensee does not comply with a Citation or has made a flagrant violation of the law, an Accusation is sent to the Attorney General with the intent to Suspend or Revoke the contractor’s license. A Mandatory Settlement Conference may be offered. If not settled, licensee can defend themselves at a Hearing before an Administrative Law Judge. As an option, the licensee and the Registrar may negotiate a settlement (Stipulation). If licensee fails to respond, Registrar decides on appropriate action and determines length of time license is to be Revoked or Suspended. A Disciplinary Bond requirement and recovery of investigation and enforcement costs is established. An Injunction may be filed against unlawful activity and a blatant violation may be referred for a possible criminal filing to a local District Attorney. The complaint is disclosed on the CSLB website. This task includes all work activity associated with Accusations for Non-Sole Owners.</p>
EA-11	<p>Non-Licensee Investigation: Often without a specific complaint, the CSLB completes Proactive Investigations on the underground economy and unlicensed contractors through the Statewide Investigative Fraud Team (SWIFT). SWIFT may request proof of license at any job sit without cause or complaint. Undercover STINGS may be scheduled in partnership with County Sheriffs. SWEEPS to monitor jobsites may include partnerships with other agencies such as the Department of Industrial Relations. LEADS may report to active job site to review complaints of possible violations. Injunction against unlicensed activity may be pursued and referral to the local District Attorney for criminal actions may be pursued. This task includes all work activity associated with Proactive Investigations for non-licensees.</p>
<p>Enforcement General Work Tasks</p>	
EF-12	<p>Other Enforcement Tasks: Tracking performance measures; updating policies, standards and manuals; completing research; implementing pilot programs; providing training on related tasks, monitoring industry trends, coordinating with the Board or with other agencies; responding to inquiries and public records requests; performing miscellaneous clerical work, travel support and other administrative support; perform special projects or assignments outside normal work hours including one time projects; implementing new processes; and, any other work tasks not described in the other enforcement tasks.</p>
EF-13	<p>Enforcement Supervision: Managing staff assignments, developing schedules and approving timesheets; conducting meetings, providing guidance and training to staff; reviewing quality and quantity of staff work products; completing performance management and disciplinary action tasks; performing analysis and reporting (both written and verbal) regarding the program areas; answering questions regarding program performance; meeting with upper level management; monitoring program costs and invoices; providing feedback into the program budget, strategic plan and operational goals; and, any other supervisory/program management time not already mentioned in this description.</p>

Appendix B: Summary of Fee Revenue Analysis

The fee costing analysis identified the additional revenue required to meet the expenditures and targeted four to five-month reserve. This appendix summarizes the projected revenue using the current fee, the projected revenue using the recommended fee, and the total additional revenue generated by each fee type. The table outlines how the average \$21.3 million deficit in meeting the projected expenditures and four to five-month reserve is covered by the recommended increase in fees.

Fee Name	Current Fee	Recom. Fee	Percent Increase	Increase amount	Fiscal Year	Estimated Volume	Current Fee Revenue	Recommended Fee Projected Revenue	Additional Projected Revenue
New Applications									
Original Contractor's Application fee <i>Estimated volume based on 4-year avg.</i>					21-22	22,735	\$7,502,550	\$10,230,750	\$2,728,200
	\$330	\$450	36%	\$120	22-23	22,735	\$7,502,550	\$10,230,750	\$2,728,200
					23-24	22,735	\$7,502,550	\$10,230,750	\$2,728,200
					24-25	22,735	\$7,502,550	\$10,230,750	\$2,728,200
					25-26	22,735	\$7,502,550	\$10,230,750	\$2,728,200
Initial Contractor's License Fee - Sole Owner <i>Estimated volume based on 3-year avg. due to sharp increase in FY 16-17</i>					21-22	10,068	\$2,013,600	\$2,013,600	\$0
	\$200	\$200	0%	\$0	22-23	10,068	\$2,013,600	\$2,013,600	\$0
					23-24	10,068	\$2,013,600	\$2,013,600	\$0
					24-25	10,068	\$2,013,600	\$2,013,600	\$0
					25-26	10,068	\$2,013,600	\$2,013,600	\$0
Initial Contractor's License Fee - Corp/Partners/JV/LLC <i>Estimated volume based on 3-year avg. due to sharp increase in FY 16-17</i>					21-22	6,712	\$1,342,400	\$2,349,200	\$1,006,800
	\$200	\$350	75%	\$150	22-23	6,712	\$1,342,400	\$2,349,200	\$1,006,800
					23-24	6,712	\$1,342,400	\$2,349,200	\$1,006,800
					24-25	6,712	\$1,342,400	\$2,349,200	\$1,006,800
					25-26	6,712	\$1,342,400	\$2,349,200	\$1,006,800
Additional Classification (for original license) <i>Estimated volume based on 2-year avg.; previously combined with other metrics</i>					21-22	2,355	\$176,625	\$353,250	\$176,625
	\$75	\$150	100%	\$75	22-23	2,355	\$176,625	\$353,250	\$176,625
					23-24	2,355	\$176,625	\$353,250	\$176,625
					24-25	2,355	\$176,625	\$353,250	\$176,625
					25-26	2,355	\$176,625	\$353,250	\$176,625

Fee Name	Current Fee	Recom. Fee	Percent Increase	Increase amount	Fiscal Year	Estimated Volume	Current Fee Revenue	Recommended Fee Projected Revenue	Additional Projected Revenue
Home Improvement Salesperson (HIS) Initial Registration Fee <i>Estimated volume based on 3-year avg. after SB 561</i>	\$83	\$200	141%	\$117	21-22	9,824	\$815,392	\$1,964,800	\$1,149,408
					22-23	9,824	\$815,392	\$1,964,800	\$1,149,408
					23-24	9,824	\$815,392	\$1,964,800	\$1,149,408
					24-25	9,824	\$815,392	\$1,964,800	\$1,149,408
					25-26	9,824	\$815,392	\$1,964,800	\$1,149,408
Hazardous Substance Removal Certification <i>Estimated volume based on 4-year avg</i>	\$83	\$125	51%	\$42	21-22	156	\$12,948	\$19,500	\$6,552
					22-23	156	\$12,948	\$19,500	\$6,552
					23-24	156	\$12,948	\$19,500	\$6,552
					24-25	156	\$12,948	\$19,500	\$6,552
					25-26	156	\$12,948	\$19,500	\$6,552
Asbestos Certification <i>Estimated volume based on 4-year avg.</i>	\$83	\$125	51%	\$42	21-22	66	\$5,478	\$8,250	\$2,772
					22-23	66	\$5,478	\$8,250	\$2,772
					23-24	66	\$5,478	\$8,250	\$2,772
					24-25	66	\$5,478	\$8,250	\$2,772
					25-26	66	\$5,478	\$8,250	\$2,772
Re-Examination <i>Estimated volume based on 3-year avg. after change in pass rate in FY 16/17</i>	\$60	\$100	67%	\$40	21-22	17,757	\$1,065,420	\$1,775,700	\$710,280
					22-23	17,757	\$1,065,420	\$1,775,700	\$710,280
					23-24	17,757	\$1,065,420	\$1,775,700	\$710,280
					24-25	17,757	\$1,065,420	\$1,775,700	\$710,280
					25-26	17,757	\$1,065,420	\$1,775,700	\$710,280
License Maintenance									
Supplemental Classification (for existing license); Replacing the Qualifier (RME/RMO) <i>Estimated volume based on 2-year avg.; previously combined with other metrics</i>	\$150	\$230	53%	\$80	21-22	6,443	\$966,450	\$1,481,890	\$515,440
					22-23	6,443	\$966,450	\$1,481,890	\$515,440
					23-24	6,443	\$966,450	\$1,481,890	\$515,440
					24-25	6,443	\$966,450	\$1,481,890	\$515,440
					25-26	6,443	\$966,450	\$1,481,890	\$515,440

Fee Name	Current Fee	Recom. Fee	Percent Increase	Increase amount	Fiscal Year	Estimated Volume	Current Fee Revenue	Recommended Fee Projected Revenue	Additional Projected Revenue
Add Personnel/Officer Change (for existing licenses) <i>Estimated volume based on 2-year avg.; only 2 years available metrics</i>	\$100	\$125	25%	\$25	21-22	1,974	\$197,400	\$246,750	\$49,350
					22-23	1,974	\$197,400	\$246,750	\$49,350
					23-24	1,974	\$197,400	\$246,750	\$49,350
					24-25	1,974	\$197,400	\$246,750	\$49,350
					25-26	1,974	\$197,400	\$246,750	\$49,350
Replacement Pocket/Wall Certificate <i>Estimated volume based on 4-year avg</i>	\$12	\$25	108%	\$13	21-22	8,631	\$103,572	\$215,775	\$112,203
					22-23	8,631	\$103,572	\$215,775	\$112,203
					23-24	8,631	\$103,572	\$215,775	\$112,203
					24-25	8,631	\$103,572	\$215,775	\$112,203
					25-26	8,631	\$103,572	\$215,775	\$112,203
Name Change Fee <i>Estimated volume based on FY 18-19, only recorded metric</i>	n/a	\$100	n/a	\$100	21-22	15,954	\$0	\$1,595,400	\$1,595,400
					22-23	15,954	\$0	\$1,595,400	\$1,595,400
					23-24	15,954	\$0	\$1,595,400	\$1,595,400
					24-25	15,954	\$0	\$1,595,400	\$1,595,400
					25-26	15,954	\$0	\$1,595,400	\$1,595,400
Renewal Fees									
Biennial Contractor - Active Timely Renewal - Sole Owner <i>Estimated volume based on 4-year avg.</i>	\$450	\$450	0%	\$0	21-22	67,231	\$30,253,950	\$30,253,950	\$0
					22-23	67,231	\$30,253,950	\$30,253,950	\$0
					23-24	67,231	\$30,253,950	\$30,253,950	\$0
					24-25	67,231	\$30,253,950	\$30,253,950	\$0
					25-26	67,231	\$30,253,950	\$30,253,950	\$0
Biennial Contractor - Active Timely Renewal - Corp/Partners/JV/LLC <i>Estimated volume based on 4-year avg.</i>	\$450	\$700	56%	\$250	21-22	44,821	\$20,169,450	\$31,374,700	\$11,205,250
					22-23	44,821	\$20,169,450	\$31,374,700	\$11,205,250
					23-24	44,821	\$20,169,450	\$31,374,700	\$11,205,250
					24-25	44,821	\$20,169,450	\$31,374,700	\$11,205,250
					25-26	44,821	\$20,169,450	\$31,374,700	\$11,205,250

Fee Name	Current Fee	Recom. Fee	Percent Increase	Increase amount	Fiscal Year	Estimated Volume	Current Fee Revenue	Recommended Fee Projected Revenue	Additional Projected Revenue
4-yr Timely Inactive Renewal - Sole Owner <i>Estimated volume based on 4-year avg.</i>					21-22	14,427	\$3,246,075	\$4,328,100	\$1,082,025
	\$225	\$300	33%	\$75	22-23	14,427	\$3,246,075	\$4,328,100	\$1,082,025
					23-24	14,427	\$3,246,075	\$4,328,100	\$1,082,025
					24-25	14,427	\$3,246,075	\$4,328,100	\$1,082,025
					25-26	14,427	\$3,246,075	\$4,328,100	\$1,082,025
4-yr Timely Inactive Renewal - Corp/Partners/JV/LLC <i>Estimated volume based on 4-year avg.</i>					21-22	1,427	\$321,075	\$713,500	\$392,425
	\$225	\$500	122%	\$275	22-23	1,427	\$321,075	\$713,500	\$392,425
					23-24	1,427	\$321,075	\$713,500	\$392,425
					24-25	1,427	\$321,075	\$713,500	\$392,425
					25-26	1,427	\$321,075	\$713,500	\$392,425
Reactivate Inactive Contractor's License - Sole Owner <i>Estimated volume based on 4-year avg.</i>					21-22	1,532	\$689,400	\$689,400	\$0
	\$450	\$450	0%	\$0	22-23	1,532	\$689,400	\$689,400	\$0
					23-24	1,532	\$689,400	\$689,400	\$0
					24-25	1,532	\$689,400	\$689,400	\$0
					25-26	1,532	\$689,400	\$689,400	\$0
Reactivate Inactive Contractor's License - Corp/Partners/JV/LLC <i>Estimated volume based on 4-year avg.</i>					21-22	151	\$67,950	\$105,700	\$37,750
	\$450	\$700	56%	\$250	22-23	151	\$67,950	\$105,700	\$37,750
					23-24	151	\$67,950	\$105,700	\$37,750
					24-25	151	\$67,950	\$105,700	\$37,750
					25-26	151	\$67,950	\$105,700	\$37,750
Biennial Renewal - HIS <i>Estimated volume based on 3-year avg. after SB 561</i>					21-22	4,795	\$455,525	\$959,000	\$503,475
	\$95	\$200	111%	\$105	22-23	4,795	\$455,525	\$959,000	\$503,475
					23-24	4,795	\$455,525	\$959,000	\$503,475
					24-25	4,795	\$455,525	\$959,000	\$503,475
					25-26	4,795	\$455,525	\$959,000	\$503,475
TOTAL									
					21-22		\$69,405,260	\$90,679,215	\$21,273,955
					22-23		\$69,405,260	\$90,679,215	\$21,273,955
					23-24		\$69,405,260	\$90,679,215	\$21,273,955
					24-25		\$69,405,260	\$90,679,215	\$21,273,955
					25-26		\$69,405,260	\$90,679,215	\$21,273,955

Appendix C: About CPS HR Consulting

Report Contributors	
Chris Atkinson, MS	Project Manager
Robert Copp	Project Consultant
Jeffery Mikles	Technical Advisor
Paula North, MA	Project Consultant

CPS HR is an innovative, client-centered human resources and management consulting firm specializing in solving the unique problems and challenges faced by government and non-profit agencies. As a self-supporting public agency, we understand the needs of public sector clients and have served as a trusted advisor to our clients for more than 25 years. The distinctive mission of CPS HR is to transform human resource management in the public sector.

CPS HR offers clients a comprehensive range of competitively priced services, all of which can be customized to meet your organization’s specific needs. We are committed to supporting and developing strategic organizational leadership and human resource management in the public sector. We offer expertise in the areas of classification and compensation, organizational strategy, recruitment and selection, and training and development.

CPS HR occupies a unique position among its competitors in the field of government consulting; as a Joint Powers Authority (JPA), whose charter mandates that we serve only public sector clients, we actively serve all government sectors including Federal, State, Local, Special Districts and Non-Profit Organizations. This singular position provides CPS HR with a systemic and extensive understanding of how each government sector is inter-connected to each other and to their communities. That understanding, combined with our knowledge of public and private sector best practices, translates into meaningful and practical solutions for our clients’ operational and business needs.

With more than 80 full-time employees as well as 200+ project consultants and technical experts nationwide, CPS HR delivers breakthrough solutions that transform public sector organizations to positively impact the communities they serve.



Legislative Proposal to Increase Statutory Fee Amounts

PURPOSE: Increase statutory fee range for the Contractors State License Board (CSLB) to allow greater flexibility to maintain financial solvency.

EXISTING LAW: Business and Professions Code (BPC) section 205 identifies the Contractors License Fund as a Special Fund (as opposed to a part of the General Fund); BPC section 7137 sets CSLB's statutory fee schedule; and section 7138.1 requires CSLB to fix fees to generate revenues sufficient to maintain a funding reserve of not more than six months of annual expenditures.

BACKGROUND: As a Special Fund entity, CSLB relies entirely on fees set by statute or regulation and collected from licensed contractors and applicants. CSLB's main source of revenue is the license renewal fee, which is nearly 70 percent of CSLB's total revenue. CSLB's main expenses are personnel and operating costs, which are nearly 90 percent of CSLB expenses. CSLB's spending authority in the Governor's Budget for fiscal year (FY) 2019-20 was nearly \$74 million. However, CSLB's revenue in this same period was only \$67 million and expenses were \$72 million.

IDENTIFICATION OF PROBLEM: CSLB's expenditures have slowly outgrown its revenue over the past several years. This has depleted CSLB's spending reserve fund balance and has resulted in CSLB facing insolvency.

Over the last seven fiscal years, CSLB license renewal income increased by about 2.5 percent. However, personnel and operating expenses increased almost 20 percent in just the last three fiscal years. With this imbalance between revenue and expenses, combined with other factors outlined in the fee study accompanying this proposal, CSLB began FY 2020-21 with a fund balance of approximately \$3.8 million (less than 1 month-in-reserve) and anticipates depleting the fund balance by June 31, 2021 without significant savings.

In 2017, CSLB raised fees approximately 10 percent to address rising expenses without imposing a substantial fee increase on licensees. Nonetheless, renewal income still fell nearly 2 percent the following year. With its financial condition not improving, CSLB was forced to pursue an emergency rulemaking to increase renewal fees by \$50 in December of 2019.

In March 2020, CSLB contracted with a consultant to perform a study to determine if CSLB fee levels are appropriate for the recovery of costs to meet mandated functions for the next five years. The consultant recommended CSLB maintain some fees, increase some fees, and proposed adding two new fees. The consultant also recommended that the statutory cap for all fees be raised by approximately 25 percent.



PROPOSED CHANGE: To increase the statutory minimum and maximum ranges for the fees in CSLB's fee statute by approximately 25 percent according to the schedule recommended by the fee study consultant. The consultant projects that these changes will provide CSLB flexibility to maintain fund solvency should revenues be less or expenses more than forecasted over the next five years. It will also restore CSLB's funding reserves to approximately four or five months by FY 2025-26.

PROPOSED LANGUAGE: Amend Section 7137 of the Business and Professions Code to read:

The board may set fees by regulation. These fees shall be set according to the following schedule:

(a) Application fees shall be set as follows:

- (1) The application fee for an original license in a single classification shall be ~~three four~~ hundred ~~thirty fifty~~ dollars ~~(\$330)~~ ~~(\$450)~~ and may be increased to not more than ~~three five~~ hundred ~~seventy-five sixty-three~~ dollars ~~(\$375)~~ ~~(\$563)~~.*
- (2) The application fee for each additional classification applied for in connection with an original license ~~shall not be more than eighty-five dollars (\$85)~~ ~~shall be one hundred fifty dollars (\$150)~~ and may be increased to not more than ~~one hundred eighty-eight~~ dollars ~~(\$188)~~.*
- (3) The application fee for each additional classification pursuant to Section 7059 shall be ~~one two~~ hundred ~~fifty thirty~~ dollars ~~(\$150)~~ ~~(\$230)~~ and may be increased to not more than ~~one two~~ hundred ~~seventy-five eighty-eight~~ dollars ~~(\$175)~~ ~~(\$288)~~.*
- (4) The application fee to replace a responsible managing officer, responsible managing manager, responsible managing member, or responsible managing employee pursuant to Section 7068.2 shall be ~~one two~~ hundred ~~fifty thirty~~ dollars ~~(\$150)~~ ~~(\$230)~~ and may be increased to not more than ~~one two~~ hundred ~~seventy-five eighty-eight~~ dollars ~~(\$175)~~ ~~(\$288)~~.*
- (5) The application fee to add personnel, other than a qualifying individual, to an existing license shall be one hundred ~~twenty-five~~ dollars ~~(\$100)~~ ~~(\$125)~~ and may be increased to not more than one hundred ~~fifteen~~ ~~fifty-seven~~ dollars ~~(\$115)~~ ~~(\$157)~~.*
- (6) The application fee for an asbestos certification examination shall be one hundred ~~twenty-five~~ dollars ~~(\$125)~~ and may be increased to not more than one hundred ~~fifty-seven~~ dollars ~~(\$157)~~.*



(7) The application fee for a hazardous substance removal or remedial action certification examination shall be one hundred twenty-five dollars (\$125) and may be increased to not more than one hundred fifty-seven dollars (\$157).

~~(b) The fee for rescheduling an examination for an applicant who has applied for an original license, additional classification, a change of responsible managing officer, responsible managing manager, responsible managing member, or responsible managing employee, or for an asbestos certification or hazardous substance removal certification, shall not be more than seventy dollars (\$70).~~

(b) Examination scheduling fees shall be set as follows:

(1) The fee for rescheduling an examination for an applicant who has applied for an original license, additional classification, a change of responsible managing officer, responsible managing manager, responsible managing member, or responsible managing employee, or for an asbestos certification or hazardous substance removal certification, shall be one hundred dollars (\$100) and may be increased to not more than one hundred twenty-five dollars (\$125).

(2) The fee for scheduling or rescheduling an examination for a licensee who is required to take the examination as a condition of probation shall be one hundred dollars (\$100) and may be increased to not more than one hundred twenty-five dollars (\$125).

~~(c) The fee for scheduling or rescheduling an examination for a licensee who is required to take the examination as a condition of probation shall not be more than seventy dollars (\$70).~~

(c) Initial license and registration fees shall be set as follows:

*(1) The initial license fee for an active or inactive license for an **individual owner** shall be two hundred dollars (\$200) and may be increased to not more than two hundred fifty dollars (\$250).*

*(2) The initial license fee for an active or inactive license for a **partnership, corporation, limited liability company, or joint venture** shall be three hundred fifty dollars (\$350) and may be increased to not more than four hundred thirty-eight dollars (\$438).*

(3) The registration fee for a home improvement salesperson shall be two hundred dollars (\$200) and may be increased to not more than two hundred fifty dollars (\$250).

~~(d) The initial license fee for an active or inactive license shall be two hundred dollars (\$200) and may be increased to not more than two hundred twenty-five dollars (\$225).~~



(d) License and registration renewal fees shall be set as follows:

- (1) The renewal fee for an active license for an **individual owner** shall be four hundred fifty dollars (\$450) and may be increased to not more than five hundred sixty-three dollars (\$563).*
- (2) The renewal fee for an inactive license for an **individual owner** shall be three hundred dollars (\$300) and may be increased to not more than three hundred seventy-five dollars (\$375).*
- (3) The renewal fee for an active license for a **partnership, corporation, limited liability company, or joint venture** shall be seven hundred dollars (\$700) and may be increased to not more than eight hundred seventy-five dollars (\$875).*
- (4) The renewal fee for an inactive license for a **partnership, corporation, limited liability company, or joint venture** shall be five hundred dollars (\$500) and may be increased to not more than six hundred twenty-five dollars (\$625).*
- (5) The renewal fee for a home improvement salesperson registration shall be two hundred dollars (\$200) and may be increased to not more than two hundred fifty dollars (\$250).*

~~*(e) (1) The renewal fee for an active license shall be four hundred dollars (\$400) and may be increased to not more than four hundred fifty dollars (\$450).
(2) The renewal fee for an inactive license shall be two hundred dollars (\$200) and may be increased to not more than two hundred twenty five dollars (\$225).*~~

(e) The delinquency fee is an amount equal to 50 percent of the renewal fee, if the license is renewed after its expiration.

~~*(f) The delinquency fee is an amount equal to 50 percent of the renewal fee, if the license is renewed after its expiration.*~~

(f) Miscellaneous fees shall be set as follows:

- (1) In addition to any other fees charged to C-10 contractors, the board shall charge a fee of twenty dollars (\$20), to be assessed with the renewal fee for an active license, which shall be used by the board to enforce provisions of the Labor Code related to electrician certification.*
- (2) The service fee to deposit with the registrar lawful money or cashier's check pursuant to paragraph (1) of subdivision (a) of Section 995.710 of the Code of Civil Procedure for purposes of compliance with any provision of Article 5 (commencing with Section 7065) shall be one hundred dollars (\$100), which shall be used by the board only to process each deposit filed with the registrar, to cover the reasonable costs to the registrar for holding money or cashier's checks*



in trust in interest bearing deposit or share accounts, and to offset the costs of processing payment of lawful claims against a deposit in a civil action.

(3) The fee for the processing and issuance of a duplicate copy of any certificate of licensure or other form evidencing licensure or renewal of licensure pursuant to Section 122 of this Code shall be twenty-five dollars (\$25).

(4) The fee to change the business name of a license as it is recorded under this chapter shall be one hundred dollars (\$100) and may be increased to not more than one hundred twenty-five dollars (\$125).

(5) The service charge for a dishonored check authorized by Section 6157 of the Government Code shall be twenty-five dollars (\$25) for each check.

~~(g) The registration fee for a home improvement salesperson shall be eighty-three dollars (\$83) and may be increased to not more than ninety-five dollars (\$95).~~

(g) The board shall, by regulation, establish criteria for the approval of expedited processing of applications. Approved expedited processing of applications for licensure or registration, as required by other provisions of law, shall not be subject to this subdivision.

~~(h) The renewal fee for a home improvement salesperson registration shall be eighty-three dollars (\$83) and may be increased to not more than ninety-five dollars (\$95).~~

~~(i) The application fee for an asbestos certification examination shall be eighty-three dollars (\$83) and may be increased to not more than ninety-five dollars (\$95).~~

~~(j) The application fee for a hazardous substance removal or remedial action certification examination shall be eighty-three dollars (\$83) and may be increased to not more than ninety-five dollars (\$95).~~

~~(k) In addition to any other fees charged to C-10 contractors, the board shall charge a fee of twenty dollars (\$20), to be assessed with the renewal fee for an active license, which shall be used by the board to enforce provisions of the Labor Code related to electrician certification.~~

~~(l) The service fee to deposit with the registrar lawful money or cashier's check pursuant to paragraph (1) of subdivision (a) of Section 995.710 of the Code of Civil Procedure for purposes of compliance with any provision of Article 5 (commencing with Section 7065) shall be one hundred dollars (\$100), which shall be used by the board only to process each deposit filed with the registrar, to cover the reasonable costs to the registrar for holding money or cashier's checks in trust in interest bearing deposit or share accounts, and to offset the costs of processing payment of lawful claims against a deposit in a civil action.~~



~~(m) The board shall, by regulation, establish criteria for the approval of expedited processing of applications. Approved expedited processing of applications for licensure or registration, as required by other provisions of law, shall not be subject to this subdivision.~~

AGENDA ITEM D-6

Administration Update Regarding Personnel and Facilities





ADMINISTRATION UPDATE

PERSONNEL UNIT

TRANSACTIONS

During the first quarter of fiscal year 2020-21 (July 1-September 30, 2020), CSLB Personnel staff completed 145 personnel transactions. This included the addition of four new employees from other state agencies and one employee new to state service. Within CSLB, 119 employees were promoted and 17 transferred to different units. In addition, four employees accepted training and development assignments.

Total Number of Personnel Transactions Per Quarter – FY 2020-21

Recruitment Type	Quarter 1 <i>July-Sept</i>	Quarter 2 <i>Oct-Dec</i>	Quarter 3 <i>Jan-March</i>	Quarter 4 <i>April-June</i>
From other State Agencies	4	---	---	---
New to State Service	1	---	---	---
Student Assistants	0	---	---	---
Retired Annuitants	0	---	---	---
Promotions	119	---	---	---
Transfers within CSLB	17	---	---	---
Training and Development	4	---	---	---
Examination Proctors	0	---	---	---
Total Per Quarter	145	---	---	---

Total Number of Personnel Transactions Per Quarter – FY 2019-20

Recruitment Type	Quarter 1 <i>July-Sept</i>	Quarter 2 <i>Oct-Dec</i>	Quarter 3 <i>Jan-March</i>	Quarter 4 <i>April-June</i>
From other State Agencies	8	2	5	2
New to State Service	2	7	8	1
Student Assistants	2	0	0	1
Retired Annuitants	0	0	0	0
Promotions	15	31	4	5
Transfers within CSLB	3	5	5	2
Training and Development	1	0	1	0
Examination Proctors	3	0	1	2
Total Per Quarter	34	45	24	13



VACANCIES

During the first quarter of FY 2020-21, CSLB averaged 48 vacancies. The Personnel unit continuously works with CSLB hiring managers and Department of Consumer Affairs' (DCA) Office of Human Resources to identify and minimize any delays in recruitment for key positions.

Average Monthly Vacancies by Fiscal Year

Fiscal Year	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2020-21	43	50	51	---	---	---	---	---	---	---	---	---
2019-20	21	25	31	35	34	34	23	22	24	22	36	40
2018-19	29	33	30	24	22	21	23	22	24	22	22	19
2017-18	44	41	36	33	39	41	36	29	30	31	29	29

SPECIAL INVESTIGATOR/INVESTIGATOR SERIES TRANSITIONS

Personnel Unit staff worked diligently in July and August 2020 to process the transitions of 148 positions from the Enforcement Representative series to the Special Investigator series (Non-Peace Officers) and the Investigator series (Police Officer). The more broadly known and used Special Investigator/Investigator classes will allow CSLB to effectively compete with other state agencies for the most suitable and qualified candidates to fill Enforcement Division vacancies.

BIENNIAL LANGUAGE SURVEY

In August 2020, the Personnel Unit coordinated CSLB's participation in the State's Biennial Language Survey. The survey is conducted every two years in accordance with the Dymally-Alatorre Bilingual Services Act, which requires every state agency to conduct a survey identifying the public it serves, the language(s) spoken, and the bilingual resources available to ensure equal access to information. CSLB employees in public contact positions took part in the survey. The results will be used to determine CSLB's need for bilingual services and to provide a basis to certify and appoint additional bilingual employees.

OPEN ENROLLMENT

The annual Open Enrollment period began September 21 and ended October 16, 2020. During this period employees were permitted to make changes to their benefits such as health, dental and vision. Changes made during Open Enrollment will go into effect January 1, 2021. The number of benefit changes this year was significantly less than the previous year. This year, the Personnel unit assisted 22 employees process nearly 33 benefit changes, whereas last year the Personnel unit assisted 65 employees process nearly 100 benefit changes.

**EXAMINATIONS**

The majority of examinations are now done online through CalHR at <https://jobs.ca.gov/>. Listed below are the classifications with examinations administered by DCA.

ADMINISTERED BY DCA	STATUS	DATE
Consumer Services Representative	Last exam date:	June 2020
	Tentative exam date:	November 2020
Office Services Supervisor II	Last exam date:	January 2019
	Tentative exam date:	December 2020
Supervising Special Investigator I	Last exam date:	July 2020
	Tentative exam date:	January 2021
Supervising Special Investigator II	Last exam date:	May 2018
	Tentative exam date:	November 2020
Staff Service Analyst Transfer Exam	N/A	March/June
		September/December



ADMINISTRATION UPDATE

BUSINESS SERVICES UNIT

FACILITIES

- **Valencia Office** – CSLB, DCA, and the Department of General Services have identified a new location for the Valencia office. CSLB has signed the final exhibit for the new location, which included IT specifications, modular system furniture, and a floor plan. Construction in the new suite began in June 2020. Delivery and installation of modular furniture was installed in October 2020, after a delay due to COVID-19. A walk-through inspection to approve construction and installation of modular furniture is scheduled for November 9th.

Projected Completion Date: **December 2020**

- **Berkeley Office** – CSLB submitted notification to the Department of Toxic Substances Control that the lease for FY 2020-2021 will not be extended. CSLB will vacate the office no later than January 31, 2021.

CONTRACTS AND PROCUREMENTS

Contracts in Process:

- The California Department of Human Resources (CalHR) contract to conduct psychological screening services for Peace Officer applicants.
- FY 2020-2021 contract with FedEx to provide shipping services for the Board.
- FY 2020-2021 contract with General Logistics Systems (GLS) to provide shipping services for the Board.
- California Department of Transportation contract to provide CSLB's Norwalk office with designated secured parking spaces.

Procurements in Process:

In light of budget constraints, all purchases continue to be carefully assessed and only mission critical items are processed. The following COVID-related items have been purchased:

- Plexiglass sneeze guards that were installed on employee's cubicles at CSLB's headquarters (HQ) to ensure proper social distancing.
- Seven (7) free-standing hand sanitizer stations that were installed in high-traffic areas within CSLB's HQ.



Executed Contracts/Procurement:

- Contract with Cooperative Personnel Services (CPS) HR Consulting to conduct an audit of CSLB's fee structures to determine appropriateness of fees and if legislation is warranted for a future fee increase.
 - Audit began March 2020 and was completed October 2020.
- FY 2020-2021 contract with California Highway Patrol (CHP) for security services at various public meeting and at CSLB test centers.

AGENDA ITEM D-7

Information Technology Update





Information Technology Update

Information Technology Expenditure Reduction Plan

The Information Technology Division continues to hold two IT positions vacant and limit IT purchases to only COVID related purchases. IT Division has spent 19% less this fiscal year in comparison to last fiscal year for IT equipment and software purchases. The IT state service provider charges for this fiscal year with the Department of Technology continues to stay in line with last year’s expenditures.

Online Renewal

The IT unit, in conjunction with Licensing, released the sole owner online renewal in April 2020. This allowed sole owner licensees without a responsible managing employee to renew and pay through CSLB’s website. The paid renewal is then processed and updated in real-time. In addition, licensees can update their address of record and contact information during the renewal process.

Also, in April 2020, eKiosk functions were migrated online to allow all other licensees to pay for their renewal online and complete the process by mailing in the required paperwork.

In July 2020, IT developed and released the Home Improvement Salesperson (HIS) online renewal.

Online Renewal Transactions			
	Sole Owner	eKiosk	HIS
April	1,798	1,498	*
May	3,230	1,510	*
June	3,812	1,570	*
July	3,429	1,485	107
August	2,875	1252	296
September	2,890	1,214	333
October	2,971	1,071	344
Totals	21,005	9,600	1,080

CSLB Technology Recovery Plan

Annually, the IT Division updates the CSLB Technology Recovery Plan (TRP) per the Statewide Information Management Manual (SIMM) Section 5325-A. This plan documents the planning and execution of processes required to reduce the risks associated with unanticipated outages for CSLBcritical applications, systems, and critical infrastructure.

CSLB, Department of Consumer Affairs (DCA), and Department of Technology (CDT) collaborate to employ the necessary services to recover CSLB’s critical applications. CSLB submitted the plan for DCA’s submission in October 2020.



Information Security and Risk

As required by California Government Code section 11549.3, the State Office of Information Security (OIS) and the California Military Department (CMD) conducted a security assessment of CSLB staff in February 2019. CSLB IT staff were debriefed on the results of the assessment findings in May 2019.

CSLB management and staff continue to work with DCA, CDT and other state agencies to address all findings prior to our next CMD security assessment in March 2021.

Below is an overview of these efforts, along with the percentage completed.

Security Updates

Remediation Effort	Complete
Network access control (NAC)	93%
Phishing awareness (DCA solution in progress)	65%
Intelligent logging	12%
Operating system and software security enhancements	95%
Vulnerability scanning enhancements and integration with intelligent logging	89%
Major firewall software upgrades and security policy enhancements	90%
Remote access-multifactor authentication (DCA solution in progress)	30%
Working group to identify the data processed within its business units and correlate that data to an accepted level of risk	0%
Firewall security policies reconciliation and tuning	80%
External website assessment	0%
Social media and internet investigation for CSLB data	3%
Internal network vulnerability scanning and remediation, including patching and services	90%
Website security vulnerability remediation	40%
Major endpoint software upgrades and security policy enhancements	85%
Access control-privileged access management (PAM) for system administrators	50%
Cloud/Office365 security enhancements	70%



2020 IT System Enhancements

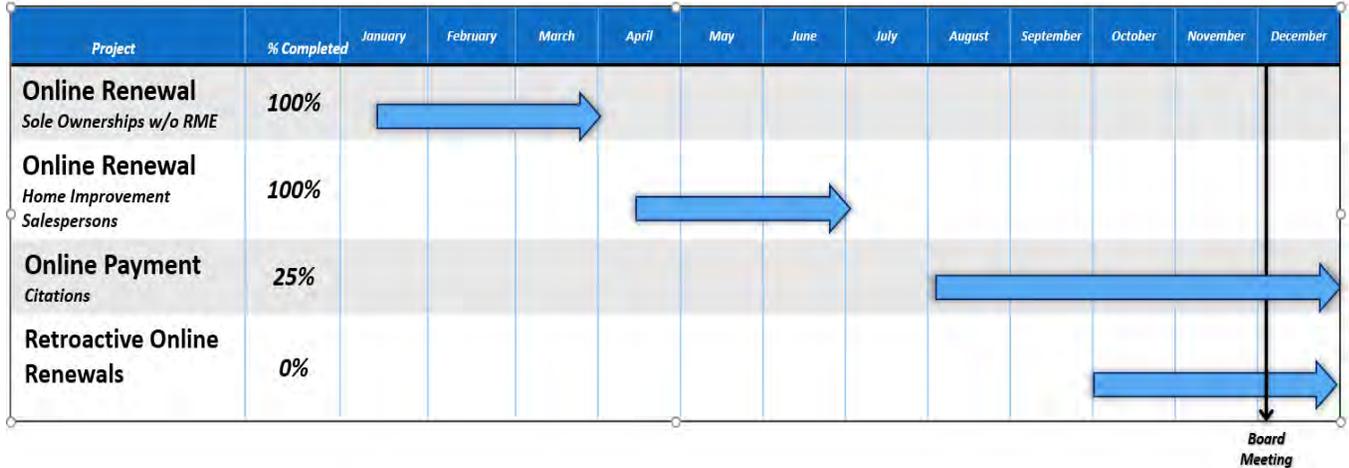
Created Business Processes	As-Is Processes: Exam Accommodations; Exam Disciplinary; Citation; Workers' Compensation Addendum, Cancellations, General Liability, Reinstatement; Bonds Cancellation; Report of Collections	January 2020
Updated e-Process Forms	Updated HIS Renewal Letter Format; Reactivation Letter Format; Cashiering RPN fee increase; C-10 \$20 Requirement for Renewal Fee Increase	January 2020
Created Business Processes	As-Is Processes: Citation Appeal; Citation Payment and Non-Payment; Fleet Management Mileage Report; Cashiering Fee Receipt and Dishonored Checks	February 2020
Updated e-Process Forms	In-House Work Certification Verification letter	February 2020
Communication	Created Licensing, Enforcement, and Call Center shared email accounts for CSLB staff to communicate with the constituents of California.	March 2020
Communication	Added Conference Call lines for Enforcement, Licensing, IT, and Legislative Divisions for internal/external staff communication.	March 2020
Remote Workforce	Converted our VPN Disaster Recovery site in Fresno as an active site to manage the extra staff working remotely.	March 2020
Remote Workforce	Deployed 30 loaner laptops to CSLB staff to work remotely.	March 2020
Remote Workforce	In partnership with DCA, deployed DCA Cloud Desktop for staff to remotely access our Teale Mainframe system.	March 2020
Online Presence	Deployed the Sole Owner Online Renewal to instantly renew contractors' licenses.	April 2020
Online Presence	Deployed eKiosk application online to receive licensee's renewal payments for non-Sole Owners.	April 2020
Remote Workforce	Deployed 91 new laptops for CSLB staff to work remotely.	April 2020
Communication	Added WebEx accounts for to allow web conferencing with consumers.	June 2020
Online Collaboration	Enabled Microsoft Teams for audio, video, chat, and collaboration among CSLB and DCA.	June 2020
Online Presence	Deployed Home Improvement Salespersons (HIS) online renewal.	July 2020
Business Continuity	Updated CSLB's Technology Recovery Plan (TRP)	October 2020
Remote Workforce	Updated Call Center application to allow Call Center staff to answer calls while teleworking	October 2020
Remote Workforce	Deployed 50 new laptops for CSLB staff to work remotely.	November 2020
Compliance	Updated Teale Mainframe Reporting templates to ADA compliant	November 2020



2020-21 IT Projects

Below is a roadmap and timeline for the IT unit’s 2020-21 modernization efforts.

Information Technology 2020 Projects



Information Technology 2021 Projects

- Online Original Application: Currently holding vendor product demos
 - Duration: 18-month project
- Testing Administration Transition to Vendor
 - Duration: 6-month project

AGENDA ITEM D-8

Review, Discussion, and Possible Action to Amend CSLB's 2019-21 Strategic Plan Objectives

- a. Licensing & Testing
- b. Enforcement
- c. Legislation
- d. Public Affairs
- e. Administration
- f. Information Technology





2019-21 Strategic Plan – Licensing & Testing Objectives

Item 1.1

Description: Create an interactive online asbestos training to replace the open book asbestos exam

Target Date: January 2019

Current Status: Complete and available on CSLB website.

Item 1.2

Description: Review the licensing classification determinations for consistency and develop classification industry bulletins

Target Date: January 2019 and ongoing

Current Status: Work is ongoing; most recently CSLB released updated guidance on service station equipment.

Item 1.3

Description: Meet with stakeholders and develop a proposal for a new remodeling/home improvement license classification.

Target Date: March 2019 (to meet with stakeholders)

Current Status: Signed by the Governor on September 30, 2020, Testing division currently recruiting subject matter experts for test development and CSLB anticipates testing applicants for this new classification by August 1, 2021.

Item 1.4

Description: Review barriers to licensure regarding criminal background information and make changes where possible to encourage licensure.

Target Date: July 2019 (to review process and identify possible changes)

Current Status: Assembly Bill (AB) 2138 regulations approved by the board and are under review with DCA.



2019-21 Strategic Plan – Licensing & Testing Objectives

Item 1.5

Description: In conjunction with the Legislation division, review multiple qualifier responsibilities and bonding requirements to determine if regulatory or legislative changes will improve consumer protection.

(See Legislative objective 3.4)

Target Date: January 2021

Current Status: Modified per mandate from Senate Business and Professions Committee in Sunset bill to study whether or not current bond amount is sufficient, which will include an analysis of the bond of qualifying individual and multiple license qualifiers. The bond study is now complete and submitted for Legislative Committee review on November 4, 2020, and includes an analysis for the legislature’s consideration of the qualifier bond concerns.

Item 1.6

Description: Research the feasibility of outsourcing test administration to reduce costs, reallocate resources, and expand testing options for licensees.

Target Date: December 2019

Current Status: Implementing legislation signed by the Governor on September 29, 2020; staff working with the Department of Consumer Affairs toward the transition.

Item 1.7

Description: In partnership with Public Affairs and Information Technology, develop online original contractor license applications to reduce application return rates.

(See Public Affairs objective 4.7 and Information Technology objective 5.15)

Target Date: December 2019

Proposed Target Date: Begin December 2021

Current Status: Staff met with the board’s IT Advisory Committee and determined that IT priorities should shift to online renewals for existing licensees and then return to the sole owner application. Recently, IT staff made modifications to e-processing letters to improve guidance during the application process.

Item 1.8

Description: Review feasibility of continuing education or online testing for license renewal to keep licensees informed of changes to laws and codes.

Target Date: Begin December 2021

Current Status: Not yet begun.



2019-21 Strategic Plan – Licensing & Testing Objectives

Item 1.9

Description: In partnership with the Public Affairs Office and Enforcement division, create online courses and content to educate licensees.

(See Public Affairs objective 4.10 and Enforcement objective 2.6)

Target Date: December 2021

Current Status: Not yet begun.

Item 1.10

Description: Expand public records and licensing information on the website to increase transparency.

(See Information Technology objective 5.19)

Target Date: Ongoing

Current Status: Workgroup formed with IT, Licensing, and PAO staff.

Item 1.11

Description: Evaluate call center processes and procedures for consistency in communication with licensees, consumers, and other stakeholders to improve customer service.

Target Date: Ongoing

Current Status: Staff are building a new procedure manual and reviewing call-in phone prompts.

Item 1.12

Description: Review the subject matter expert pool to ensure representation from a cross-section of industry to enhance test development.

Target Date: Ongoing

Current Status: Staff are conducting surveys to solicit feedback from agencies and associations.



2019-21 Strategic Plan – Enforcement Objectives

Item 2.1

Description: Formalize a disaster response program for greater efficiencies and to improve response time.

(See Public Affairs objective 4.2)

Target Date: June 2019

Current Status: Completed. Enforcement continues to partner with PAO, distributing materials while staffing Local Assistance Centers (LACs) and placing signs throughout wildfire disasters areas.

Item 2.2

Description: Educate the public about the complaint and investigative processes, as well as available resources for financial redress.

Target Date: June 2019

Current Status: Ongoing. The automated contact letter sent to consumers immediately upon the filing of a complaint was updated in June 2019. Currently partnering with PAO to develop a video aimed to educate consumers on how to file a complaint.

Item 2.3

Description: In partnership with Public Affairs, develop and implement a plan to identify opportunities to increase publicity concerning enforcement actions, including relaunch of CSLB's Most Wanted feature.

(See Public Affairs objective 4.4)

Target Date: Develop: June 2019, Implement: January 2020

Current Status: In partnership with PAO, developed a plan to identify investigative highlights for publicity efforts. Relaunched CSLB's Most Wanted feature and added two new suspects; both suspects have been arrested. As an additional outreach measure, enforcement supervisors are encouraged to share complaint handling highlights with PAO for potential distribution as a press release.

Item 2.4

Description: Leverage social media to identify potential workers' compensation violations and unlicensed contracting.

Target Date: Ongoing

Current Status: During the pandemic stay at home order, when fieldwork was discouraged, SWIFT staff increased utilization of Craigslist, Facebook and NextDoor to identify individuals advertising as unlicensed contractors as well as contractors that had a workers' compensation exemption on file, but appeared to have employees.



2019-21 Strategic Plan – Enforcement Objectives

Item 2.5

Description: Develop a program to improve complaint response by setting priorities and recognizing staff achievements

Target Date: January 2020

Current Status: In May 2019, developed updated complaint prioritization guidelines. At the beginning of the pandemic, supervisors began submitting weekly reports highlighting staff achievements. The board chair will be acknowledging enforcement staff at future board meetings for their exceptional contributions.

Item 2.6

Description: In partnership with the Public Affairs Office and Licensing division, create online courses and content to educate licensees.

(See Public Affairs objective 4.10 and Licensing objective 1.9)

Target Date: December 2021

Current Status: Developed an online building permit compliance video for licensees who fail to comply with local building department permit requirements. In the planning stages of development of a webinar or video to educate contractors and home improvement salespersons about registration and home improvement contract requirements.

Item 2.7

Description: Provide training opportunities to improve morale and staff knowledge.

Target Date: Ongoing

Current Status: Conducted leadership training for all Enforcement supervisors; conducted training for Special Investigators about administrative and criminal evidence requirements and due process appeal rights. Conducted training for supervisors specific to supporting violations for aiding and abetting unlicensed practice, contracting with an unlicensed person, and acting as a contractor under unlicensed name or personnel. CalOSHA provided field staff Covid-19 safety training. CSLB's attorney general liaisons led training on how to conduct a virtual interview that will be admissible in court.

Item 2.8

Description: Prioritize proactive investigation of license requirements to protect the public and licensed contractors by removing unlicensed contractors from the marketplace.

Target Date: Ongoing

Current Status: SWIFT staff continues to partner with local law enforcement and other state agencies to protect vulnerable homeowners, specifically in the disaster areas, by placing signs warning the fire victims of the danger of unlicensed and predatory contractors.



2019-21 Strategic Plan – Enforcement Objectives

Item 2.9

Description: Attend job fairs to promote employment opportunities at CSLB.

Target Date: Ongoing

Current Status: CSLB staff attended a two-day job fair at Sacramento State University in September 2019 and February 2020 to promote both open CSLB vacancies as well as the path to licensure.



2019-21 Strategic Plan – Legislative Objectives

Item 3.1

Description: Collaborate annually with industry and consumer leaders to share new legislative ideas.

Target Date: January 2019 – November 2019 (annually thereafter)

Current Status: Three meetings held in April and May 2019 with industry on legislation or regulation center on: energy storage systems; workers' compensation for specified license classifications; and home improvement contract requirements. Additional stakeholder meeting held January 2020 on mandatory workers' compensation for additional classifications.

Item 3.2

Description: Seek legislation to mandate workers' compensation insurance for specified license classifications to protect workers and consumers. (Statutory)

Target Date: July 2021

Current Status: First stakeholder meeting held in April 2019; proposed classifications subject to this requirement revised; additional stakeholder meeting held January 2020 and legislative proposal approved for authorship at September 2020 board meeting.

Item 3.3

Description: Review disaster-related consumer protection laws, including the hazardous substances certification requirements. (Statutory)

Target Date: October 2021.

Current Status: Provided technical assistance to author of SB 1189 to extend home improvement contract provisions to disaster rebuilds. Additional plan is under development to issue a survey to building officials to assess the need for updating the certificate and limitations described in BPC section 7058.7.

Item 3.4

Description: In conjunction with the Licensing division, review multiple qualifier responsibilities and bonding requirements to determine if regulatory or legislative changes will improve consumer protection.

(See Licensing objective 1.5)

Target Date: January 2021

Current Status: Bond study on sufficiency of \$15,000 contractor license bond is complete and submitted for committee review on November 4, 2020; includes an analysis of the qualifier bond concerns.



Item 3.5

Description: Clarify home improvement contract requirements to improve licensee understanding and compliance. (Statutory)

Target Date: October 2021.

Current Status: First of multiple stakeholder meetings held in April 2019. As a result of unanticipated delays in various projects following the COVID-19 pandemic, stakeholder meetings will reconvene by the end of the year with a draft proposal for committee review by the summer of 2021.

Item 3.6

Description: Review laws and update penalties as necessary to ensure they are adequate for the violations in order to encourage compliance and protect consumers. (Regulatory and Statutory)

Target Date: December 2021.

Current Status: Legislative proposal to increase civil penalties was approved at September 2020 board meeting and staff will seek legislative author for 2021 legislative session.

Item 3.7

Description: Clarify in regulation (CCR section 825) the definition of foreperson, supervising employee, and contractor to provide applicants greater clarity about the experience needed to obtain a license. (Statutory)

Target Date: June 2021

Current Status: Not yet begun. Request committee approval to amend this item to a statutory rather than regulatory item.

Item 3.8

Description: Research the feasibility of a graduated fee increase for larger licensed contractors to increase enforcement resources and public outreach.

Target Date: September 2021

Current Status: The issue of graduated (or higher) fee increases for larger licensed contractors is comprehensively reviewed in the fee study which will be presented to the board in December 2020.



2019-21 Strategic Plan – Public Affairs Objectives

Item 4.1

Description: Distribute a calendar of key meetings, events, and activities to board members to increase participation and their ability to advocate on the board's behalf

Target Date: January 2019

Current Status: Completed

Item 4.2

Description: In partnership with all divisions, lead effort to formalize CSLB's disaster response program

(See Enforcement objective 2.1)

Target Date: June 2019

Current Status: Completed

Item 4.3

Description: Conduct a workload analysis to determine if additional staffing resources are needed

Target Date: June 2019

Current Status: No Longer Needed

Item 4.4

Description: In partnership with the Enforcement division, develop and implement a plan to identify opportunities to increase publicity concerning enforcement actions, including relaunch of CSLB's Most Wanted feature.

(See Enforcement objective 2.3)

Target Date: Develop: June 2019, Implement: January 2020

Current Status: Completed



2019-21 Strategic Plan – Public Affairs Objectives

Item 4.5

Description: Research the feasibility of creating a text alert program to communicate with licensees and consumers and implement if possible.

Target Date: Feasibility: June 2019, Implement: March 2020

Proposed Target Date: Implement: December 2020

Current Status: PAO staff has completed its feasibility research. Other IT priorities do not permit adequate resources to address currently. Plans are underway to begin acquiring licensee mobile phone numbers for possible future use.

Item 4.6

Description: Expand website content to keep industry and licensees up-to-date on relevant information.

Target Date: September 2019 and ongoing

Current Status: Staff working with IT to address security

Item 4.7

Description: In partnership with the Licensing division and Information Technology unit develop online original contractor applications to reduce application return rates.

(See Licensing objective 1.7 and Information Technology 5.15)

Target Date: December 2019

Proposed Target Date: Begin December 2021

Current Status: Staff met with the board's IT Advisory Committee and determined that IT priorities should shift to online renewals for existing licensees and then return to the sole owner application. Recently, IT staff made modifications to e-processing letters to improve guidance during the application process.

Item 4.8

Description: Develop orientation videos for new staff, managers and Board members

(See Administrative objective 5.8)

Proposed Target Date: February 2021

Current Status: Script being reworked; shooting will commence after script is completed.



2019-21 Strategic Plan – Public Affairs Objectives

Item 4.9

Description: In partnership with the Information Technology unit, review and update web content to ensure information present to the public is accurate and accessible.

(See Information Technology objective 5.16)

Target Date: Ongoing

Current Status: Compliance with Americans with Disabilities Act (ADA) accessibility requirements completed; PAO staff updating historic items to repost. IT is updating other content.

Item 4.10

Description: In partnership with the Enforcement and Licensing divisions, create online courses and content to educate licensees.

(See Enforcement objective 2.6 and Licensing objective 1.9)

Target Date: December 2021

Current Status: Developed an online building permit compliance video for licensees who fail to comply with local building department permit requirements. In the planning stages of development of a webinar or video to educate contractors and home improvement salespersons about registration and home improvement contract requirements.



2019-21 Strategic Plan – Administration Objectives

Item 5.1

Description: Evaluate the use of in-house legal counsel to supplement current Board counsel

Target Date: January 2019

Current Status: Completed. In June 2018, Department of Consumer Affairs assigned a second part-time legal counsel to assist CSLB with Public Record Act requests and subpoena workload.

Item 5.2

Description: Execute a Memorandum of Understanding (MOU) with the Workers' Compensation Insurance Rating Bureau to provide a program to the Contractors State License Board to track workers' compensation policies

Target Date: March 2019

Current Status: Completed. Staff met with Workers' Compensation Insurance Rating Bureau of California (WCIRB) in April and May 2019; process has been developed to share public workers' compensation information regarding C-39 Roofing Contractors that can be expanded to other classifications, as necessary; a formal MOU is not necessary at this time.

Item 5.3

Description: Provide training on progressive discipline process to assist managers and supervisors in addressing performance issues

Target Date: May 2019

Current Status: Completed. CSLB managers and supervisors attended a two-day performance management training provided by DCA in October 2019

Item 5.4

Description: Provide team building and leadership training for managers and supervisors to make the management team more effective

Target Date: September 2019

Current Status: Completed. On January 23-24, 2019 CSLB managers and supervisors participated in a two-day leadership training class.



2019-21 Strategic Plan – Administration Objectives

Item 5.5

Description: Research a special investigator series

Target Date: December 2019

Current Status: Completed. A classification study performed by CPS HR Consulting resulted in the re-classification of existing non-sworn Enforcement Representative I/II to the Special Investigator classification; sworn Enforcement Representative I/II to Investigator; and the Enforcement Supervisor I/II to the Supervising Special Investigator classification to oversee both sworn and non-sworn staff.

Item 5.6

Description: Pursue salary differentials in regions with higher living costs

Target Date: December 2019

Current Status: Completed. The CPS HR Consulting Classification study recommends moving to Special Investigator/Investigator (see objective 5.5) and not to seek salary differentials. Based on the CPS recommendation CSLB will not pursue salary differentials at this time.

Item 5.7

Description: Standardize human resource processes to increase efficiency in regard to personnel matters.

Target Date: July 2021

Current Status: On-schedule. Staff are in the process of creating a supervisory section for CSLB's Intranet. Tools such as FAQs and checklists will be uploaded to this section for supervisors to reference.

Item 5.8

Description: Enhance onboarding and orientation program for new staff, managers and Board members.

(See Public Affairs objective 4.8)

Target Date: February 2021

Current Status: On schedule. Staff are working with Public Affairs staff to develop content. Additionally, staff established a mentorship/career development steering committee.



2019-21 Strategic Plan – Administration Objectives

Item 5.9

Description: Develop benchmarks for the hiring process in order to extend job offers and onboard new employees more quickly to avoid losing qualified candidates.

Target Date: March 2020

Current Status: Completed. Staff mapped and documented the workflow of the current recruitment process to identify processing times and areas for more efficiency.

Item 5.10

Description: Review the budget quarterly to guide the Board on resource allocation.

Target Date: Ongoing

Current Status: Ongoing



2019-21 Strategic Plan – Information Technology Objectives

Item 5.11

Description: Establish online process to automate public sales requests in order to reduce costs

Target Date: December 2019

Current Status: Completed. Soft Launch Date: 6/15/19. News Bulletin Release: 7/1/19. Go-Live Date: 7/1/19

Item 5.12

Description: Update the website to offer e-payments (e.g. citations, renewals, and other fees) to improve convenience and reduce staff paperwork.

Target Date: December 2020

Current Status:

Renewals: Sole Owner Online Renewal – Completed April 2020
Home Improvement Salesperson Renewal – Completed July 2020

Citations: In progress; estimated completion December 2020

Original Application: Design complete, vendor demo (see Item 5.15)

Item 5.13

Description: Create an on-line e-signature feature to improve convenience.

Target Date: December 2021

Current Status: Conducting market research; discussion with DCA OIS regarding e-signature requirements held September 2020.



2019-21 Strategic Plan – Information Technology Objectives

Item 5.14

Description: Create an online account option for licensees to update their own license records and offer online payment options to improve licensee service and reduce processing time.

Target Date: December 2021

Current Status: Conducting market research; review of vendor product demo

Item 5.15

Description: In partnership with the Licensing division and Public Affairs office develop online original contractor applications to reduce application return rates.

(See Licensing objective 1.7 and Public Affairs objective 4.7)

Target Date: Begin December 2021

Current Status: IT staff made modifications to e-processing letters to improve guidance during the application process

Item 5.16

Description: In partnership with Public Affairs, review and update web content to ensure information presented to the public is accurate and accessible.

(See Public Affairs objective 4.9)

Target Date: Ongoing

Current Status: Relaunched in accordance with American with Disabilities Act (ADA) requirements completed. Web content updated on ongoing basis.

Item 5.17

Description: Identify mobile technology to enhance efficiencies for field staff.

Target Date: June 2020

Current Status: Completed. On July 10, 2019 supervisors and managers were surveyed: laptops, cellphones and portable printers meet business needs. No additional mobile technologies were requested.



2019-21 Strategic Plan – Information Technology Objectives

Item 5.18

Description: Create a mobile app of available services, including more efficient means to report unlicensed activity.

Target Date: July 2022

Current Status: Not Yet Started

Item 5.19

Description: Expand public records and licensing information on the website to increase transparency.

(See Licensing objective 1.10)

Target Date: Ongoing

Current Status: Formed a workgroup with IT, Licensing, and PAO staff to determine public record disclosure priorities

Item 5.20

Description: Conduct needs assessment to determine requirements for new licensing/enforcement computer system.

Target Date: Completed

Current Status: CSLB, in consultation with DCA, has completed the needs assessment and is layering technology on the current system of record for core licensing and enforcement business needs. CSLB will continue to map all business processes and augment functionality to improve services.

Item 5.21

Description: Implement SCORE 2.0 programming.

Target Date: Ongoing

Current Status: Outsourcing will impact the development timeline. Staff resources will be dedicated to the transition to the third-party vendor and the exam development portion potentially will be replaced with a new cloud-based application.

AGENDA ITEM E

Enforcement



AGENDA ITEM E-1

Enforcement Program Update

- a. Staff Vacancy Update
- b. Expense Reduction Strategy Update
- c. Complaint Prioritization
- d. Investigation Highlights
- e. General Complaint-Handling Statistics





VACANCY UPDATE

As of November 1, 2020, 24 Enforcement positions were vacant out of the 228 authorized. The vacancies have resulted from staff retirements and separations, and the need to delay hiring to comply with the June 5, 2020 board-adopted expense reduction plan. In addition, 15 Enforcement staff are currently redirected to assist counties with COVID-19 contact tracing, and 12 Enforcement staff are using leave to work reduced schedules (equivalent to loss of six full time staff) to assist their children with distance learning. The result is that 45 Enforcement positions are not available to perform CSLB-related work.

Effective July 1, 2020, following an extensive third-party study and contract negotiations, CSLB's Enforcement Representative positions, responsible for investigations, were converted into Special Investigator (SI). The SI classification has proved beneficial in recruitment efforts, as it is now common to receive over 100 applications per SI vacancy. Prior to conversion, CSLB would typically receive three to five applications per vacancy. The SI applicants are highly qualified, with extensive investigative experience.

EXPENSE REDUCTION STRATEGY UPDATE

Expenditure Cost Reductions Overview

At its June 5, 2020 meeting, the board voted to approve expenditure cost reductions of \$7.1 million during the fiscal year 2020-2021. The following is a list of proposals and status updates on expenditure cost reductions from July 1, 2020 through September 30, 2020

- Holding Attorney General's Office (AG) expenses to \$7 million (roughly \$580,000 monthly). AG expenditures are currently averaging \$598,000 per month.
- Holding Office of Administrative Hearings (OAH) to \$1.2 million (roughly \$100,000 monthly). OAH has not provided CSLB with their fiscal year-to-date expenditures.
- Modifying processes to reduce arbitration costs by 40 percent (from \$900,000 to \$550,000). The goal is to spend \$45,000 per month. Arbitration billings are currently averaging \$55,000 per month.
- Modifying procedures to reduce expenditures for industry expert consultants by 20 percent annually (from \$750,000 to \$600,000). The goal is to keep Industry Expert expenses at less than \$50,000 per month. Industry Expert expenditures are currently averaging \$20,000 per month.

Enforcement Staff have implemented the following strategies to improve legal action effectiveness and reduce costs.



Attorney General and Office of Administrative Hearing Cost Reduction

As noted above, in compliance with the expense reduction plan, monthly AG expenses have been reduced to approximately \$580,000 per month.

In an effort to work within budget, the Enforcement division continues to increase the issuance of letters of admonishment (LOA) to reduce administrative citations for less serious standalone offenses that do not include a financial injury. Between January 1, 2020 and September 30, 2020, CSLB issued 325 LOAs, and 301 fewer administrative citations compared to January 2019 through September 2020.

Issuing LOAs allows CSLB to hold informal office conferences with licensees, rather than incurring the costs of AG representation for a formal citation and possible appeal hearing before an administrative law judge. Informal office conferences can also be held more quickly than a formal appeal hearing as they are scheduled and conducted by CSLB enforcement staff.

The Citation Enforcement Section conducted 225 informal citation conferences between January 1, 2020 and September 30, 2020.

Referral of Non-egregious Complaints to Alternate Dispute Resolution

CSLB receives approximately 1,000 consumer-filed complaints per month at one of two Intake and Mediation Centers (IMCs). The IMCs are staffed with Program Technicians and Consumer Services Representatives (CSR) who prepare field investigation complaints filed against unlicensed persons and complaints against licensees requiring further investigation. For less serious licensee complaints, CSRs attempt to mediate resolutions, which are typically brought to conclusion within 60-90 days of receipt. However, not every licensee complaint can be successfully mediated, and some complaints are primarily civil/financial and do not include repeated acts or possible violations of contractors' state license law requiring further investigation.

At the June 5, 2020 board meeting, a process change was adopted to refer consumers to small claims court and the license surety bond when the licensee does not have a history of repeated offenses. This process change is hereafter referred to as "Alternate Dispute Resolution."

In August 2020, staff updated CSLB's website with the following content to adequately inform California consumers about Alternate Dispute Resolution:

Due to current budget and staffing limits, if mediation attempts are not successful, the contractor does not have a history of repeated acts, and the estimated financial injury is less than \$10,000, the CSR may provide you with information about how to pursue financial compensation through small claims court and through the contractor's license bond. You can find additional information at www.courts.ca.gov. Just click on "Self Help" or check with the clerk of your local small claims court.



Consumers are encouraged to provide CSLB with the results of an unsatisfied small claims court award or a successful claim against a contractor’s license bond. CSLB has the authority to suspend a contractor’s license if they do not comply with an outstanding civil liability or bond payout.

Consumer Service Representatives in both Intake and Mediation Centers began implementing this procedure on August 17, 2020 and have since applied it to 37 complaints. Staff are exercising discretion in referring consumers to alternate dispute resolution because they are generally dissatisfied if their complaint is not resolved or referred to field investigation.

COMPLAINT PRIORITIZATION

In June 2019, the board approved the Complaint Prioritization Guidelines below. These guidelines were provided to Enforcement staff as a roadmap to manage and prioritize complaint investigations.

Contractors State License Board Complaint Prioritization Guidelines	
URGENT	<ul style="list-style-type: none"> • Health & Safety Code Violations • Elder Abuse • Predatory Criminal Acts • Diversion of Funds • Significant Public Interest
HIGH	<ul style="list-style-type: none"> • Aiding and Abetting/Misuse of a License • Fraud/Misrepresentation • Workers' Compensation Violations • Subsequent Arrest • Repeat Offender • Absentee Qualifier
ROUTINE	<ul style="list-style-type: none"> • Workmanship • Abandonment • Working Out of Classification • Building Permit Violations • Public Contract Code Violations • Labor Code Violations • Unlicensed Activity
LOW	<ul style="list-style-type: none"> • Stand-Alone Contract Violations • Advertising Violations • Failing to Display License Number • Bonds

In September 2020, both IMCs collectively received 1000 consumer-filed complaints. The IMCs also closed 607 licensee complaints; 166 of those complaints were settled with over \$2 million in restitution awarded to financially injured persons.



The following analysis of 273 complaints referred for field investigation September 2020 confirms that enforcement staff are appropriately using the prioritization guidelines to ensure consumer safety.

Urgent priority (17) - Elder abuse, grand theft, and diversion of funds

High priority (26) - Fraud/misrepresentation, and aiding & abetting

Routine priority (221) - Unlicensed activity, poor workmanship, abandonment & permit violations

Low priority (9) - Including stand-alone contract violations, advertising violations, failing to display license number

Low priority complaints are periodically referred to recently hired SIs for training purposes.

INVESTIGATION HIGHLIGHTS

The over 200 employees of CSLB's Enforcement division process, settle, and investigate construction-related complaints received by CSLB. Consumer Services Representatives (CSRs) from both Intake and Mediation Centers (IMC) receive, process, and attempt to settle most incoming complaints when appropriate. If settlement efforts are unsuccessful, or if a violation of state contractors' license law is suspected, the complaints are routed to one of the division's 10 Investigative Centers. A Special Investigator then begins a full investigation and decides if any enforcement action is necessary. Additionally, Special Investigators in the division's three Statewide Investigation Fraud Teams (SWIFT) proactively enforce Contractors License Law through undercover stings and enforcement sweeps in the field. A few of the recent activities and investigations by the employees of these units are highlighted below.

Transient Contractor Arrested for Multiple Felonies

Shanadoa Wayne Johnson, an unlicensed transient paving and roofing contractor, has a long criminal history in six western states. Working cooperatively, investigators from SWIFT and the Siskiyou County District Attorney (DA) identified seven people victimized by Johnson; each of whom had paid him thousands of dollars and received little or no work in return. Johnson stole over \$50,000 collectively from the seven victims. Even though Johnson used multiple names, birthdates, and social security numbers in his crimes, CSLB was able to get a positive identification of him with help from the National Association of Bunko Investigators. The DA issued an arrest warrant charging Johnson with seven felony counts each of grand theft, theft by false pretenses, and financial elder abuse. Johnson was also charged with seven counts of illegal use of a contractor's license number (a felony), and seven misdemeanor counts each of contracting without a license, illegal advertising, and collection of an excessive down payment. On November 10, 2020, Johnson was arrested in Woodland, Washington. He remains in custody at this time, and the Siskiyou County DA expects to have him extradited to California by November 2020.

**Unlicensed Contractor Takes off the Top of Public Works Profits**

Unlicensed contractor Sammy Kane falsely used the license of acquaintance hereafter referred to as “acquaintance” to act as a subcontractor for a licensee, hereafter referred to as prime contractor, to contract multiple public works projects. Acting as an intermediary, without either party’s knowledge, Kane hired his acquaintance – whose license he was misusing – to actually perform the work. Kane received payment from the prime contractor, paid the acquaintance substantially less for the work that he did and kept the balance. The acquaintance became aware of the scam when he was contacted by the Internal Revenue Service regarding a fraudulent W-9 taxpayer identification form filed by Kane; this led the acquaintance to file a complaint with CSLB. The investigation established that Kane had used the acquaintances license and labor to take over \$500,000 through multiple contracts with the prime contractor. CSLB’s investigation shows that the El Dorado County District Attorney filed criminal charges against Kane for forgery, false personation for financial gain, fraudulent use of a license, and contracting without a license. Kane pled guilty to all criminal charges on October 16, 2020. The acquaintance has claimed over \$500,000 in financial injuries and stolen wages. A court hearing is scheduled for December 14, 2020 to determine the criminal sentence and the amount of restitution Kane must pay.

Licensee for Hire Gets Revoked

In April 2018, an Oakland homeowner entered into a written \$52,000 contract with “A Quality Construction,” a seemingly licensed individual, hereafter referred to as “contractor”. A change order for additional work raised the project cost to \$61,900. The homeowner paid \$34,900 as work progressed. In August 2018, the City of Oakland Planning and Building Department stopped the work due to permit violations. The contractor demanded \$20,000 from the homeowner claiming the funds were for obtaining the correct permits. The homeowner refused to pay, which led the contractor to abandon the project. The homeowner then filed a complaint with CSLB. An Industry Expert was sent to the site and found the workmanship deviated from trade standards and estimated correction and completion would cost an additional \$18,735.

CSLB’s investigation revealed that Manuel Gomez Jr., was maintaining a license and renting it out to an unlicensed person for \$1,250 a month plus 30% of project profits. Gomez admitted that he did not participate in the projects for which the license was being used. CSLB filed an accusation against Gomez’s license for failure to exercise control, project abandonment, willful departure from trade standards and building laws, and failure to comply with home improvement requirements. The accusation was not contested, and Gomez’s license was revoked on August 24, 2020.

An update regarding the unlicensed person will be provided at the board meeting.



Statistical Overview–Enforcement

General Fiscal Year Complaint Handling Statistics (January- September 2020)

Complaints Received

- CSLB received 12,361 complaints; 2,896 fewer than the same timeframe in 2019.
- For January-September 2020, CSLB is receiving an average of 1,373 complaints per month.

Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
1,583	1,677	1,405	1,250	1,253	1,204	1,192	1,505	1,292	12,361

Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
1,702	1,671	1,707	1,728	1,791	1,801	1,617	1,580	1,660	15,257

Pending Investigations

- With current staffing levels, the optimum maximum Enforcement division caseload is 3,940 pending complaints. As of October 2020, the pending caseload was 3,387.

Special Investigator Production Goals

- For January-September 2020 the weighted monthly Investigative Center closing average has been reduced from 10 completed investigations to nine because of the 16 hours of leave each employee was granted in exchange for reduction in salary.

Complaint-Handling Cycle Time

- The board’s goal is to appropriately disposition all but 100 complaints within 270 days of receipt. As of October 2020, 118 of the 3,387 open complaints (2%) exceeded 270 days in age.

Restitution to Financially Injured Persons

- CSLB continues to assist consumers and help licensees resolve non-egregious consumer complaints. January-September 2020 complaint negotiation efforts have resulted in more than \$18 million in restitution to financially injured parties.

Investigative Center Legal Actions

- From January-September 2020, the Investigative Centers referred 28 percent, or 324, of the 1,137 legal action investigations for criminal prosecution.



Case Management Activities (January- September 2020)

- **Arbitration**
 - 577 cases initiated, resulting in over \$1.6 million in restitution to injured parties
 - 45 licenses revoked for non-compliance

- **Citations**
 - 1,085 citations issued (668 licensee, 417 non-licensed)
 - 508 citations appealed (329 licensee, 179 non-licensed)
 - 935 citations complied with (615 licensee, 320 non-licensed)

- **Civil Penalties Assessed and Collected**
 - Licensee Citation Civil Penalties
 - Informal settlement conferences conducted - 155
 - Civil penalties collected - \$854,112
 - Restitution - \$685,726
 - Non-Licensee Citation Civil Penalties
 - Informal settlement conferences conducted - 101
 - Civil penalties collected - \$296,773

- **Accusations**
 - Accusations filed - 212
 - License revocations - 178
 - License probations - 71
 - Restitution paid to injured parties - \$265,508.00
 - Cost recovery collected - \$416,156.00

STATEWIDE INVESTIGATIVE FRAUD TEAM

CSLB's Statewide Investigative Fraud Team (SWIFT) is comprised of Special Investigators who enforce license and workers' compensation insurance requirements at active jobsites, respond to leads, and conduct enforcement sweeps and undercover sting operations targeting unlicensed persons. SWIFT's enforcement efforts have been severely affected by multiple crises this year. In response to direction from the Governor's office, multiple SWIFT investigators were reassigned to California Connected, the state's COVID-19 contact tracing program. At one point, 16 of SWIFT's 27 investigators were reassigned and unavailable for SWIFT activities. Additionally,



SWIFT investigators have been deployed to wildfire zones throughout California this year in order to post CSLB advisory signs and to provide on-site education.

In spite of these challenges, from January 1, 2020 to September 30, 2020, SWIFT conducted 16 sting operations, participated in 60 sweep days, and responded to 542 leads. SWIFT closed 2,625 cases because of stings, sweeps, and leads, of which 630 resulted in an administrative or criminal legal action, as well as the issuance of 1,212 advisory notices for minor violations.

District Attorney Referrals

From January 1, 2020 to September 30, 2020, SWIFT referred 280 cases to local district attorneys' offices for criminal prosecution – 243 for contracting without a license and 37 against licensees (primarily for failure to secure workers' compensation insurance).

Administrative Actions

From January 1, 2020 to September 30, 2020, SWIFT issued 275 licensee and non-licensee citations, issued 71 Letters of Admonishment, filed four accusations, and assessed \$197,400 in non-licensee citation civil penalties. Administrative violations include working out of classification, working under a suspended or expired license, failing to obtain permits, and other license law violations that do not warrant a criminal referral.

Stop Orders

A Stop Order is a legal demand to cease all employee labor at any jobsite due to workers' compensation insurance violations until an appropriate policy is obtained. Failure of a contractor to comply with a Stop Order is a misdemeanor criminal offense, punishable by up to 60 days in county jail and/or a fine of up to \$10,000. From January 1, 2020 to September 30, 2020, SWIFT issued 84 Stop Orders to licensed and unlicensed individuals for using employee labor without having a valid workers' compensation policy.



Outstanding Tax and State Agency Liability Suspensions

CSLB can suspend a license if the licensee is delinquent in paying outstanding liabilities owed to CSLB or other state agencies. The table below summarizes liabilities owed to state agencies that were collected or resolved to avoid a license suspension or to reinstate a suspended license.

Amounts Collected or Resolved

	2017	2018	2019	2020 (to September 30)
CSLB	\$123,507	\$138,182	\$114,880	\$116,149
EDD	\$14,000,400	\$12,912,299	\$15,091,585	\$9,532,251
DIR-Cal/OSHA	\$445,698	\$2,085,120	\$3,270,360	\$1,031,736
DIR-DLSE	\$1,639,923	\$1,315,519	\$1,423,337	\$2,337,527
FTB	\$7,141,353	\$7,491,602	\$6,490,225	\$2,194,862
Totals	\$23,350,880	\$23,942,722	\$26,390,386	\$15,212,523

Labor Enforcement Task Force

The Labor Enforcement Task Force (LETF) is comprised of investigators from CSLB, the Department of Industrial Relations’ (DIR) Division of Labor Standards and Enforcement (DLSE) and Division of Occupational Health and Safety (Cal/OSHA), as well as the Employment Development Department (EDD). LETF combats the underground economy in California and aims to ensure that workers receive proper payment of wages and are provided a safe work environment.

Below are LETF statistics for January 1, 2020 - September 30, 2020:

CATEGORY	RESULT
Number of Contractors Inspected	54
Number of Contractors Out of Compliance	51
Percentage of Contractors Out of Compliance	94%
Total Initial Assessments	\$260,146

Note: The results reflect joint LETF inspections with Cal/OSHA, CSLB, DLSE & EDD. Total initial assessments reflect the amount assessed by Cal/OSHA and DLSE at the time of the inspection. These amounts are subject to change.

Solar Taskforce Update

- a. Solar Investigations
- b. Statistical Reporting (Business and Professions Code section 7170)





Solar Task Force Update

Solar Investigations

The Solar Task Force was created in 2015 to address a sudden influx of complaints related to the installation of residential-solar systems. Nearly five years later, CSLB continues to receive a high volume of solar-related complaints.

Between January 1, 2020 and September 30, 2020, CSLB averaged 100 solar-related complaints per month. During this same time period, 94 complaints were referred to legal action, including 17 accusations and 16 DA referrals, and settlements resulted in over \$2.1 million in restitution to financially injured consumers.

Proactive Solar Contract Review

To better understand marketplace practices that may result in a consumer complaint, CSLB collaborated with the Public Utilities Commission to execute nondisclosure agreements with investor-owned utilities to provide for the review of contracts submitted to the utilities for connecting to the electrical grid (i.e., interconnection packets).

During July 2020, CSLB staff reviewed 153 interconnection packets to confirm that the contractors were appropriately licensed, that the salespersons (if applicable) were registered with the prime contractor, and that the contracts complied with home improvement contract requirements.

This review determined substantial license compliance. However, 50 contracts were negotiated by an unregistered home improvement salesperson (HIS) and an additional 12 contracts were negotiated by an HIS not registered with the prime contractor. Both scenarios violate California contractors' state license law.

Most of the contracts examined shared a similar template, which failed to comply with home improvement contract consumer protection requirements.

One hundred six of the contracts did not include a commencement or completion date, and an additional 35 based the commencement date on an action rather than a calendar date. For example, many contracts stated that work will commence after the permit is issued. However, issuance of a permit is contingent on the contractor applying for one.

One hundred of the interconnection packets did not include a contract page with a payment schedule; and 49 requested payments in advance of work performed.

Many of the contracts reviewed included a progress payment schedule called a Customer Approved Plan, or "CAP." The CAP model typically requires the homeowner to pay a deposit and then up to 80 percent of the contract price when the plans for the residential solar system are approved. Home Improvement Contract requirements



restrict a down payment to no more than \$1,000, and subsequent payments must not exceed the value of work performed.

In summary, review of the 153 interconnection packets determined that over 90 percent of the contracts did not comply with HIS, solar disclosure, and/or home improvement contract requirements.

As a result, CSLB issued an Industry Bulletin to further educate licensed contractors who are responsible for installing residential solar systems and Home Improvement Salespeople who negotiate solar contracts with homeowners.

November 17, 2020

CSLB #20-22

Contractors State License Board Reminds Licensees about the Importance of Following Home Improvement Contract Requirements for Solar Jobs

SACRAMENTO – The Contractors State License Board (CSLB) is reminding licensed contractors that it is critically important to follow California law when it comes to contract requirements for solar projects. The installation of a residential solar system is considered home improvement and any contract for a residential solar system must follow the home improvement contract requirements in the Contractors State License Law

For example, [BPC 7159.5](#) restricts the amount that a contractor can request or receive for a down payment and provides detailed requirements about progress payments. You cannot ask for or take a down payment of more than \$1,000 or 10 percent of the contract price, whichever is less.

Except for that down payment, a contractor may not request or accept payment that exceeds the value of the work already performed or materials already delivered. For example, it is unlawful for a solar contractor to request or receive payment for installation of solar panels if those panels have not yet been provided or installed.



Also, the contract price and all subsequent progress payments must be stated in the contract, in dollars and cents. You must list the work or services provided that justify the progress payment being requested.

Violations of the home improvement contracting laws subject licensees to CSLB administrative disciplinary action and potential referral to a local prosecutor for possible misdemeanor criminal charges.

Here are just some important reminders about residential solar contract requirements:

- The [solar energy system disclosure document](#) must be included on the front page or cover page of the residential solar energy contract ([BPC 7169](#)).
- A home improvement salesperson (HIS) must register with CSLB in order to engage in the business of, or act in the capacity of a home improvement salesperson for a contractor ([BPC 7153\(a\)](#)). The HIS must be registered with the solar contractor or contractors they are selling for ([BPC 7154\(a\)](#)).
- Before any work begins, the contractor must give the buyer a copy of the contract signed and dated by both parties. The buyer's receipt of the copy of the contract initiates their right to cancel ([BPC 7159\(c\)\(3\)\(A\)](#)). For any contract entered into on or after January 1, 2021, the buyer's right to cancel a home improvement contract is five days for buyers 65 years or older ([Assembly Bill 2471, Maienschein, 2020](#)).
- The contract must include an approximate calendar date of when work will begin and the estimated completion date ([BPC 7159\(10\)\(C\)](#)).

Learn more in CSLB's publications, "[California Contractors License Law & Reference Book](#)" and "[Contracting for Success: A Contractor's Guide to Home Improvement Contracts](#)," and on CSLB's "[Solar Smart](#)" website page.

###



Statistical Report—Business and Professions Code section 7170

On October 11, 2017, AB1070 (Gonzalez Fletcher) Solar Energy Systems: Contract Disclosures was chaptered and added section 7170 to the Business and Professions Code (BPC). BPC 7170 requires the following:

- (a) The Contractors' State License Board shall receive and review complaints and consumer questions regarding solar energy systems companies and solar contractors. The board shall also receive complaints received from state agencies regarding solar energy systems companies and solar contractors.
- (b) Beginning on July 1, 2019, the board annually shall compile a report documenting consumer complaints relating to solar contractors. The report shall be made available publicly on the board's and the Public Utilities Commission's Internet Web sites. The report shall contain all of the following:
 - (1) The number and types of complaints.
 - (2) The ZIP Code where the consumer complaint originated.
 - (3) The disposition of all complaints received against a solar contractor.
- (c) For purposes of this section, "solar energy system" means a solar energy device to be installed on a residential building that has the primary purpose of providing for the collection and distribution of solar energy for the generation of electricity, that produces at least one kW, and not more than five MW, alternating current rated peak electricity, and that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code.

A staff report to meet the requirements of BPC section 7170 revealed that between July 1, 2019 and June 30, 2020, CSLB received 1,067 solar complaints. As of November 9, 2020, 1,014 of these complaints had been sufficiently investigated to determine the nature of the complaint as follows:

- Workmanship/Abandonment – **545**
- Misrepresentation/Fraud – **348**
- Unlicensed Contractor – **51**
- Unregistered Salesperson – **34**
- Home Improvement Contract Violation – **25**
- Permit Violations – **11**



The report further revealed that the 791 investigations completed between July 2019 and June 2020 resulted in the following dispositions:

Non-Legal Actions

- Insufficient evidence – lack of cause to perform further investigation – **395**
- Settled – **281**
- Advisory Notice – **34**
- Arbitration – **15**

Legal Actions

- Letter of Admonishment – **14**
- Citation – **27**
- Accusation – **16**
- Criminal Referral – **9**

Additionally, it was found that the 1,067 complaints came from 581 different zip codes across California.

Per the requirement, the information above and specific zip code information will be posted on the CSLB and PUC websites.

AGENDA ITEM F

Licensing and Testing



AGENDA ITEM F-1

Licensing Program Update

- a. Application Processing Statistics
- b. Renewal Processing Statistics
- c. Fingerprinting/Criminal Background Unit Statistics
- d. Experience Verification Statistics
- e. Licensing Information Center Statistics
- f. Judgment Unit Statistics
- g. Examination Administration Unit
- h. Examination Development Unit



**Licensing Program Update****APPLICATION PROCESSING STATISTICS**

The charts below provide the total number of incoming applications received by the application units each month, quarter, and calendar year.

Total Number of Applications Received Per Month

	2019 Oct	Nov	Dec	2020 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Original Exam	939	910	650	1,185	988	1,080	609	572	908	808	764	659
Original Waiver	677	530	595	644	709	514	451	438	460	503	462	463
Add Class	372	328	312	334	311	181	257	261	287	257	294	311
Qualifier Replacer	209	234	195	214	176	129	183	186	167	171	193	126
Home Improvement	1,005	812	650	927	892	892	352	455	804	886	1,135	923
Total Per Month	3,202	2,814	2,402	3,304	3,076	2,796	1,852	1,912	2,626	2,625	2,848	2,482
3 – Month Totals	Oct - Dec: 8,418			Jan - Mar: 9,176			Apr - Jun: 6,390			Jul - Sep: 7,955		

Total Applications Received – Prior Calendar Years

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Original Exam	11,749	13,471	13,642	15,500	15,244
Original Waiver	8,109	8,603	8,462	9,327	8,796
Add Class	4,176	4,064	3,974	4,220	4,526
Qualifier Replacer	2,462	2,374	2,488	2,706	2,792
Home Improvement	13,945	10,373	9,522	9,720	11,122
Total Received	40,441	38,885	38,088	41,473	42,480



CSLB management closely monitors processing times for the various licensing units on a weekly and monthly basis.

The chart below provides the “weeks-to-process” for applications, license transactions, and public information unit documents (i.e. record certification) received each month. “Weeks to process” refers to the average number of weeks before an application or document is initially pulled for processing by a technician after it arrives at CSLB.

	2020											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Original Exam	3.0	2.9	3.4	4.8	4.2	4.4	4.6	2.7	3.0	4.3	5.8	7.6
Original Waiver	1.3	2.0	2.8	3.7	3.7	4.7	5.5	4.2	2.7	3.3	4.4	4.7
Add Class	1.4	1.2	1.6	2.4	3.2	4.1	4.1	2.9	2.4	2.4	3.1	3.4
Qualifier Replacer (Exams & Waiver)	1.4	1.2	1.5	2.2	3.0	3.8	3.1	2.8	2.8	2.8	3.3	4.0
Home Improvement	1.3	1.3	1.5	1.9	2.8	4.0	4.1	1.1	1.4	1.8	2.0	3.4
Renewal	1.4	2.0	2.4	2.4	2.5	3.1	2.4	2.6	3.1	3.8	3.1	3.0
Add New Officer	1.0	1.0	1.6	1.6	1.0	2.1	2.6	1.8	2.0	3.6	3.4	2.6
Address/ Name Change	1.1	1.1	1.6	1.2	1.1	2.2	3.0	1.6	1.8	3.8	3.4	2.2
Bond / Bond Exemption	0.7	0.8	1.1	1.0	0.6	0.6	0.5	1.5	0.5	0.6	0.6	0.6
Workers' Comp / Exempt	1.9	2.6	3.1	3.3	2.2	1.8	2.5	2.1	1.9	2.7	2.0	1.8
Certified License History	0.6	0.9	0.0	0.3	9.0	5.0	4.5	3.5	4.0	5.0	5.0	5.0
Copies of Documents	0.1	0.1	0.0	0.1	0.0	1.5	1.1	1.0	1.0	0.9	0.4	0.4
CORI Review*	2.9	2.4	2.6	2.7	1.8	1.2	1.4	1.6	1.7	2.2	2.5	1.8

*Outside CSLB Control—
DOJ /FBI timeframe

The time-to-process for applications and renewals includes an approximate two-day processing timeframe that accounts for the required cashiering and image-scanning tasks that CSLB staff must complete before an application or document can be processed.



The chart below illustrates the number of applications received in the previous fiscal years and the final disposition of these applications, regardless of the year they were processed. This is the combined total for all exam, waiver, add class, qualifier replacement, and home improvement salesperson applications. This report allows staff to monitor the disposition of applications and to identify any applications that require special attention.

Disposition of Applications by Fiscal Year

Fiscal Year	Number of Apps Received	Processed & Issued	Voided	Pending*
2016-2017	38,737	24,598	10,748	3,391
2017-2018	39,118	20,132	6,562	12,424
2018-2019	42,344	20,379	6,766	15,199
2019-2020	38,251	16,415	4,161	17,675

* These are the total number of applications pending at the close of each fiscal year. An application may be classified as pending because:

- The applicant does not pass the exam but is still within the 18-month window during which they must pass the examination. Note, the closing of CSLB test centers from March to June 2020, resulted in approximately 6,000 applicants being delayed in taking an examination.
- The application is in the experience verification process.
- The application is not yet cleared by CSLB’s Criminal Background unit.
- The applicant has not submitted final issuance requirements (proof of bond, workers’ compensation insurance, asbestos open book examination results, and/or fees).



RENEWAL PROCESSING STATISTICS

The charts below provide the number of incoming renewals received by the Renewal unit each month, quarter, and calendar year.

Total Number of Renewals Received Per Month

	2019			2020								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Reactivation	96	99	121	106	81	101	68	86	86	122	112	114
Active	8,166	6,926	7,474	4,935	7,376	9,944	10,278	8,538	7,628	9,702	8,064	8,817
Inactive	1,025	936	1,063	765	980	1,167	1,405	1,155	906	1,171	992	1,130
Delinquent Active	959	772	837	899	525	852	1,236	948	1,080	1,364	1,160	1,327
Delinquent Inactive	131	121	140	139	76	94	247	178	189	223	177	232
Received Per Month	10,377	8,854	9,635	6,844	9,038	12,158	13,234	10,905	9,889	12,582	10,505	11,620

3 - Month

Totals Oct - Dec: 28,866 Jan - Mar: 28,040 Apr - Jun: 34,028 Jul - Sep: 34,707

Note: Total numbers of renewals received were underreported March through June 2020 due to a technical issue with online renewal processes

Total Renewals Received - Prior Calendar Years

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Reactivation	1,913	1,846	1,558	1,421	1,358
Active	101,774	103,659	97,884	104,330	98,901
Inactive	15,495	16,064	14,280	13,757	13,007
Delinquent Active	12,792	11,853	11,211	11,091	10,721
Delinquent Inactive	2,230	2,195	1,945	1,892	1,734
Total Received	134,204	135,617	126,878	132,491	125,721

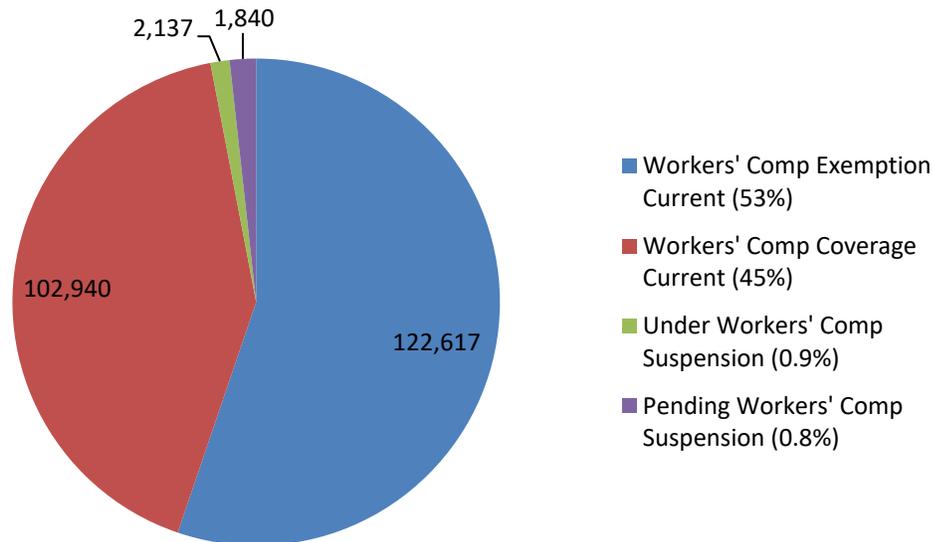


WORKERS' COMPENSATION RECERTIFICATION STATISTICS

The law requires that, at the time of renewal, an active contractor with an exemption for workers' compensation insurance on file with CSLB either recertify that exemption or provide a current and valid Certificate of Workers' Compensation Insurance or Certificate of Self-Insurance. If, at the time of renewal, the licensee fails to recertify their exempt status or to provide a workers' compensation policy, the law allows for the retroactive renewal of the license if the licensee submits the required documentation within 30 days after notification by CSLB of the missing information.

This chart provides a snapshot of workers' compensation coverage for active licenses.

Workers' Comp Coverage for Active Licenses - September 30, 2020



Total Number of Active Licenses: 229,827

The chart on the following page shows the workers' compensation coverage (policies and exemptions) on file as of September 30, 2020, for active licenses by classification and the percentage of exemptions per classification.

**Active License Classifications Workers' Comp Status – As of September 30, 2020**

<i>Classification</i>	<i>Exemptions on File</i>	<i>WC Policies on File</i>	<i>Total Policies & Exemptions</i>	<i>% of Total with Exemptions</i>
A General Engineering	5,293	9,275	14,568	36%
B General Building	61,035	40,788	101,823	60%
C-2 Insulation and Acoustical	280	901	1,181	24%
C-4 Boiler Hot Water	189	566	755	25%
C-5 Framing / Rough Carp	477	397	874	55%
C-6 Cabinet-Millwork	2,688	1,946	4,634	58%
C-7 Low Voltage Systems	1,975	2,807	4,782	41%
C-8 Concrete	2,494	3,697	6,191	40%
C-9 Drywall	1,186	1,796	2,982	40%
C10 Electrical	13,776	11,652	25,428	54%
C11 Elevator	40	175	215	19%
C12 Earthwork & Paving	948	1,444	2,392	40%
C13 Fencing	677	939	1,616	42%
C15 Flooring	3,607	3,462	7,069	51%
C16 Fire Protection	742	1,421	2,163	34%
C17 Glazing	1,072	1,846	2,918	37%
C20 HVAC	6,537	5,569	12,106	54%
C21 Building Moving Demo	481	1,209	1,690	28%
C22 Asbestos Abatement	4	282	286	1%
C23 Ornamental Metal	430	612	1,042	41%
C27 Landscaping	4,719	6,711	11,430	41%
C28 Lock & Security Equipment	146	234	380	38%
C29 Masonry	993	1,364	2,357	42%
C31 Construction Zone	44	264	308	14%
C32 Parking Highway	184	310	494	37%
C33 Painting	8,611	6,962	15,573	55%
C34 Pipeline	157	356	513	31%
C35 Lath & Plaster	578	1,214	1,792	32%
C36 Plumbing	8,692	6,965	15,657	56%
C38 Refrigeration	925	951	1,876	49%
C39 Roofing	1	4,565	4,566	0%
C42 Sanitation	377	591	968	39%
C43 Sheet Metal	382	1,032	1,414	27%
C45 Signs	371	489	860	43%
C46 Solar	464	767	1,231	38%
C47 Gen Manufactured House	215	206	421	51%
C50 Reinforcing Steel	55	196	251	22%
C51 Structural Steel	395	1,081	1,476	27%
C53 Swimming Pool	1,143	1,410	2,553	45%
C54 Tile	3,638	2,823	6,461	56%
C55 Water Conditioning	126	177	303	42%
C57 Well Drilling	297	489	786	38%
C60 Welding	525	466	991	53%
C61 Limited Specialty	7,756	10,398	18,154	43%
ASB Asbestos Cert	262	692	954	27%
HAZ Hazardous Cert	532	1,342	1,874	28%



FINGERPRINTING/CRIMINAL BACKGROUND UNIT STATISTICS

As mandated in January 2005, CSLB continues to fingerprint all applicants for licensure. The California Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI) conduct criminal background checks and provide criminal offender record information to CSLB for in-state convictions and for out-of-state and federal convictions, respectively.

DOJ and FBI typically provide responses to CSLB within a day or two of an applicant being fingerprinted, but occasionally the results are delayed. This does not necessarily indicate a conviction, as sometimes the results reveal a clear record. Most delays are resolved within 30 days; however, some continue for 60 or 90 days, or longer because the DOJ and FBI must obtain court records. Since DOJ and FBI are independent agencies, CSLB has no control over these delays and must wait for the fingerprint results before issuing a license, though staff do follow-up with DOJ regarding delayed responses to confirm the review has commenced and that DOJ requires no further information.

Below is a breakdown of Criminal Background unit statistics for the past five calendar years.

CRIMINAL BACKGROUND UNIT STATISTICS

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	TOTALS
DOJ Records Received	27,863	32,470	29,189	34,599	33,553	157,674
CORI RAPP Received	5,658	6,926	6,022	6,828	6,860	32,294
Denials	52	49	62	65	63	291
Appeals	29	26	39	42	31	167
Probationary Licenses Issued (conditional license; requires periodic review)	68	90	83	61	86	388



EXPERIENCE VERIFICATION UNIT STATISTICS

Business and Professions Code section 7068(g) and California Code of Regulations 824 require that the CSLB registrar conduct a comprehensive investigation of a minimum of 3 percent of applications. Such investigations shall include those areas of experience claimed and other areas the registrar deems appropriate for the protection of the public.

Since implementation in September 2014, Experience Verification unit staff have been assigned and reviewed 3,617 applications.

The following chart provides a monthly breakdown of actions taken for applications referred to the Experience Verification unit for the past 12 months.

	2019			2020								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Withdrawn	17	12	17	26	1	6	4	2	1	1	3	0
Verified	29	20	25	37	17	24	3	5	10	9	8	3
Denied	9	7	7	7	0	1	0	1	5	0	1	0
Appealed	0	1	0	0	0	0	0	0	0	0	0	0
Pending	107	92	99	68	87	36	33	37	32	28	21	29

The chart on the next page provides the breakdown for appeals, denials, withdrawals, experience verification, and pending applications by classification for the past 24 months.

**Experience Verification by Classification
September 1, 2018 – September 31, 2020**

Classification	Appealed	Withdrawn	Verified	Denied	Total
A General Engineering	3	13	25	9	50
B General Building	1	127	179	72	379
C2 Insulation and Acoustical	0	0	2	1	3
C4 Boiler Hot Water	0	2	1	0	3
C5 Framing / Rough Carp	0	2	3	1	6
C6 Cabinet-Millwork	0	5	13	2	20
C7 Low Voltage Systems	0	2	8	1	11
C8 Concrete	1	4	14	6	25
C9 Drywall	0	2	7	1	10
C10 Electrical	0	14	40	10	64
C11 Elevator	0	0	0	0	0
C12 Earthwork & Paving	0	3	4	2	9
C13 Fencing	0	3	4	1	8
C15 Flooring	0	7	19	6	32
C16 Fire Protection	1	0	1	5	7
C17 Glazing	0	3	9	1	13
C20 HVAC	2	10	30	10	52
C21 Building Moving Demo	0	6	3	5	14
C22 Asbestos Abatement	0	1	1	0	2
C23 Ornamental Metal	0	1	2	0	3
C27 Landscaping	0	14	18	1	33
C28 Lock & Security Equipment	0	1	0	1	2
C29 Masonry	0	1	2	1	4
C31 Construction Zone	0	0	1	0	1
C32 Parking Highway	0	0	0	0	0
C33 Painting	0	23	39	11	73
C34 Pipeline	0	0	0	0	0
C35 Lath & Plaster	0	1	4	1	6
C36 Plumbing	3	7	37	5	52
C38 Refrigeration	0	3	1	0	4
C39 Roofing	2	10	20	5	37
C42 Sanitation	0	1	4	0	5
C43 Sheet Metal	0	0	0	0	0
C45 Signs	0	1	0	0	1
C46 Solar	0	2	3	1	6
C47 Gen Manufactured House	0	0	0	0	0
C50 Reinforcing Steel	0	0	0	0	0
C51 Structural Steel	0	2	2	1	5
C53 Swimming Pool	0	4	2	6	12
C54 Tile	0	7	12	5	24
C55 Water Conditioning	0	0	0	0	0
C57 Well Drilling	0	0	3	0	3
C60 Welding	2	0	3	0	5
C61 Limited Specialty	3	21	27	7	58
ASB Asbestos Cert	0	0	0	0	0
HAZ Hazardous Cert	0	0	0	0	0
Total	18	303	543	178	1,042



LICENSING INFORMATION CENTER (LIC) STATISTICS

LIC Support Services

CSLB’s Licensing Information Center is the first point of contact for applicants, consumers, licensees, and governmental agencies needing information about licensing laws, hiring a contractor, licensing application information, and the status of an application. The LIC receives, on average, 13,000 calls monthly. Staff that respond to calls must have knowledge of all licensing transaction processes in order to assist callers with correct and complete information.

Inbound Activity	2019 Oct	Nov	Dec	2020 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Calls Received	12,815	10,139	11,286	15,055	13,607	13,095	10,393	10,235	11,814	13,307	11,534	11,907
Calls Answered	11,973	9,350	10,575	12,806	11,684	10,723	5,441	3,953	6,536	10,874	6,812	6,523
Caller Abandoned	597	530	478	1,320	1,110	1,274	2,736	3,733	4,694	2,408	4,700	5,229
Longest Wait Time	04:43	08:06	09:03	12:36	11:36	24:00	59:48	58:01	1:28:20	41:20	1:11:47	1:33:24
Shortest Wait Time	01:03	00:36	00:06	02:19	01:23	02:33	01:06	01:08	06:08	00:20	04:39	21:25
Avg. Wait Time	02:59	03:15	03:13	06:19	05:52	07:10	26:39	46:08	38:42	15:18	39:28	45:52

Licensing Information Center Call Data - Prior Calendar Years

Inbound Activity	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Calls Received	158,409	163,076	166,918	152,845	149,462
Calls Answered	153,258	158,778	147,074	137,270	136,776
Caller Abandoned	5,124	4,178	16,527	9,426	7,859
Average Longest Wait Time	07:28	05:39	01:36	10:48	08:33
Average Shortest Wait Time	00:19	00:22	00:12	01:04	00:48
Average Wait Time	04:17	02:45	06:46	04:21	03:34



JUDGMENT UNIT STATISTICS

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

Outstanding liabilities are reported to CSLB by:

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

Unsatisfied judgments are reported to CSLB by:

- Contractors
- Consumers
- Attorneys

Payments of claims are reported to CSLB by bonding (surety) companies.

The charts on the following page provide the number of notifications mailed to licensees related to outstanding liabilities, judgments, and payment of claims affecting their license status, including the savings to the public as a result of compliance.



Judgment Unit

Number of Reimbursements to State Agencies and Public

	2019			2020								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
OUTSTANDING LIABILITES (FROM CALIFORNIA STAT AGENCIES)												
Initial	61	71	73	65	95	79	13	12	6	7	11	15
Suspend	62	54	45	58	53	49	83	63	12	10	6	6
Reinstate	60	48	59	75	64	52	29	46	30	28	8	17
Total	183	173	177	198	212	180	125	121	48	45	25	38
FINAL JUDGMENTS (FROM COURT ACTIONS)												
Initial	61	25	39	62	33	78	59	24	53	55	56	41
Suspend	18	13	27	23	6	15	25	17	44	29	18	23
Reinstate	61	34	50	50	41	41	38	37	44	59	42	48
Total	140	72	116	135	80	134	122	78	141	143	116	112
PAYMENT OF CLAIMS (FROM BOND SURETY COMPANIES)												
Initial	176	181	183	188	153	142	112	132	137	118	134	115
Suspend	85	79	92	84	92	98	101	64	95	52	69	76
Reinstate	108	122	127	126	119	122	76	124	116	98	98	103
Total	369	382	402	398	364	362	289	320	348	268	301	294

Reimbursement Amounts to State Agencies and Public Prior Calendar Years

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Outstanding Liabilities	\$25,435,065	\$21,294,139	\$23,282,397	\$23,899,670	\$26,277,077
Final Judgments	\$45,605,109	\$21,075,805	\$20,175,529	\$12,167,435	\$16,514,073
Payment of Claims	\$9,965,960	\$8,852,480	\$8,850,173	\$9,580,600	\$11,080,053
Total Monetary Savings	\$81,006,134	\$51,222,424	\$52,308,099	\$45,647,705	\$53,871,203



State Agency Outstanding Liabilities Collected

	Employment Development Department (EDD)	Franchise Tax Board (FTB)	Department of Industrial Relations (DIR) Division of Labor Standards Enforcement (DLSE) Division of Occupational Safety & Health (DOSH) Office of the Director – Legal Unit (ODL)	Total Liabilities Collected
October 2019	\$1,633,541	\$504,964	\$523,452	\$2,661,957
November	\$1,285,787	\$645,909	\$125,137	\$2,056,833
December	\$1,905,936	\$308,865	\$181,744	\$2,396,545
January 2020	\$2,599,050	\$162,266	\$625,820	\$3,387,136
February	\$1,527,709	\$415,563	\$260,417	\$2,203,689
March	\$1,673,255	\$475,932	\$953,755	\$3,102,942
April	\$793,586	\$79,769	\$342,183	\$1,215,538
May	\$1,082,441	\$194,609	\$182,472	\$1,459,522
June	\$220,128	\$391,568	\$390,242	\$1,001,938
July	\$1,416,771	\$114,413	\$363,269	\$1,894,453
August	\$91,008	\$103,108	\$108,023	\$302,139
September	\$128,302	\$257,635	\$143,082	\$529,019
TOTALS	\$14,357,514	\$3,654,601	\$4,199,596	\$22,211,711

AGENDA ITEM F-2

Testing Program Update

- a. Examination Administration Unit
- b. Examination Development Unit





CONTRACTORS STATE LICENSE BOARD

TESTING PROGRAM UPDATE

EXAMINATION ADMINISTRATION UNIT (EAU)

The Testing division's EAU administers CSLB's 46 examinations at eight computer-based test centers. Most test centers are allocated two full-time test monitor positions, with part-time proctors filling in as needed. Test monitors also respond to all interactive voice response messages received by CSLB that are related to testing.

EAU currently has one vacancy: Office Technician (limited term) position.

Number of Examinations Scheduled Per Month June 2019 - May 2020

Nov 2019	Dec	Jan 2020	Feb	Mar*	Apr*	May*	Jun*	Jul	Aug	Sep	Oct	Total
3,839	3,894	4,061	3,816	2,549	0	0	2,631	4,683	4,358	3,781	4,088	37,699

*Due to the Shelter-in-Place orders during the COVID-19 pandemic, all testing was halted in mid-March. San Jose and Berkeley Test Centers stopped testing on March 18 and the other six stopped testing on March 20, 2020, testing resumed at all centers except Berkley on June 15, 2020.

CSLB maintains test centers in the following locations:

- Sacramento
- San Jose
- Fresno
- Oxnard
- Norwalk
- San Bernardino
- San Diego

Number of Examinations Scheduled by Test Center November 2019 - October 2020

Test Center	Number of Examinations Scheduled
Berkeley*	2,015
Fresno	2,244
Norwalk	9,832
Oxnard	3,961
Sacramento	7,314
San Bernardino	5,847
San Diego	3,803
San Jose	2,683
Total	37,699

*Due to a lease expiration of January 2021 and the eventual outsourcing of examination administration, CSLB is currently in the process of closing this facility

**EXAMINATION DEVELOPMENT UNIT (EDU)**

The Testing division's EDU ensures that CSLB's 46 examinations are written, maintained, and updated in accordance with testing standards and guidelines, Department of Consumer Affairs policies, CSLB regulations, as well as federal and California state law.

Exam Development

State law requires all license exams to be updated every five to seven years. All CSLB examination programs meet this standard. The revision process takes approximately one year and is conducted in two phases: 1) occupational analysis; and 2) item bank development.

The occupational analysis determines what topics are relevant to each contractor classification and in what proportion it should be tested. This process starts with interviews of a statewide sample of active California licensees in each specific classification. The interviews result in a draft list of the job tasks performed by contractors in that trade and the knowledge needed to work safely and competently. EDU staff then hold a workshop with licensees who act as subject matter experts to finalize the task and knowledge statements. A large-scale online survey is conducted with a greater number of subject matter experts. A second workshop is then held to develop a validation report, which includes an outline that serves as a blueprint for constructing exams.

The item bank development phase involves numerous workshops with subject matter experts to review and revise existing test questions, write and review new test questions, and determine the passing score for exams from that point forward.

EDU currently has three vacancies: one Research Data Analyst I/II, one Graduate Student Assistant, and one Engineering/Architectural Sciences Student Assistant.

EDU released one new exam in February 2020: B General Building.



Examination Programs in Progress as of November 1, 2020

Occupational Analysis	Item Bank Development
Asbestos Certification	Law and Business
B-2 Residential Remodeling Contractor	A-General Engineering
C-8 Concrete	C-6 Cabinet, Millwork and Finish Carpentry
C-17 Glazing	C-11 Elevator
C-27 Landscaping	C-20 Warm-Air Heating, Ventilating and Air-Conditioning
C-29 Masonry	C-23 Ornamental Metal
C-31 Construction Zone Traffic Control	C-28 Lock and Security Equipment
C-32 Parking and Highway Improvement	C-43 Sheet Metal
C-33 Painting and Decorating	
C-39 Roofing	
C-53 Swimming Pool	

Ongoing Consumer Satisfaction and Applicant Survey

EDU conducts an ongoing survey of consumers whose complaint cases have been closed to assess overall satisfaction with the Enforcement division’s handling of complaints related to eight customer service topics. EDU also conducts an ongoing survey of applicants who complete the application process. The surveys are emailed to all consumers with closed complaints and all newly licensed individuals who provide CSLB with their email address.

Survey statistics are compiled and presented to the board annually. The results of the 2019 survey follow the applicant satisfaction survey below.

AGENDA ITEM F-3

Update and Discussion on CSLB Administered Surveys

- a. Applicant Satisfaction Survey
- b. Consumer Satisfaction Survey





CONTRACTORS STATE LICENSE BOARD
REPORT ON THE
APPLICANT SATISFACTION SURVEY

Report Date: Nov. 2020

Applicant Survey Executive Summary

In March 2020, Testing division staff began circulating a monthly online survey to individuals who had recently received their license with the Contractors State License Board (CSLB). The purpose of the survey was to assess the applicant’s satisfaction with the licensure process. The first survey was sent to all individuals who received their contractor’s license in February 2020, and subsequent surveys were sent at the beginning of each month. Licensees were given about a month to respond.

The online survey was sent through SurveyMonkey and included eight questions. The first two questions were Yes or No. Respondents were asked to rate the other six questions on a five-point agreement scale that provided two levels of agreement (agree or somewhat agree), two levels of disagreement (disagree or somewhat disagree), and a “neutral” option. At the end of the survey, respondents had the option to write additional comments. The Applicant Survey can be seen in Appendix A.

A total of 2,971 surveys were emailed through June 2020 and 496 (17%) responses were received. The number of new licensees dropped for the months of April, May, and June due to the COVID-19 pandemic, but the response rate remained stable and increased in June (see Table 1).

Table 1.

Response Rate by Month for 2020						
	Feb	Mar	Apr	May	Jun	Total
Surveys Emailed	777	761	641	412	380	2,971
Response Rate	113 (15%)	115 (15%)	110 (17%)	66 (16%)	92 (24%)	496 (17%)

Results for the first two questions can be seen in Table 2. For both questions, respondents overwhelmingly chose “Yes”, indicating that the licensure process was easy to understand and that the timeframe was acceptable.

Table 2.

Survey Question	Yes	No
1. Was the licensure process easy to understand?	86%	14%
2. Was the licensure process timeframe acceptable?	83%	17%

Results for the six remaining questions can be seen in Table 3. Results for these five-point agreement questions were obtained by cumulating the two agreement (agree or somewhat agree) ratings and dividing by the total number of responses. This procedure provided the percentage of agreement for each question. All of the questions had relatively high levels of agreement; however, respondents agreed the most with question #5 (I was treated courteously by CSLB’s representatives) and question #8 (I am satisfied with the service provided by CSLB).

Table 3.

Total Percent of Agreement Feb – Jun 2020	
Survey Statement	
3. I would prefer to use an online application process.	77%
4. I received timely communication from CSLB.	79%
5. I was treated courteously by CSLB’s representatives.	92%
6. I am satisfied with the bond and fee process.	84%
7. I am satisfied with the online Asbestos Open Book Examination process.	84%
8. I am satisfied with the service provided by CSLB.	90%

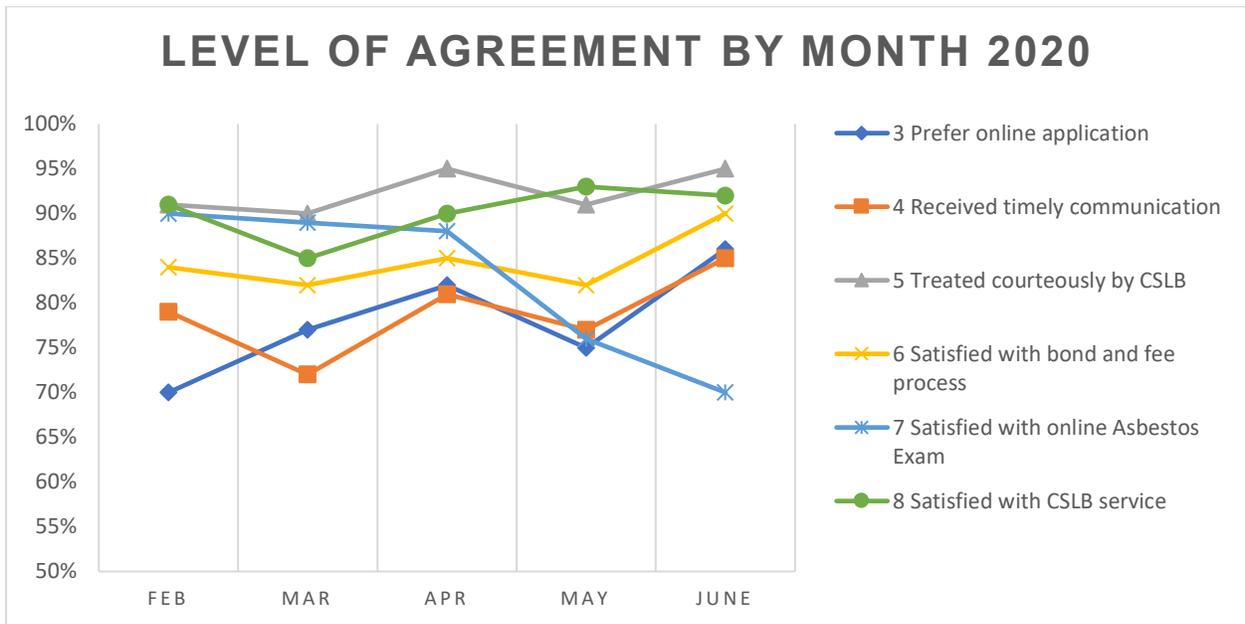
The levels of agreement can also be seen by month in Table 4 and Figure 1. A noticeable increase in agreement can be seen for question #3 (I would prefer to use an online application process), and a significant drop in agreement can be seen for question #7 (I am satisfied with the online Asbestos Open Book Examination process). Question #4 (I received timely communication from CSLB) dipped to as low as 72% in March and increased to as high as 85% in June. Agreement in response to the other questions remained relatively stable throughout the five months.

A total of 139 comments were received and a little over half were positive. Common topics include preferring electronic communication over postal mail, the timeframe for licensure (both positive and negative), phone wait times, and positive experiences with CSLB staff.

Table 4.

Percent of Agreement by Month for 2020					
Survey Statement	Feb	Mar	Apr	May	Jun
3. Prefer to use an online application process.	70%	77%	82%	75%	86%
4. Received timely communication from CSLB.	79%	72%	81%	77%	85%
5. Treated courteously by CSLB’s representatives.	91%	90%	95%	91%	95%
6. Satisfied with the bond and fee process.	84%	82%	85%	82%	90%
7. Satisfied with the online Asbestos Open Book Examination process.	90%	89%	88%	76%	70%
8. Satisfied with the service provided by CSLB.	91%	85%	90%	93%	92%

Figure 1



Appendix A: Applicant Survey



Introduction Section

As part of our ongoing efforts to improve service to applicants, we are conducting a short survey to monitor the quality of service provided to applicants who recently received their license with the Contractors State License Board.

Would you please take a few minutes to respond to the following survey? We need to hear from you so that we can identify where improvements are needed.

When you are finished, click on the "DONE" button at the bottom of the next page to forward your responses to the Board.

Please respond by Tuesday, March 31.

Thank you for taking the time to participate in this survey!

Contractors State License Board



Survey Instructions and Questions

The information you provide here is voluntary and confidential. It will be treated as personal information subject to the Information Practices Act (Civil Code, Section 1798 et seq.) and will be used only for the purpose of analyzing the ratings from the survey. The information disclosed will remain confidential and will not be disclosed to the public unless required by state law, court order, or subpoena. If you have any questions regarding this form or how the CSLB uses this information, please contact the CSLB's Testing Division at (916) 255-3221 or at CSLB_Testing_Division@cslb.ca.gov.

For Questions 1 and 2, please select the response that best represents your experience with the licensure process.

1. Was the licensure process easy to understand?

Yes

No

2. Was the licensure process timeframe acceptable?

Yes

No

For Questions 3 - 8, please select the response that shows how much you agree with each statement.

	Agree	Somewhat Agree	Neutral	Somewhat Disagree	Disagree
3. I would prefer to use an online application process.	<input type="radio"/>				
4. I received timely communication from CSLB.	<input type="radio"/>				
5. I was treated courteously by CSLB's representatives.	<input type="radio"/>				
6. I am satisfied with the bond and fee process.	<input type="radio"/>				
7. I am satisfied with the online Asbestos Open Book Examination process.	<input type="radio"/>				
8. I am satisfied with the service provided by CSLB.	<input type="radio"/>				

Please share any other comments below:



CONTRACTORS STATE LICENSE BOARD
REPORT ON THE CONSUMER SATISFACTION
SURVEY: 2019 COMPLAINT CLOSURES

(January to December)

Report Date: April 2020

Executive Summary

The Consumer Satisfaction Survey Report is based on surveys of individuals who have filed complaints with the Contractors State License Board (CSLB) Enforcement division against licensed or unlicensed contractors. These surveys assess the public's satisfaction with CSLB's handling of their complaints. The original benchmark survey began with complaints that were closed in 1993, and assessment of consumer satisfaction has continued since that time. The present report measures consumer satisfaction for complaints closed in calendar year 2019.

Eight of the nine questions on the 2019 survey were identical to those used since 1993, and the same seven-point agreement scale was used. From 1993-2009, 4,800 complainants (400 per month) were selected randomly to receive surveys. In 2010, the survey's format and sampling method were changed; CSLB began to email the survey to all consumers with closed complaints who had provided email addresses. In 2019, 9,421 complainants provided email addresses, of which 9,129 were deemed valid. Surveys were sent out in individual monthly batches throughout 2019 and early 2020.

In 2019, a total of 1,365 complainants – 15 percent of those surveyed – responded to the questionnaire, a rate similar to that of previous years.

Major Findings and Comparison with Previous Years

Table 1 summarizes the survey results from consumers with complaints closed in 2019. The table also includes the annual ratings for the eight consumer satisfaction questions (service categories) over the previous four years.

In 2019, the lowest agreement (55%) was for the question, "The action taken in my case was appropriate," whereas the highest agreement (84%) was for the question related to being treated courteously, a consistent pattern for the last five years. From 2018 to 2019, one service category relating to explaining investigative procedures showed a 4 percent decrease, three service categories showed a 3 percent decrease, two service categories showed a 2 percent decrease, and two service categories remained unchanged.

TABLE 1: HISTORICAL RESULTS OF THE CONSUMER SATISFACTION SURVEY (2015-2019)

Questionnaire Statements	Percent Agreement by Calendar Year				
	2015	2016	2017	2018	2019
1. The CSLB contacted me promptly after I filed my complaint.	77%	77%	78%	80%	77%
2. The procedures for investigating my complaint were clearly explained to me.	74%	76%	75%	76%	72%
3. The CSLB kept me informed of my case's progress during the investigation.	66%	68%	68%	68%	65%
4. I was treated courteously by the CSLB's representative(s).	84%	87%	85%	87%	84%
5. My complaint was processed in a timely manner.	66%	65%	66%	66%	64%
6. I understand the outcome of the investigation (whether or not I agree with the action taken).	70%	70%	69%	70%	68%
7. The action taken in my case was appropriate.	56%	58%	57%	55%	55%
8. I am satisfied with the service provided by the CSLB.	62%	62%	64%	61%	61%

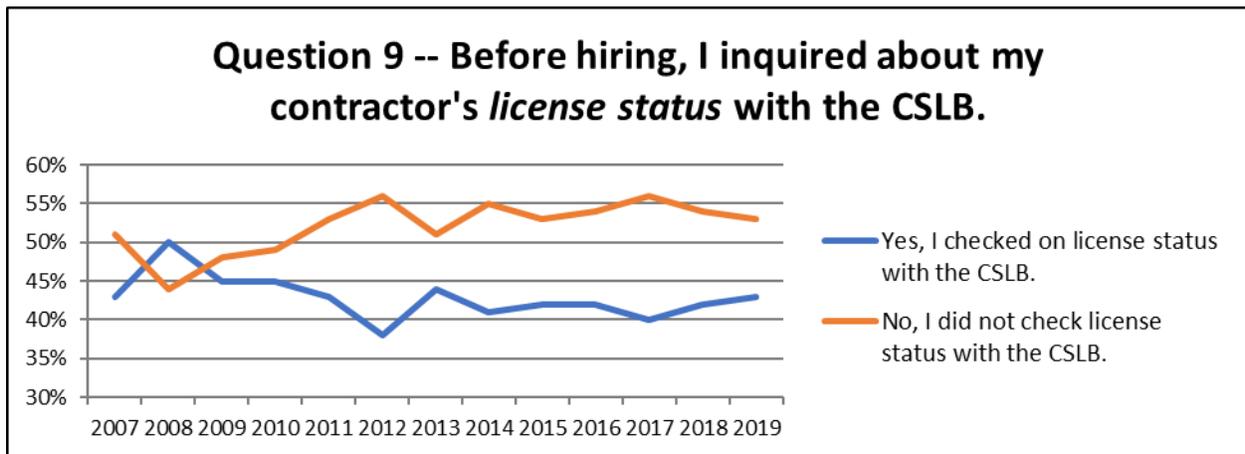
Forty-three percent of survey respondents selected “yes” to Question 9, “Before hiring, I inquired about my contractor’s license status with the CSLB,” very similar to previous years.

History

In 1994, the Contractors State License Board began a program to improve consumer satisfaction with CSLB's Enforcement program. A cornerstone of this effort was a survey to solicit feedback from individuals who filed complaints with the board. The first postcard survey, covering complaint closures from 1993, was designed to serve as a benchmark in an ongoing evaluation program as well as to identify areas in need of improvement. These ongoing surveys have been conducted by CSLB's Testing division. The present report covers one year of complaints closed between January and December 2019 and compares these results with the previous four years.

The Consumer Satisfaction Survey also provides a convenient method for polling consumers on other issues. Since 2000, the survey has been used to estimate the percentage of complainants who inquired about the contractor's qualifications with CSLB. Agreement with this question has ranged from 29 percent in 2000 to 50 percent in 2008. In 2007, this question was rephrased from “Before hiring, I inquired about my contractor’s *qualifications* with the Contractors State License Board” to “Before hiring, I inquired about my contractor’s *license status* with the CSLB,” and the answer choices changed from an agreement scale to a yes/no format. Since 2007, between 38 percent and 50 percent of respondents endorsed this statement (a mean of 43 percent). Figure 1 shows these results by year.

FIGURE 1



In 2007, Question 10, an open-ended follow-up to Question 9, was added to assess the reasons why some consumers did not inquire about the license status of their contractors with CSLB. The responses to Question 10 were reviewed and sorted into 12 comment categories. In 2010, CSLB eliminated this question.

Project Design

Questionnaire Description

The nine-item 2019 questionnaire was developed in SurveyMonkey and included eight questions assessing customer service. Seven of them related to specific aspects of the complaint process and one was about overall satisfaction. These questions were virtually identical to those used since 1994. Complainants were asked to rate the questions on a seven-point agreement scale that provided three levels of agreement with a question (strongly agree, agree, or mildly agree) and three levels of disagreement (strongly disagree, disagree, or mildly disagree). The rating scale also included a "neutral" point. The ninth question addressed whether consumers inquired with CSLB about their contractor's license status prior to hiring and required a yes/no response. The questionnaire also provided space for written comments. A copy of the questionnaire is attached as Appendix A.

Before receiving the survey, each complainant's email address was linked with their case number to allow for CSLB to respond to issues identified in survey results, if necessary.

Sampling Procedure

In 2019, CSLB completed the investigation or mediation process for 21,248 complaints filed by consumers against licensed and unlicensed contractors, 774 fewer than in 2018. Complainants who provided CSLB with an email address were selected from all of the

closed complaint files in 2019. Duplicate complainants and clearly incorrect email addresses were removed from the sample prior to emailing, leaving a total sample of 9,129. Surveys of consumers whose complaints were closed in each month were emailed throughout 2019 and early 2020.

Analysis Procedure

Combining the three "Agreement" points and then dividing this number by the total number of respondents determined the level of agreement with each service category question. This procedure provided the proportion of respondents who agreed with the question.

Complainants' Comments

Comments were hand-entered into a database and assigned one or more subject-specific codes (comment category). The majority of comments elaborated on the questionnaire statements and the remaining comments presented additional areas of consumer concern. Some complainants used the comment space to request contact by a CSLB representative, to indicate they were unsure about the outcome of their case, or to provide positive remarks about CSLB representatives who handled their cases. These results were forwarded to CSLB Enforcement staff.

Results

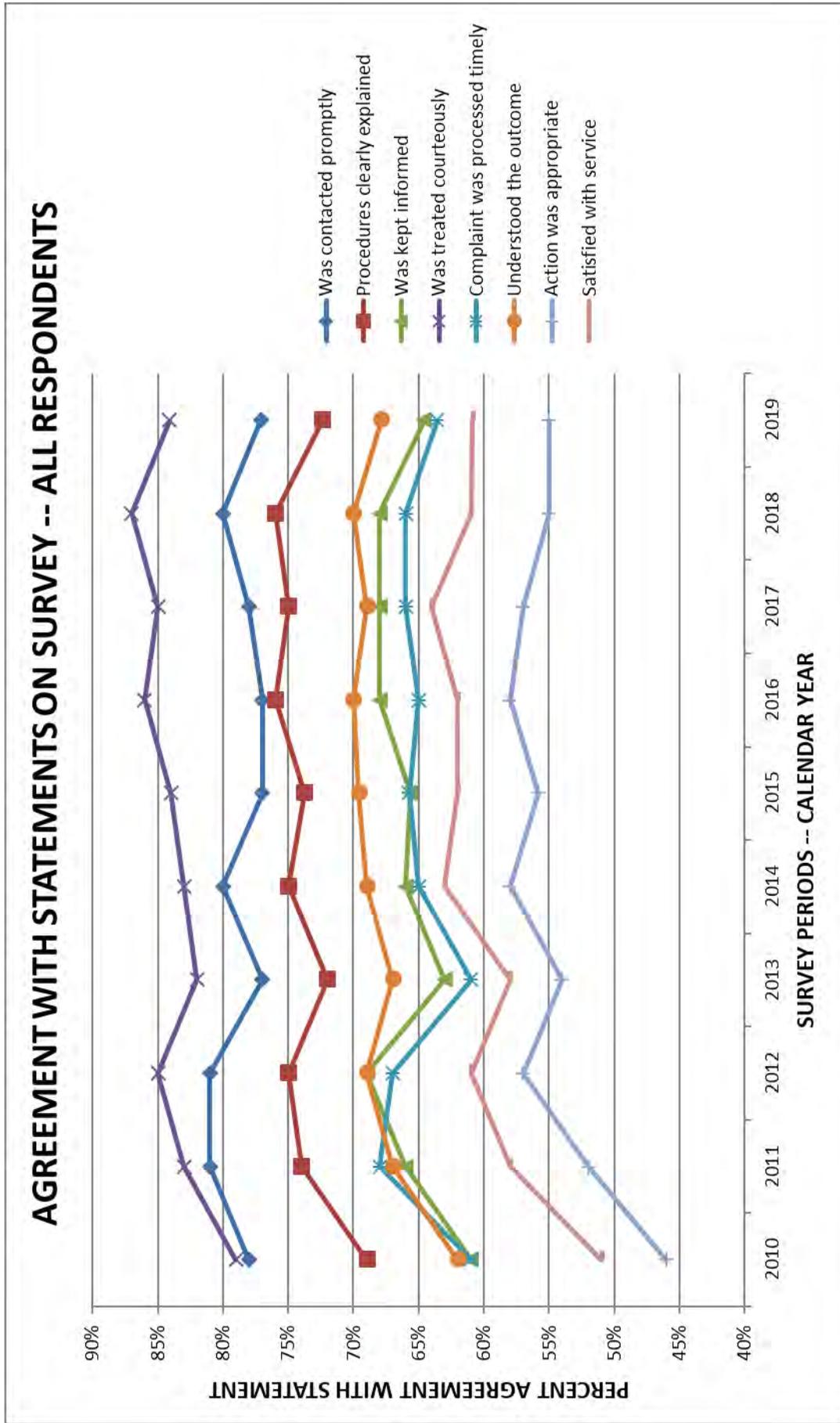
Response Rate

In 2019, the 1,364 number of survey responses was 15 percent of those selected for the sample. The response rate for this survey has ranged from 15 to 31 percent, which is considered standard for this type of survey.

Consumer Agreement with Questionnaire Statements

Appendix B (Table B-1) contains the detailed results for the 2019 Consumer Satisfaction Survey, indicating the individual percentages for each "agreement" category. Table 1 of the Executive Summary presents the satisfaction ratings for the 2019 survey, along with results from 2015 to 2018. Consumer agreement information is also presented in graph form in Figure 2.

FIGURE 2
HISTORICAL RESULTS OF THE CONSUMER SATISFACTION SURVEY
(2010 – 2019) LINE GRAPH PRESENTATION



Complainants' Comments

Sixty-nine percent of the responding complainants chose to include comments with their survey responses, a percentage consistent with past results. As in previous years, the comments ranged from requests for follow-up, additional information about the status of complainants' cases, and feedback regarding CSLB representatives. The comments also included suggestions for procedure changes regarding the CSLB complaint process. All comments were forwarded to CSLB's Enforcement staff for review.

Sampling Validity

In survey research, respondents to a survey may not be representative of the overall group, which can occur when a particular segment of the sample is more motivated to respond to the survey. To check for response bias based on complaint outcome, for nine years (2010 to 2018) the respondent samples were compared to the recipient samples (the groups receiving the survey). The percentage of *recipients* with positive complaint outcomes was very similar to the percentage of *respondents* who had positive outcomes. This large set of data established that this survey does not have a meaningful response bias of this nature. For 2019, it was determined that this comparison was not necessary as the survey and its administration procedures did not change.

Change in Sampling Method

Beginning in 2010, CSLB altered the sampling method from random sampling to convenience sampling. Random sampling is preferred for most surveys to ensure that the sample is representative of the overall population of interest. It assumes characteristics, such as gender, age, socioeconomic status, etc. are equally distributed across the survey population and, therefore, will be equally distributed across a random sample.

Convenience sampling selects participants based on their availability to the researcher. As applied to the CSLB Consumer Satisfaction Survey, using an email survey rather than a paper and pencil survey reduces costs and saves staff time. The most convenient sampling method, therefore, uses those complainants who provided their email addresses. While convenience sampling can induce bias in a survey, depending on the topic, there is no reason to expect that consumers who provided their email addresses to CSLB would have different opinions on the satisfaction measures assessed by the current survey from those who did not provide email addresses.

TECHNICAL APPENDICES

Appendix A: CONSUMER SATISFACTION SURVEY QUESTIONNAIRE

Appendix B: DETAILED RESULTS OF CONSUMER SATISFACTION SURVEY

APPENDIX A

Consumer Satisfaction Survey Questionnaire

Consumer Satisfaction Survey month/year

1. Introduction Section

Dear Consumer:

As part of our ongoing efforts to improve service to consumers, we are conducting a survey to monitor the quality of service provided to consumers who have filed a complaint with the Contractors State License Board.

Your name was selected from our complaint files that were recently closed.

Would you please take a few minutes to respond to the following survey? We need to hear from you so that we can identify where improvements are needed. Of course, we would also like to hear how we are serving you well.

When you are done just click on the "DONE" button at the bottom of the last page to forward your responses on to the Board.

Thank you for taking the time to participate in this survey!

Contractors State License Board

Consumer Satisfaction Survey month/year

2. Survey instructions and questions

Please have the person most familiar with the complaint complete the survey. Select the response that shows how much you agree with each statement on the survey.

We are identifying your response with your complaint number to provide specific information about CSLB operations. YOUR IDENTITY WILL BE KEPT COMPLETELY CONFIDENTIAL UNLESS YOU REQUEST CONTACT FROM THE CSLB.

	STRONGLY AGREE	AGREE	MILDLY AGREE	NEUTRAL	MILDLY DISAGREE	DISAGREE	STRONGLY DISAGREE
The CSLB contacted me promptly after I filed my complaint.	<input type="radio"/>						
The procedures for investigating my complaint were clearly explained to me.	<input type="radio"/>						
The CSLB kept me informed of my complaint's progress during the investigation.	<input type="radio"/>						
I was treated courteously by the CSLB's representative(s).	<input type="radio"/>						
My complaint was processed in a timely manner.	<input type="radio"/>						
I understand the outcome of the investigation (whether or not I agree with the action taken.)	<input type="radio"/>						
The action taken in my case was appropriate.	<input type="radio"/>						
I am satisfied with the service provided by the CSLB.	<input type="radio"/>						

Before hiring, I inquired about my contractor's license status with the CSLB.

YES

NO

Comments (please include any areas that you feel our staff could improve in and/or examples of superior service to you):

APPENDIX B

Detailed Results of Consumer Satisfaction Survey

Table B-1 - Overall Results of Consumer Satisfaction Survey; 2019 Complaint Closures

QUESTION ASKED	STRONGLY AGREE	AGREE	MILDLY AGREE	NEUTRAL	MILDLY DISAGREE	DISAGREE	STRONGLY DISAGREE	NO RESPONSE
1. Was contacted promptly	501 (37%)	418 (31%)	128 (9%)	67 (5%)	55 (4%)	76 (6%)	113 (8%)	6
2. Procedures clearly explained to me	464 (34%)	381 (28%)	139 (10%)	115 (8%)	60 (4%)	80 (6%)	120 (9%)	5
3. Was kept informed	443 (33%)	314 (23%)	118 (9%)	108 (8%)	84 (6%)	121 (9%)	167 (12%)	9
4. Was treated courteously	755 (56%)	346 (25%)	41 (3%)	93 (7%)	23 (2%)	33 (2%)	67 (5%)	6
5. Complaint was processed timely	459 (34%)	300 (22%)	99 (7%)	95 (7%)	74 (5%)	106 (8%)	216 (16%)	15
6. Understood the outcome	526 (39%)	325 (24%)	64 (5%)	104 (8%)	53 (4%)	83 (6%)	193 (14%)	16
7. Action was appropriate	461 (34%)	210 (16%)	69 (5%)	123 (9%)	52 (4%)	101 (8%)	329 (24%)	19
8. Satisfied with service	514 (38%)	235 (17%)	74 (5%)	85 (6%)	46 (3%)	95 (7%)	303 (22%)	12

	<u>YES</u>	<u>NO</u>	<u>NO RESPONSE</u>
9. Checked contractor's license status with CSLB	590 (43%)	725 (53%)	49 (4%)

AGENDA ITEM F-4

Update on Test Development for New B-2 Residential Remodeling License Classification





CONTRACTORS STATE LICENSE BOARD

RESIDENTIAL REMODELING & HOME IMPROVEMENT LICENSE

Residential Remodeling & Home Improvement License

In 2019, as part of its strategic plan, the board directed staff to meet with stakeholders and develop a legislative proposal for a new residential remodeling and home improvement license classification. Staff met with and solicited input from various stakeholders and in September 2019 the board authorized staff to seek an author.

In October 2020, Governor Newsom signed into law Senate Bill 1189 (McGuire), which creates the B-2 classification and provides a pathway to licensure for those engaged in residential remodeling and home improvement work. CSLB staff are committed to having the B-2 license classification and all requirements in-place to begin licensure by August 1, 2021.

Timeline of Activities for B-2 Implementation

Several CSLB divisions will need to coordinate to ensure that the B-2 license is issued by August 2021. For this reason, the Executive Office is establishing a taskforce of Information Technology, Licensing, Public Affairs (PAO), and Testing staff to coordinate activities and maintain the following schedule. The board will receive updates at each meeting in 2021.

Date	Division(s)	Activity	Status
Oct-20	Testing	Recruit Subject Matter Experts	Complete – 161 Participants
Oct-20	Testing	Conduct Job Audits	Complete
Oct-20	IT	Create B-2 Item Bank and Transfer specified B material to bank	Complete
Nov-20	Testing	Remote Occupational Analysis Workshops and Pilot Survey	In progress
Dec-20	Testing	Item Writing Workshop 1 and Final Survey Released	Not Begun
Jan-21	Testing	Item Writing Workshop 2 & 3 and Final Occupational Analysis Workshop	Not Begun
Jan-21	IT	Updates to SCORE must be complete	Not Begun
Feb-21	Testing	Item Writing Workshop 4	Not Begun
Mar-21	Testing	Item Writing/Review Workshop 5	Not Begun
Mar-21	PAO & Licensing	Outreach begins (licensing workshops, website updates, industry bulletin, etc.)	Not Begun
Apr-21	Licensing	Begin accepting B-2 applications	Not Begun
Apr-21	Testing	Item Writing/Review Workshop 6 and finalize exam booklet	Not Begun
May-21	IT	Post B-2 Study Guide	Not Begun
May-21	Testing	Pass Point Development	Not Begun
Jun-21	Testing	Finalize pass point and deliver booklets	Not Begun
Aug-21	Testing	Release Exam	Not Begun

AGENDA ITEM F-5

Review, Discussion, and Possible Action to Grant Construction Management Education Account Awards





CONTRACTORS STATE LICENSE BOARD

CONSTRUCTION MANAGEMENT EDUCATION ACT 2021 DISBURSEMENTS

Construction Management Education Act—2021 Disbursements

Background

Under the Construction Management Education Sponsorship Act of 1991, the legislature has charged the Contractors State License Board (CSLB) with responsibility for collecting funds to award grants to specified institutions that offer construction management education programs.

In 2020, CSLB received grant applications from four institutions. Staff reviewed the applications and presented a suggested level of funding to the Construction Management Education Advisory Committee. The Advisory Committee reviewed the staff proposal in October 2020 and made no alterations.

The 2018-2021 Construction Management Education Advisory Committee

ASSOCIATION	REPRESENTATIVE	COMPANY
Associated General Contractor of CA (AGC); Associated General Contractors of San Diego (AGC)	Jamie Khan	The Apex Group
Associated Builders & Contractors (ABC)	Ed Duarte	Aztec Consultants
California Building Industry Association (CBIA)	Nick Cammarota	CBIA
National Electrical Contractor Association (NECA)	Vincent Bernacchi	Schetter Electric, Inc.
Plumbing Heating Cooling Contractor Association (PHCC)	Patrick Wallner	Wallner Plumbing
Southern California Contractor Association (SCCA)	Paul Von Berg	Construction Industry Consultant
United Contractors (UCON)	Emily Cohen	UCON
Engineering Contractors Association (ECA)	Brendan Slagle	J.F. Shea Construction, Inc.
Sheet Metal & Air Conditioning Contractors National Association (SMACNA)	Chris Walker	CAL SMACNA
CSU / UC Construction Management Programs	Mikael Anderson	CSU, Sacramento



Prior Year Grant Disbursements (2020)

For reference, the same four institutions applied for Construction Management Education Act awards last year, and the board approved the following disbursements.

Institution	Number of Applicable Graduates	Award Amount per Graduate	Grant Award
CSU Chico	110	\$350.87	\$38,595.70
CSU Sacramento	56	\$350.87	\$19,648.72
CSU Fresno	24	\$350.87	\$8,420.88
Cal Poly, San Luis Obispo	95	\$350.87	\$33,332.65
Total	285	\$350.87	\$99,997.95

Staff Recommendation

That the board authorize the following Construction Management Education Act grant disbursements for 2021:

Institution	Number of Applicable Graduates	Award Amount per Graduate	Grant Award
CSU Chico	115	\$340.14	\$39,116.00
CSU Sacramento	59	\$340.14	\$20,068.00
CSU Fresno	34	\$340.14	\$11,564.00
Cal Poly, San Luis Obispo	86	\$340.14	\$29,252.00
Total	294		\$100,000.00

*To remain at the current fiscal appropriation of \$100,000, staff rounded down to the nearest dollar for all applicants. Please note that staff is seeking to increase this annual appropriation in future years to be commensurate with the number of contributions the fund receives.

AGENDA ITEM G

Public Affairs



AGENDA ITEM G-1

Public Affairs Program Update

- a. Disaster Response
- b. Online Highlights
- c. Video/Digital Services
- d. Social Media Highlights
- e. Media Relations Highlights
- f. Publications/Graphic Design Highlights
- g. Industry/Licensee Outreach Highlights
- h. Consumer/Community Outreach Highlights
- i. Intranet/Employee Relations





Public Affairs Program Update

CSLB's Public Affairs Office (PAO) is responsible for media, industry, licensee, and consumer relations, as well as outreach. PAO provides a wide range of services, including proactive public relations; response to media inquiries; community outreach, featuring Senior Scam StopperSM and Consumer Scam StopperSM seminars, and seminars for both disaster survivors and contractors; speeches to service groups and organizations; publication and newsletter development and distribution; contractor education and outreach; social media outreach to consumers, the construction industry, and other government entities; and website and employee Intranet content, including webcasts, video, and audio production.

STAFFING UPDATE

PAO is staffed with seven full-time positions and a part-time student assistant.

- VACANT, Chief of Public Affairs
- Claire Goldstene, Information Officer II
- Kevin Durawa, Information Officer I
- Natalie Watmore, Information Officer I
- Amber Foreman, Graphic Designer III
- Amy Lawrence, Television Specialist
- VACANT/ON-HOLD, Associate Governmental Program Analyst (Outreach Coordinator)
- Leslie Gutierrez, Student Assistant

DISASTER RESPONSE

CSLB's post-disaster mission is to help ensure that home and business owners are not harmed by unlicensed or unscrupulous contractors who might try to take advantage of them during the rebuilding process.

During the summer and fall of 2020, California experienced another round of devastating wildfires that burned more than 4.1 million acres, killed 31 people, and destroyed or damaged more than 9,200 structures. According to Cal Fire, five of the six largest wildfires in California history have occurred over the past four months.

CSLB has a robust and multi-faceted disaster response that includes immediate and longer-term outreach, enforcement efforts, participation in multi-agency taskforces, and assistance for affected licensees.

Local Assistance Centers and Disaster Hotline

In response to these recent fires, CSLB staffed, sent materials, and/or participated in virtual local assistance centers in 17 counties throughout California. CSLB also



maintains a toll-free disaster hotline, serviced by Licensing Information Center staff Monday through Friday from 8 a.m. to 5 p.m. The hotline is promoted in various publications, as well as on disaster signs posted throughout the fire zones. In some instances, where CSLB was unable to staff LACs, a special line was set-up for wildfire survivors to speak with a CSLB staff member.

Fire	LAC Location	Resources
1. August Complex Fire	Mendocino County	Materials Only
2. August Complex Fire	Trinity County	Materials Only
3. Bobcat Fire	Palmdale (Los Angeles County)	In-Person Staffing
4. Carmel/Dolan/River Fires	Monterey (Monterey County)	Materials Only
5. Creek Fire	Clovis (Fresno County)	In-Person Staffing Special Phone Line
6. CZU Lightning Complex	Santa Cruz (Santa Cruz County)	In-Person Staffing Special Phone Line
7. CZU Complex Fire	Pescadero (San Mateo County)	Materials Only
8. El Dorado Fire	San Bernardino County	Materials Only
9. Glass Fire	Santa Rosa (Sonoma County)	In-Person Staffing
10. Glass Fire	Napa (Napa County)	In-Person Staffing
11. LNU Complex Fire	Vacaville (Solano County)	Materials Only
12. LNU Complex Fire	Napa (Napa County)	Materials Only
13. LNU Complex Fire	Healdsburg (Sonoma County)	Materials Only
14. LNU Complex Fire	Guerneville (Sonoma County)	Materials Only
15. North Complex Fire	Oroville (Butte County)	In-Person Staffing
16. SCU Lightning Complex	(Santa Clara County)	Materials Only
17. Slater/Devil Fire	Yreka (Siskiyou County)	Materials Only
18. Slater/Devil Fire	Happy Camp (Siskiyou County)	In-Person Staffing
19. SQF Fire	Tulare County	Materials Only
20. Valley Fire	El Cajon (San Diego County)	In-Person Staffing
21. Willow Fire	Yuba County	Materials Only
22. Zogg Fire	Shasta County	In-Person Staffing

Additional Short- and Long-Term Outreach

PAO has coordinated additional outreach to dozens of congressional offices and state legislator offices in the affected areas, as well as building departments and chambers of commerce in these areas.



CSLB also continues to utilize its partnership with NextDoor, a social networking service for neighborhoods, to reach disaster survivors. NextDoor allows CSLB to target outreach messages to specific neighborhoods, based on their zip code. CSLB has access to post to NextDoor pages in nine counties (Butte, Lake, Mendocino, Napa, Nevada, Orange, Solano, Sonoma, Yuba), reaching almost 2.1 million households. CSLB also makes regular disaster-related posts through its different social media channels, including Facebook, Twitter, and Instagram.

Longer-term outreach is currently being planned. PAO has begun to contact local counties and jurisdictions to set up wildfire rebuilding workshops. As with past disasters, CSLB will offer two distinct wildfire rebuilding workshops:

1. For fire survivors looking to rebuild
2. For contractors who plan to work on the rebuilding effort

The fire survivor workshop will include essential consumer protection tips, information about contractor licensing and other requirements, insurance issues, how to work with an architect, and an update on the local rebuild provided by the local building department.

The contractor workshop will include a building department update on the local rebuild, and any special rules established for plan approvals and inspections. Licensing requirements are also covered, as are bonds and insurance, how to obtain a workers' compensation policy, contract requirements, how to prevent complaints, and how the selection of building materials and the choice of building methods can help prevent future disasters.

Enforcement Efforts

CSLB has partnered with the California Department of Insurance and local district attorney's offices where Enforcement staff place warning signs in both English and Spanish throughout a number of affected disaster areas, as well distribute educational materials. Some signs caution consumers to hire only licensed contractors; while others warn that contracting without a license in a disaster area could lead to felony charges. Joint sweep operations were also conducted, and plans were developed to conduct sting operations, as needed.



Task Force Participation

CSLB staff are participating on two multi-agency task forces established by OES – one focused on debris removal and one focused on housing. The task forces include representatives from local, state, and federal agencies, with a goal of coordinating and streamlining the debris clean-up efforts, including the removal of all hazardous waste and addressing both short-term housing needs for survivors and the rebuild.

**Assistance for Licensees/Applicants**

CSLB has continued its practice of waiving fees for licensees to replace their wall certificate and/or plastic pocket license. CSLB also has waived delinquent fees for failure to renew a license before it expires for fire survivors. In addition, CSLB has worked to expedite license applications for those planning to work in fire areas.

VIDEO/DIGITAL SERVICES**Consumer and Licensee Tips and Applicant Videos**

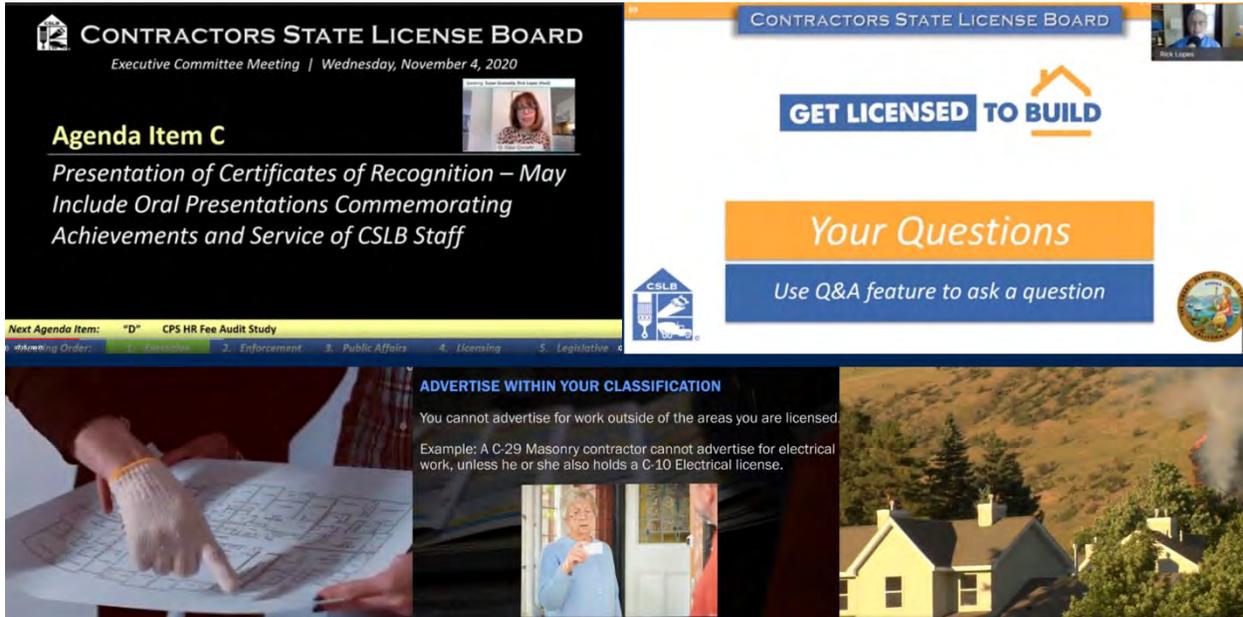
Public Affairs staff have created a series of consumer and licensee tips videos for promotion on social media and the CSLB website. Topics have ranged from how to hire a contractor and information for seniors on how to avoid getting scammed to information about rebuilding after a disaster and contractor advertising guidelines.

In addition, staff have produced a series of short videos on how to navigate the website. These include how to report unlicensed activity, how to use the Find My Licensed Contractor feature, and the risks of unlicensed contracting in a disaster area.

In addition, staff is also producing an ongoing live webcast of the monthly *Get Licensed to Build* workshop for those interested in a contractor license. These live webcasts have been well attended via WebEx, Facebook, and YouTube, and are also archived on CSLB's website.

Webcasts/Videos Produced August 2020-December 2020

- Live/Recorded Webcasts
 - September 9, 2020: CSLB Board Meeting
 - October 2, 2020: Get Licensed to Build Workshop
 - November 4, 2020: CSLB Executive, Enforcement, Public Affairs, Licensing, and Legislative Committee Meetings
 - November 6, 2020: Get Licensed to Build Workshop
- Videos Created/Posted Online
 - August 28, 2020: Watch CSLB Videos and Subscribe (YouTube Channel Trailer)
 - August 28, 2020: Contractor Advertising Guidelines
 - September 24, 2020: Segment for Asm. Speaker Anthony Rendon's Public Service Announcement
 - October 1, 2020: CSLB *Quick Tips*: Find My Licensed Contractor
 - November 3, 2020: CSLB *Quick Tips*: Disaster Survivors—Risks of Unlicensed Contracting



CSLB Webpage Updates

- Disaster Help Center

PAO and IT staff have updated CSLB’s Disaster Help Center webpage to make it more user-friendly and easier to navigate. The page provides important information and resources for disaster survivors, contractors, and the media.



- Most Wanted Feature

There are currently eight individuals featured on CSLB’s Most Wanted website feature and two individuals who have been apprehended. PAO and Enforcement add new suspects on a regular basis. The most recent suspect was added in April 2020.



Social Media Highlights

Followers on CSLB’s Social Media

Date	Facebook	Twitter	Twitter (@CSLBNews)	YouTube	LinkedIn	Instagram	Flickr
November 2010	86	50	-	2	-	-	-
November 2011	731	638	-	20	-	-	-
November 2012	1,139	1,040	-	282	-	-	-
November 2013	1,457	1,349	-	343	-	-	-
November 2014	1,796	1,622	-	352	-	-	-
November 2015	2,228	1,824	-	434	14	-	-
November 2016	2,909	2,123	-	600	59	12	7
November 2017	3,312	2,405	-	702	105	99	10
November 2018	3,680	2,471	-	832	153	210	12
August 2019	4,602	2,602	(created)	955	236	399	12
November 2019	4,714	2,637	11	991	280	521	12
February 2020	4,900	2,680	20	1,042	324	648	13
July 2020	5,313	2,743	23	1,212	409	867	13
October 31, 2020	5,452	2,792	27	1,484	449	933	12

COVID-19 Social Media Posts

PAO continued to use social media to inform licensees and consumers about the changing availability of CSLB services because of COVID-19. Posts were used to update the public on licensing and testing changes after several CSLB buildings were closed because of the health emergency and then re-opened as testing resumed. Social media was also used to convey expert guidance on construction site safety during COVID.



Disaster-Related Social Media Posts

In response to the series of wildfires across California, particularly in the northern and central parts of the state, CSLB used social media to promote the opening of various local assistance centers, to share safety protocols for working outside in the smoke, and to provide information to consumers about the importance of hiring only licensed contractors.



Social Media Posts with the Department of Consumer Affairs

CSLB also regularly posts on its social media channels COVID-related public information from the Department of Consumer Affairs (DCA). The number of people reached on each post is tracked and reported to DCA on a weekly basis.

Social Media Questions on Status of CSLB services

CSLB receives an average of 12-25 questions per week through its social media channels. Questions typically relate to licensing, testing, and the status of CSLB services because of COVID-19. CSLB also receives tips on suspected unlicensed activity through social media, which are forwarded to Enforcement.



Nextdoor Partnership

Nextdoor is a private social network for neighborhoods, which serves over 158,000 neighborhoods across the country and is used as a source of local information.

As a Nextdoor public agency partner, CSLB can create targeted messages to reach residents in communities of declared disaster areas. CSLB can currently reach all active neighborhoods in Butte, Lake, Mendocino, Napa, Nevada, Orange, Solano, Sonoma, and Yuba counties. (Recent efforts to expand CSLB's posting capacity beyond these counties have not been successful; Nextdoor offered a paid contract.)

In response to the recent wildfires, CSLB issued disaster-related posts to these neighborhood groups, which resulted in more than 415,000 impressions (the number of times a post was seen).

Between July 31, 2020 and October 31, 2020, 38,684 people joined CSLB's reachable Nextdoor network, bringing the total number of verified residents in CSLB's network to 1,121,049.

Facebook Growth

Between July 31, 2020 and October 31, 2020, CSLB reached 26,695 people on its Facebook page.

- 67 percent of those who follow CSLB on Facebook are male; 32 percent female
- 56 percent of CSLB's Facebook followers are between the ages of 35 and 54
- Most viewed posts:
 - After a Disaster...Check the License—reached 16,291 people
 - Fire survivors: Head to [cslb.ca.gov](https://www.cslb.ca.gov) and go to CSLB's Disaster Help Center when it's time to rebuild—reached 6,309 people

The following chart shows the daily net growth of CSLB's Facebook page, from July 31, 2020 to October 31, 2020, during which time CSLB gained 122 likes, bringing the total number to 4,713. The gray line represents those who have "liked" CSLB, and the red line represents individuals who have "liked" CSLB at one point, but subsequently "un-liked" CSLB. (There is no blue line, as CSLB does not pay for Facebook "likes.")



Twitter Growth

CSLB manages two Twitter pages—one that contains only news release information and other items of interest to the media, and a main account. While at this time there are only 27 followers on the media Twitter account, it has earned more than 43,000 impressions (the number of times a post is seen). Sting press releases typically earn more than 1,000 impressions per tweet.

On CSLB’s main Twitter account, between July 31, 2020 and October 31, 2020, CSLB had 68K impressions. In total, CSLB has 2,792 Twitter followers.

The most popular categories of Twitter posts are COVID-related service updates, disaster recovery, sting operations, and news releases.

Top tweets:

- Fire survivors: Head to cslb.ca.gov and go to CSLB’s Disaster Help Center when it’s time to rebuild–2,064 impressions
- Get licensed and build your career–1,815 impressions



CA Contractors Board
@CSLB

- Fire survivors: head to cslb.ca.gov and go to CSLB's Disaster Help Center when it's time to rebuild. ow.ly/LEvD50Bnwdv
- Watch CSLB's video "Rebuilding After a Disaster" to learn more: ow.ly/Buok50Bnwdv



8:00 AM · Sep 11, 2020 · Hootsuite Inc.

CA Contractors Board
@CSLB

Get licensed and build your career.

- Being licensed gives you legal options if customers don't pay you.
- Licensees can use mechanics lien laws.
- Unlicensed contractors can't take someone to court to get paid.

▶ Apply here: ow.ly/krBj50BrMX6

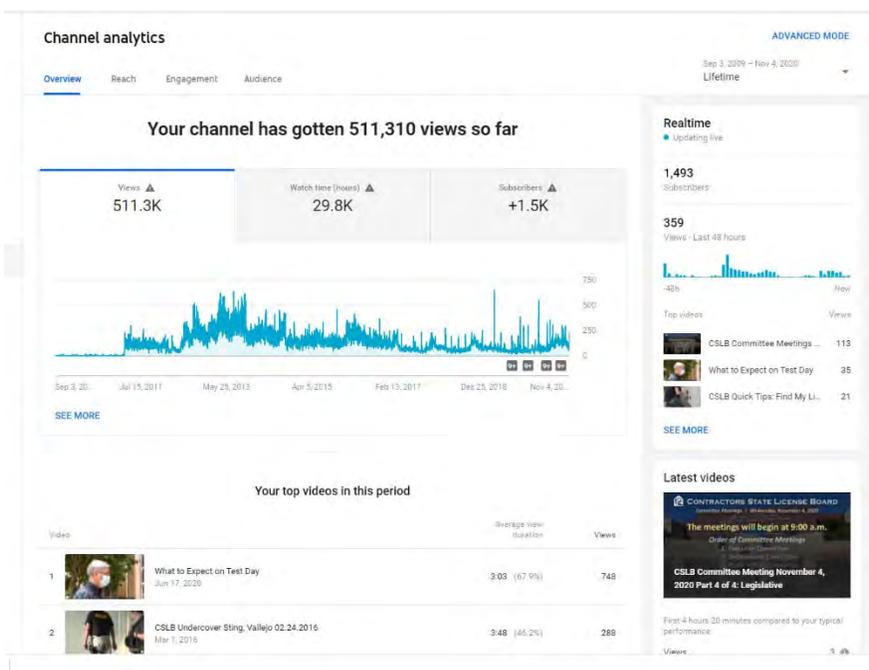


1:20 PM · Sep 15, 2020 · Hootsuite Inc.

YouTube Channel Growth

CSLB's YouTube channel continues to grow, with an increase of 151 subscribers, 816 hours of watch time, and 7,933 more views since September 2020.

The channel has a total of 511,300 views (29,800 hours watched) and 1,493 subscribers since the page was created in 2009.





Instagram Growth

CSLB has 933 Instagram followers, an increase of 66 since July 31, 2020.

- 69 percent of CSLB Instagram followers are between the ages of 25-44
- 72 percent of CSLB Instagram followers are male; 28 percent female
- CSLB's audience is most likely to be on Instagram between 3:00 p.m. and 9:00 p.m.

Flickr Growth

CSLB is expanding its portfolio of photographs on Flickr, a no-cost, photo-sharing social media website.

Flickr allows PAO staff to upload and post high-resolution photos as individual photographs or in album format. Flickr also permits professional media and industry followers of CSLB to download photographs at the resolution level of their choosing.

As of October 31, 2020, CSLB had 375 photos available for download on Flickr.

LinkedIn Growth

PAO actively posts current job vacancies to LinkedIn, a business-oriented social networking site primarily used for professional networking. LinkedIn can increase exposure and act as an effective recruiting tool to attract quality employees for CSLB positions.

Email Alert Feature

CSLB has a website feature that allows people to subscribe to various email alerts. Today, these choices include:

- Industry Bulletins
- Public Meeting Notices/Agendas
- *California Licensed Contractor* Newsletters
- News Releases/Consumer Alerts
- Surveys
- CSLB Job Openings
- Podcasts/Webcasts

The total subscriber database currently stands at 31,941 contacts.

PAO also utilizes a database consisting of email addresses voluntarily submitted on license applications and renewal forms. This database now consists of addresses for



115,278 licensees, which brings the combined database contacts to 147,219 email addresses.

PAO is currently working with IT and DCA’s Office of Information Services to update the licensee list, and to create a new list with email addresses for Home Improvement Salespersons (HIS).

Date	Industry Bulletins	Meeting Notices	CLC Newsletter	News Releases	Surveys	Job Openings	Podcasts
May 2010	185	187	103	277	57	-	-
May 2011	2,390	1,531	3,141	2,361	137	-	-
May 2012	4,387	2,879	5,212	4,015	284	-	-
May 2013	5,089	3,341	5,975	4,660	398	-	-
May 2014	6,027	4,017	6,947	5,538	476	-	-
May 2015	6,459	4,273	7,293	5,852	591	-	-
May 2016	6,866	4,479	7,575	6,096	673	17	-
May 2017	7,410	4,573	7,857	6,468	760	305	-
May 2018	7,525	4,653	8,017	6,720	843	462	-
May 2019	7,923	4,783	8,210	6,962	976	647	-
May 2020	8,214	5,012	8,601	7,267	1,112	906	-
August 2020	8,378	5,111	8,704	7,378	1,197	972	-
November 1, 2020	7,579	5,283	8,869	7,505	1,288	1,081	336

MEDIA RELATIONS

Media Calls

Since the COVID-19 health emergency began in March 2020, CSLB has seen a decline in the volume of media calls. Between December 1, 2019 and February 29, 2020, PAO staff responded to 29 media inquiries, providing information and/or interviews to a variety of media outlets. Since March 1, 2020, PAO has responded to 24 media inquiries.

**News Releases**

PAO issued a press release in September 2020 to promote CSLB's presence at the Butte County local assistance center and the work of Enforcement staff posting signs, in both English and Spanish, in the disaster area that urge wildfire survivors to hire only licensed contractors and warning unlicensed contractors that it is a felony to contract without a license in a declared disaster area.

With the outbreak of the COVID-19 health emergency, the number of enforcement actions and undercover sting operations has declined. As a result, the number of news releases released by PAO about sting operations between March 1, 2020 and October 31, 2020, was limited to just one, covering a sting operation that took place before COVID.

"On the House" Syndicated Radio Program

On November 10, 2020, Kevin Durawa taped a segment for the Carey Brothers' "On the House" radio show to discuss the steps homeowners can take after surviving a disaster. The Carey Brothers are not only nationally syndicated radio broadcasters, they are also active CSLB licensees. The interview is currently slated to air on Saturday, November 14, 2020.

INDUSTRY/LICENSEE OUTREACH**Industry Bulletins**

Since March 2020, the majority of PAO updates have been released as Industry Bulletins, which are email updates sent out on an as-needed basis to over 7,500 people who signed-up via CSLB's Email Alert System. Between March 1, 2020 and October 31, 2020, PAO distributed 16 industry bulletins, with topics ranging from CSLB's new online license renewals, personal protective equipment (PPE) donations that contractors can make to help medical professionals during COVID, and online renewal options for home improvement salespersons to caring for work vehicles in smoky fire conditions and the laws around advertisements on commercial vehicles.

PUBLICATION/GRAPHIC DESIGN

Since the September 9, 2020 board meeting, PAO's Graphic Design unit has completed the following projects:

Publications

- September 9, 2020 board meeting packet
- November 4, 2020 committee meeting packet
- Blueprint for Becoming a Licensed Contractor (2020 Edition)



- 2020 Board Member Administrative Procedure Manual
- December 10, 2020 board meeting packet

Posters/Signs

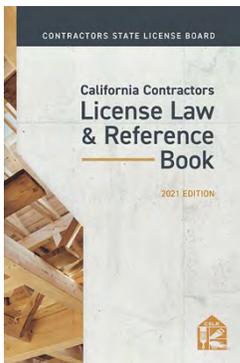
- ePayment Kiosk signs (front counter)
- Executive staff and board member contact cards

Disaster/Wildfire Materials

- Check A Contractor License flyer
- Find My Licensed Contractor flyer
- CSLB Contact Info flyer/tabletop signs
- “Homeowner Beware” & “Contractor Beware” disaster “H” stake signs



2021 California Contractor License Law & Reference Book



Production of the 2021 edition of the *California Contractor License Law & Reference Book* is on schedule and should arrive in January 2021 for distribution to CSLB staff around the state, as well as deputy attorneys general.

California Licensed Contractor Newsletter

- Public Affairs is planning to publish an edition of the *California Licensed Contractor* newsletter in early 2021.



WebEx Backgrounds

- Virtual backgrounds for WebEx meetings/events



CONSUMER/COMMUNITY OUTREACH

The Public Affairs Office is currently spearheading a number of outreach efforts. These initiatives include:

1. New Program to Promote Recently Approved B-2 License Classification
2. New Online “Get Licensed to Build” Applicant Workshops
3. New Program Focused on Minorities and Low-Income Communities
4. New Program Focused on Women in Construction
5. Ongoing Senior Scam Stoppers and Consumer Scam Stoppers

Creation of New B-2 Licensing Classification

Creation of the new B-2 Residential Remodeling classification is expected to bring a significant number of people into the licensing population, most notably those who may not have the experience to qualify for a B-General Building license because they lack substantial framing or rough carpentry experience.

Since this is a new classification PAO is working with Licensing and IT division staff to develop an outreach plan and timeline. That plan will include development of educational materials, significant updates to the CSLB website, and training sessions and/or webcasts. It is possible a second applicant workshop could be created dealing solely with the process and requirements to apply for the new B-2 license.



“Get Licensed to Build” Online Workshop

In late 2018, CSLB began conducting monthly in-person workshops in English and Spanish at CSLB Headquarters for those interested in getting a contractor license. The program proved successful and was expanded to Norwalk in early 2019. The in-person workshop program was put on-hold this past spring due to the COVID-19 outbreak.

In May 2020, PAO staff created and launched an entirely new online version of the workshop, titled “Get Licensed to Build.” To date, seven online workshops have been conducted, with an average attendance of more than 200.

The workshop, which is conducted on the first Friday of each month, runs two hours and includes time for an extensive question and answer segment.

Board Members Johnny Simpson, David De La Torre, and Susan Granzella have participated in past workshops, offering on-camera welcomes to the participants.

Underrepresented Communities

A number of communities are underrepresented in California’s construction industry. The registrar has assigned staff to begin looking to see what CSLB can/should do to help encourage people in these communities to get a contractor license.

- **Minorities and Low-Income**

An effort to gather resources to assist those in minority and low-income communities to better understand the many opportunities afforded them in California’s construction industry has begun.

An investigator from the Enforcement division has been selected to also participate and contribute to this outreach effort.

Staff welcomes interest and participation from all interested board members.

- **Women in Construction**

California’s construction industry is male dominated. According to the Bureau of Labor Statistics, women make up just 10.3% of the construction workforce. Board Chair David De La Torre has appointed board members and licensees Mary Teichert and Jim Ruane to serve on a two-person advisory committee.

Staff will use the information gathered during this research to identify and contact potential partners with the intent of seeing how CSLB can promote or support outreach programs that already exist.



Promotion will be done through CSLB's various communications channels, including:

- CSLB Website
- CSLB Social Media Channels
- CSLB Industry Bulletins
- CSLB's *California Licensed Contractor Newsletter*
- CSLB's *Get Ready to Build License Applicant Workshop*
- CSLB Publications

Subsequently, staff will work with partners to coordinate/produce outreach events specifically targeting the selected outreach groups. Depending on COVID-19 restrictions, these could take place online only, or as a hybrid with both online and in-person events.

Senior Scam StopperSM Seminars



In mid-March 2020 CSLB suspended its popular Senior Scam StopperSM (SSS) program due to continuing concerns about the spreading COVID-19 virus. CSLB has now moved to telephone town halls and virtual seminars via Zoom and Facebook Live. CSLB's first virtual seminar was held in May.

In August 2020, a Senior Scam Stopper was recorded with Assemblymember Cottie Petrie-Norris, Kevin Durawa of CSLB, Laguna Woods Mayor Noel Hatch, and Jackie Wiley of Department of Financial Protection and Innovation. In September 2020, CSLB took part in a Senior Scam Stopper hosted by Assemblymember Adrin Nazarian and attended by more than 40 people.

CSLB will resume offering in-person SSS seminars as soon as health concerns subside. In the meantime, CSLB has several virtual seminars scheduled through the end of the year.



The following seminars were conducted or scheduled through January 2021.

Date	Location	Legislative/Community Partner(s)
January 10, 2020	Poway	Asm. Brian Maienschein
January 14, 2020	Walnut Creek (Rossmoor)	Asm. Rebecca Bauer Kahan
January 16, 2020	Antioch	Asm. Jim Frazier
January 24, 2020	Lakewood	Asm. Speaker Anthony Rendon
February 7, 2020	Paramount	Asm. Speaker Anthony Rendon
February 12, 2020	Lodi	Asm. Jim Cooper
February 19, 2020	Menifee	Menifee Senior Advisory Committee
February 20, 2020	Menifee	Menifee Senior Advisory Committee
March 11, 2020	Claremont	Asm. Chris Holden
May 27, 2020	Zoom/Facebook Live	Speaker Pro Tom Kevin Mullin
August 5, 2020	Zoom	Realtor Dayna Wilson
August 14, 2020	Zoom/Facebook/YouTube	Asm. Cottie Cottie Petrie Norris
August 21, 2020	Phone	Asm. Al Al Muratsuchi
September 24, 2020	Zoom	Asm. Adrin Adrin Nazarian
November 10, 2020	Zoom	Riverside County CARE Team
November 17, 2020	Zoom	Asm. Timothy Timothy Grayson
November 19, 2020	Zoom	Sen. Richard Roth
TBA January 2021	Zoom	Asm. Tasha Tasha Boerner Horvath

INTRANET/EMPLOYEE RELATIONS

Intranet (CSLBin)

CSLBin, is the employee-only Intranet site. Stories and photos highlight employee and organizational accomplishments. In addition to employee news, the site is also kept up-to-date with the latest forms, policies, reports, and other information used by CSLB staff around the state.

Recent articles included updates on how to tune-in or participate in the November 4, 2020 committee meetings, a Halloween costume photo submission request from employees, and virtual background options for employees to use for online meetings or media interviews, including some for disaster response in English and in Spanish.

AGENDA ITEM H

Legislation



AGENDA ITEM H-1

Review and Discussion on Board
Study to Evaluate Sufficiency of
Current \$15,000 Contractor Bond
Amount and Possible Action on
Study Recommendations
(Business and Professions Code
Section 7071.6(e))





CONTRACTORS STATE LICENSE BOARD

STUDY TO EVALUATE SUFFICIENCY OF \$15,000 CONTRACTOR BOND AMOUNT

Study to Evaluate Sufficiency of \$15,000 Contractor Bond Amount

Background

On September 27, 2019, the governor signed Senate Bill (SB) 610, which became effective January 1, 2020. The bill extended the “sunset” date of CSLB and its authority to appoint a registrar until January 1, 2024. In addition to making technical, non-substantive changes to contractors’ state license law, SB 610 requires CSLB to conduct a study of the contractor license bond.

Current law (Business and Professions Code section 7071.6) requires that an applicant, as a condition of issuance, renewal, reinstatement, reactivation, or continued maintenance of a license, file or have on file with CSLB a \$15,000 contractor bond.

During CSLB’s 2016 sunset review, the amount of the contractor bond was raised from \$12,500 to \$15,000. During CSLB’s February 26, 2019 sunset review hearing, the sufficiency of the current bond amount was questioned in a letter from a constituent to the Committee on Business, Professions, and Economic Development, as well as in the oral testimony of a stakeholder at the hearing.

SB 610 requires CSLB to conduct a study to evaluate if the current \$15,000 bond amount is sufficient or whether an increase may be necessary, and submit the study to the Legislature by January 1, 2021.

Update

A draft of that study is now complete and concludes that the current \$15,000 contractor bond is not sufficient, and an increase is necessary. The study and its conclusion were presented to the Legislative Committee for review on November 4, 2020. The Legislative Committee voted to authorize staff to present the draft study for consideration by the full board.

The study and its conclusion are now presented for review and discussion by the Board.

Legislative Committee Recommendation

That the board authorize staff to make any minor and technical changes to the draft study, including any changes recommended by the board, and present a final version of the study to the Legislature by January 1, 2021, as required by Business and Professions Code section 7071.6.



Contractors State License Board (Draft)

Report to the Legislature

Senate Bill 610 (Glazer) Study

Gavin Newsom, Governor

David De La Torre, Chair, Contractors State License Board

David R. Fogt, Registrar, Contractors State License Board

December 2020



INTRODUCTION

- A. Sunset Review and Senate Bill 610.....3
- B. Question Presented.....4
- C. Abstract.....5

BACKGROUND

- A. Contractor License Bond: Legislative Purpose and History7
- B. February 26, 2019 Joint Hearing Before the Senate Business, Professions, and Economic Development and the Assembly Business and Professions Committees12

PART 1: STUDY OF THE ISSUES RAISED AT THE FEBRUARY 26, 2019 HEARING

- A. Barriers to Licensure and the Cost of the \$15,000 Contractor License Bond.....15
- B. Underwriting and the Impact of Raising the Contractor License Bond18
- C. The Cost of Projects in a Typical Home.....22

PART 2: OTHER ISSUES RELEVANT TO THE CONTRACTOR LICENSE BOND

- A. CSLB’s Qualifying Individual’s Bond.....29
- B. License Bonds in Other States31
- C. Survey of Licensed Contractors.....32

CONCLUSION.....36

ENDNOTES.....37



INTRODUCTION



A. Sunset Review and Senate Bill 610

This study derives from an issue raised during the Contractors State License Board’s (CSLB) recent “sunset review.” CSLB’s “sunset” provision is section 7011 of the Business and Professions Code (BPC), which among other things delegates the administrative duties of CSLB to the registrar and provides a quadrennial “sunset” date for the board. On January 1, 2020, Senate Bill (SB) 610 (Chapter 378, Statutes of 2019) formally extended CSLB’s sunset date from January 1, 2020 to January 1, 2024.

All boards and bureaus within the Department of Consumer Affairs (DCA), and DCA itself, undergo a “sunset review” in the months before the expiration of their sunset statutes. The Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committee jointly oversee this process. Sunset review allows DCA, the Legislature, boards, bureaus, and other stakeholders to discuss performance and recommend improvements in the agency’s laws, policies, or practice. Agencies under review can also raise their own issues for consideration by the committees. The process usually culminates in a “sunset bill” extending the date of the sunset statute applicable to the agency under review.

As required by the sunset process, in December 2018 CSLB submitted a Sunset Review Report to the Legislature in preparation for its 2019 sunset review hearings. In Section 10 of that report, CSLB answered 16 questions from the Legislature on specific issues that arose from CSLB’s 2014 sunset review. Question eight asked CSLB to describe its plan for “financially protecting consumers” after the 2016 passage of SB 467 (Hill), which eliminated the requirement that contractors have \$2,500 in working capital as a condition of licensure. In its answer to that question, CSLB explained that SB 467 raised the contractor license bond amount from \$12,500 to \$15,000 to compensate for ending the \$2,500 working capital requirement. CSLB’s answer also stated, “greater consumer protection is realized with the increase in the [contractor] bond because a construction project *can easily exceed \$15,000 in costs or potential financial injury to a consumer*” (emphasis added).¹



In addition, a consumer advocate’s February 23, 2019 letter to the Joint Committees supporting CSLB’s sunset extension stated the following:

The current \$15,000 Contractors Bond is wholly insufficient. The intention of the bond is to provide a consumer the financial resources to complete a job which a contractor abandons or causes others to lien on a property to get paid. Effectively, the \$15,000 bond covers only one small job, leaving the customers of the contractor exposed in many ways if the contractor defaults. To correct the deficiency, contractors should be required to post a bond which reflects the value of the work the contractor is performing.²

The Chair of the Senate Business and Professions Committee also questioned the sufficiency of the bond at CSLB’s February 26, 2019 sunset review hearing. The ensuing discussion is described in the “Background” section of this study.

B. Question Presented

Existing law provides that CSLB “shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee file or have on file a contractor’s bond in the sum of fifteen thousand dollars (\$15,000)” (BPC section 7071.6). Section 6 of SB 610 (Glazer), approved by the Governor on September 27, 2019, amends BPC section 7071.6 by adding a new subdivision (e), inclusive of the following subparagraphs:

- (1) The board shall conduct a study to obtain information to evaluate whether the current fifteen-thousand-dollar (\$15,000) amount of the contractor bond is sufficient, or whether an increase may be necessary.
- (2) The board shall report its findings and recommendations to the appropriate policy committees of the Legislature, in accordance with Section 9795 of the Government Code, by January 1, 2021.

Thus, the question presented for this study is: *whether the current \$15,000 amount of the contractor bond is sufficient, or whether an increase may be necessary.*



C. Abstract

This study begins with a brief legislative history detailing that the purpose and policy behind CSLB’s bond requirement is the protection of homeowners

Then the study summarizes the portion of CSLB’s February 26, 2019 sunset review hearing during which the question of the sufficiency of the \$15,000 bond was raised and discussed. From that discussion, three issues were identified that form Part 1 of this study: A) Barriers to Licensure and the Cost of the \$15,000 Contractor License Bond; B) Underwriting and the Impact of Raising the Contractor License Bond; and C) The Cost of Projects in a Typical Home. Three additional issues not discussed at the hearing but possibly relevant to the question presented are raised in Part 2 of the study: A) CSLB’s Qualifying Individual’s Bond; B) License Bonds in Other States; and C) Survey of Licensed Contractors.

After analysis of research and data related to these issues, the study **concludes that the current \$15,000 amount of the contractor bond is not sufficient and that an increase is necessary.**

Note for the reader: *there are many kinds of bonds available to contractors and owners. All references in this study to a “bond,” unless indicated otherwise, refer to the license bond that is a prerequisite to a contractor license in California pursuant to BPC Section 7071.6.*



BACKGROUND



A. Contractor License Bond: Legislative Purpose and History

A Primary Purpose of the License Bond is Protection of Homeowners

CSLB’s bond requirement started in 1963³ following the addition of Section 7071.9⁴ to the BPC to require a bond as a “condition precedent to issuance, reinstatement, reactivation, or reissuance of a license.” At that time the bond was “for the benefit of any person damaged as a result of a violation of this chapter by the licensee, any person damaged by fraud of the licensee in the execution or performance of a contract, and any employee of the licensee damaged by the licensee’s failure to pay wages.” These persons are known as the bond beneficiaries.

In 1979, the Legislature placed homeowners at the top of the list of contractor bond beneficiaries when they included in subdivision (a) of the statute “any homeowner contracting for home improvement upon his personal family residence damaged as a result of a violation of this chapter by the licensee,”⁵ a provision that reads substantially the same today.⁶ The bill that added this protection for homeowners was part of a 36-section measure that added various consumer protection provisions to the Contractors State License Law, the Insurance Code, and Penal Code section 23 (which authorizes agencies like CSLB to appear in court on a criminal case against a licensee). Section 34.5 of this 1979 measure states the legislative intent for these changes as follows:

It is the intent of the Legislature and the purpose of this act to promote and protect the interests of consumers as well as law-abiding competitive licensed contractors. It is the intent of the Legislature to protect consumers from grievous injury as a result of the acts of contractors and to protect law-abiding competitive licensed contractors from unfair competition as a result of the acts of unlicensed or non-law-abiding licensed contractors.⁷

While the bond statute has always identified bond beneficiaries as anyone harmed by a willful or deliberate act of a contractor, employees, laborers, and (most recently) an owner contracting to construct a single-family dwelling,⁸ only with the addition of homeowners to the bond statute 40 years ago did the Legislature state its specific intent to protect consumers from grievous injury by the acts of contractors. Therefore, the protection of homeowners is a primary purpose of the contractor bond.



History of the Increases to the Amount of the Contractor Bond

The bond amount, currently \$15,000, has increased over time by statutory changes. However, legislative history does not indicate the method or criteria used to determine these amounts (e.g. calculating inflation or changes in the Consumer Price Index). On this point, a 2001 CSLB study of the contractor bond notes that each time the bond amount was raised in prior years, it was “described as the highest amount surety companies can afford to pay without forcing new contractors out of business.”⁹

The first contractor bond amount was set at \$1,000 in 1963.¹⁰ Below is a chart showing each date the bond was raised and by how much. The chart also shows what each of those prior amounts is equivalent to in 2020; for example, the \$1,000 bond in 1964 would be \$8,384.45 today.¹¹

Enabling Statute	Bond Amount	Effective Date	Years Between Raise	% Increase from Prior Bond Amount	Amount in 2020
Stats. 1963, c. 1971, § 1	\$1,000	January 1, 1964	N/A	N/A	\$8,384.45
Stats. 1972, c. 7, § 1	\$2,500	March 4, 1972	8 years 2 months	150%	\$15,545.33
Stats. 1979, c. 1013, § 11.5	\$5,000	January 1, 1980	7 years 9 months	100%	\$15,771.72
Stats. 1993, c. 1264, § 6.3	\$7,500	January 1, 1994	14 years	50%	\$13,153.74
Stats. 2002, c. 1123	\$10,000	January 1, 2004	10 years	33.3%	\$13,759.56
Stats. 2002, c. 1123.	\$12,500	January 1, 2007	3 years	25%	\$15,669.64
Stats. 2015, c. 656.	\$15,000	January 1, 2016	9 years	20%	\$16,244.40

**Increase from \$5,000 to \$7,500 in 1993**

The bond amount increased from \$5,000 to \$7,500 in 1993. An explanation for that increase is not provided in the legislative history, other than it was done as part of “DCA’s annual omnibus bill containing a variety of technical and clean-up changes relating to boards and bureaus.”¹² At the time, a contractor association opposed the change with this statement: “Increasing the bond to \$7,500.00 would increase the premium by about \$30.00, giving the sureties an additional 6 1/2 million dollars pure profit, with little additional protection for the public.”¹³ Nonetheless, the measure passed, and the bond would not be raised again until 2004.

CSLB Sunset Review in 2000

The current study is not the first time the Legislature has asked CSLB to study the bond, which was a significant topic during CSLB’s 2000 sunset review. At that time, the Joint Legislative Sunset Review Committee had noted that the \$7,500 bond “is inadequate and often unavailable to consumers.”¹⁴ An August 6, 2000 Assembly analysis of CSLB’s sunset bill noted “the inadequacy of the current license bond” and suggested that “the surrounding issues need to be studied,” noting that often “contractors’ surety bonds do not pay out and if they do, the current \$7,500 requirement is insufficient to cover injuries that have occurred.”¹⁵ As a result, the 2000 sunset bill¹⁶ required CSLB to conduct a “comprehensive study in consultation with the Department of Insurance on the use of surety bonds to compensate homeowners for financial injury” sustained as a result of a contractor’s actions. The 2001 mandate included multiple criteria for CSLB to study (which are significantly beyond the scope of the current study), but it did not ask CSLB to conclude whether the bond amount should be raised and, if so, how much.

CSLB issued its findings on October 1, 2001. The 2001 study does not expressly state that the bond amount (or “penal sum” as it is often referred to in the surety business)¹⁷ should be raised but states “that if the penal sum is raised significantly, sureties would need to increase their underwriting of these bonds,” and concludes that



“the goal for this bond might be to raise the penal sum as high as it can be raised without requiring the need to comprehensively underwrite it.”¹⁸

Increase from \$7,500 to \$10,000 and from \$10,000 to \$12,500 Between 2004 - 2007

As an additional requirement of the 2000 CSLB sunset review,¹⁹ in December of 2001, DCA appointed a CSLB “Enforcement Monitor” (Monitor) charged with the “reform and reengineering of the CSLB’s enforcement program and operations, and the improvement of the overall efficiency of the CSLB’s disciplinary system.”²⁰ The Monitor was also tasked with recommending new consumer remedies to address the “problem of inadequacy” with “current forms of restitution provided to consumers for financial injury suffered as a result of a contractor’s fraud, poor workmanship, malfeasance, abandonment, failure to perform, or other illegal acts.”²¹ The Monitor studied CSLB’s October 2001 bond study, as well as other data about consumer financial injuries, and found that:

. . . estimates of annual consumer loss in California . . . range from \$60 million to \$100 million. The surety bond of \$7,500 required of most contractors offers no realistic prospect of recovery for many cases of consumer loss because of: the limited amount of the bond, superior knowledge and experience of industry claimants who may be competing with consumers for restitution, and a difficult and burdensome payout process.²²

The result of these findings was a 2002 bill that established two increases in the bond over the ensuing years.²³ It provided that starting January 1, 2004, all licensees secure a \$10,000 bond, up from \$7,500. The same bill increased that bond to \$12,500 starting January 1, 2007. The Legislative history of this measure does not provide a basis for calculating the new amounts, but the Monitor report cites the Consumer Price Index in concluding that \$7,500 in 1994 is actually valued near \$10,000 in 2001.²⁴

This 2002 bill also created the “aggregate liability of a surety” provision of the bond requirements in subdivision (b) of BPC section 7071.6, which remains in the law today. It specifies that any amount greater than \$7,500 claimed against a bond will be



reserved exclusively for homeowners damaged by a contractor's violation of the law.²⁵ This precludes a non-homeowner from claiming the entire amount.

Increase from \$12,500 to \$15,000 in 2015

The bond was raised again from \$12,500 to \$15,000 in the 2015 bill that extended CSLB's sunset date from January 1, 2016 to January 1, 2020.²⁶ As stated earlier, this \$2,500 increase was the direct result of the elimination of CSLB's "financial solvency" requirement. Prior to the 2015 sunset process, CSLB had a statute that required that "all applicants and all licensees at renewal, demonstrate, as evidence of financial solvency, that his or her operating capital exceeds \$2,500." The Monitor commented on this requirement in 2002, as follows:

This amount - established in 1979 and unchanged in 23 years - is not meaningful as an indicator of financial capacity or solvency in 2002, when \$2,500 will not be likely to cover the smallest litigated claim. This minuscule capitalization amount provides no real guarantee of solvency or ability to meet judgment obligations, but the existence of a requirement of "financial solvency" may have the undesired effect of implying to consumers that significant CSLB standards of solvency have been met.²⁷

In its analysis of CSLB's 2015 sunset bill, the Senate Rules Committee provided the following statement:

The CSLB has indicated that this requirement is outdated, and the information is basically unverifiable and recommended that it be eliminated. The CSLB recommended instead that the surety bond requirement be increased from the current \$12,500 to \$15,000, which this bill does.²⁸

As a result, the \$2,500 operating capital or "financial solvency" prerequisite to licensure was eliminated, and the \$12,500 bond was increased in the corresponding amount. The 2015 sunset bill took effect on January 1, 2016 with a \$15,000 bond requirement, which has been the standard ever since.



B. February 26, 2019 Joint Hearing Before the Senate Business, Professions, and Economic Development and the Assembly Business and Professions Committee

On February 26, 2019, the Legislature held its joint oversight hearing of CSLB. Then current Board Chair Marlo Richardson, past Board Chair Kevin Albanese, Registrar David Fogt, and Chief Deputy Registrar Tonya Corcoran represented CSLB at the hearing.²⁹ At the hearing, Senator Steven M. Glazer, Chair of the Senate Business, Professions and Economic Development Committee stated, “there has been some concern about the contractor’s bond amount of \$15,000 and whether or not it is sufficient,” and asked the panel to comment on this issue.

Registrar Fogt indicated CSLB would be interested in studying the issue and mentioned that discussion of raising the bond in prior years involved concerns about underwriting that may be required. Past Board Chair Albanese agreed, and indicated that \$15,000 is not a significant amount to a harmed consumer. Mr. Albanese then stated that any study of this issue should evaluate balancing the interests of limiting barriers to licensure with that of ensuring qualified people enter the industry.

Senator Glazer then asked what the cost to the contractor is of the “typical” \$15,000 bond. Mr. Albanese did not believe it is “much” but suggested that underwriting would be required for a contractor to secure a bond of \$25,000 or \$50,000. Mr. Albanese reiterated the need to strike a balance in the laws because CSLB issues licenses to wide range of professionals with difference expertise.

Senator Glazer inquired as to the percentage of work CSLB finds that “falls beneath [\$15,000] in a typical home” before stating that [the \$15,000 bond] is “a pretty low threshold.” He agreed with CSLB’s concern about how [raising the bond] may affect costs, but said he would “be interested in evidence that makes it clear that costs are going to create issues,” and asked CSLB to look into that question.

Public testimony was then received, from two different representatives of various construction industry associations. Both commentators emphasized either the need to



strike a balance in the license laws or the goal of limiting barriers to licensure. Senator Glazer then closed the discussion by agreeing it is a challenge to find the “balance” in the laws referenced by various parties during the testimony, but that it is also important to recognize “circumstances and experiences are changing.”

A few weeks later, the Senate Committee amended Senate Bill 610 to include the requirement that CSLB study whether the current \$15,000 amount of the contractor bond is sufficient, or whether an increase may be necessary.



PART ONE:

**STUDY OF THE ISSUES RAISED AT THE
FEBRUARY 26, 2019 HEARING**



A. Barriers to Licensure and the Cost of the \$15,000 Contractor Bond

Barriers to Licensure

At the February 26, 2019 sunset hearing, Past Board Chair Albanese indicated that any consideration of raising the bond amount should take into account concern about increasing “barriers to licensure.” In preparation for this study, CSLB surveyed thousands of licensed contractors.³⁰ One of the survey questions asked if the cost of the bond is a barrier to licensure, which produced responses reflected in the following chart:

Do you believe the cost of having a contractor’s bond prevents people from joining the construction industry?	Number of Respondents	Percentage of Total Responses
Yes	622	15%
No	3,510	86%
TOTAL	4,132	100%

As the survey indicates, 86 percent of licensed contractors polled do not believe the cost of the \$15,000 bond is a barrier to entering the industry. However, the question of whether the bond is a deterrent to those who are not yet licensed – but may wish to become licensed someday – is a significant part of this inquiry.

Limiting “barriers to licensure” is a reference to 2016 report by the state oversight agency Little Hoover Commission (Commission) on California State Government Organization and Economy, “Jobs for Californians: Strategies to Ease Occupational Licensing Barriers” (Report). The Report states that occupational licensing requirements “often serve as a gate, keeping people out of occupations.”³¹ The report notes:

Licensing requirements protect those who are already licensed at the expense of those who are not, and California licenses more occupations traditionally entered into by lower-income people than nearly every other state. The financial and time costs to become licensed are not insignificant. Licensing results in higher prices and reduces the availability of services to lower income people.³²



As such, the Commission suggested that limiting barriers to licensure has the benefit of increasing accesses to licensed professionals, which keeps prices low, thereby ensuring consumers of all income levels have access to more services.³³ In the time since the Report, boards and bureaus as well as the California State Legislature have introduced policies or legislation to implement some of the Commission's recommendations. Nonetheless, when the Commission released its biennial "Economy & Efficiency Report" in February of 2019 it found that "more remains to be done" to "help the most vulnerable Californians enter licensed occupations."³⁴

Therefore, increasing the bond amount raises questions about the higher costs of obtaining a contractor license and/or limiting the pool of available contractors by doing so. The "barrier to licensure" concern of increasing the bond would be the increase in the cost of the bond precluding new people from entering the construction field, which not only keeps such individuals from earning a living, but may increase the cost of construction services by limiting access to the number of available contractors. The result could be a negative impact to consumers in a manner that outweighs the intended benefit of raising the bond, which is to provide more funds for consumers who are injured by the acts of a contractor. Addressing these concerns requires evaluating the cost of the contractor bond itself (discussed below) and the potential impact of raising the amount (discussed in the next section).

Cost of the \$15,000 Contractor Bond

CSLB posed a question about the cost of the \$15,000 contractor bond to licensed contractors in its recent survey, and 72 percent of the over 4,000 respondents indicated that the bond costs them between \$0 and \$600 per year.³⁵ And according to CSLB research, the cost of a contractor license bond is between 1 percent and 3 percent of the bond amount,³⁶ which is between \$150 and \$450 per year. If most licensed respondents are paying a few hundred dollars or less a year for their bond, this is not a significant cost or barrier to licensure when compared to other costs assessed on actively licensed contractors.³⁷



However, whether this cost poses a barrier to licensure requires also reviewing this question in the context of those who do not have a bond or who may be seeking to obtain a bond. Bond companies say personal credit score is among the most important factors in determining bond premiums,³⁸ because it is an indicator of how likely the contractor is to reimburse the bond company for a claim payout, as required on every bond. For an individual with high credit, the \$15,000 bond can go as low as \$85.00 a year over just over \$100 to \$200 a year; but for an individual with low credit it can be as high as \$1,300 a year.³⁹ However, preliminary research indicates that an applicant for a contractor license can still obtain a bond inexpensively regardless of credit, in one case \$140 a year.⁴⁰ Therefore, even if an applicant has poor credit, the \$15,000 bond does not appear to be a significant barrier to licensure, for at least the first year of licensure.

In addition, there is a mechanism for those with poor credit, no credit, or no Social Security number to file a bond. CSLB studied this issue when sponsoring a legislative measure to eliminate the “cash deposit” alternative to the required surety bond.⁴¹ CSLB used to allow contractors to file a \$15,000 “certificate of deposit” with CSLB instead of obtaining a \$15,000 bond with an admitted surety insurer. A contractor could deposit \$15,000 in a bank and file evidence of the deposit with CSLB as an alternative to the surety bond. But CSLB was advised by consumers attempting to make a claim on the \$15,000 certificate of deposit that the money was no longer available because the contractor removed the funds from the bank some time prior to the claim. The CSLB had no ability to prevent this from happening, and sponsored Assembly Bill (AB) 3126 (Brough, Chapter 925, Statutes of 2018) to address it.

As AB 3126 progressed through the Legislature, the Senate Judiciary raised the following concern: “because companies issuing surety bonds typically require a social security number, this bill could have the unintended effect of creating a barrier to licensure for undocumented licensees.”⁴² The CSLB’s research at the time confirmed that the majority of surety companies require a social security number to obtain a bond because the bond is a “credit” product. Since the surety bond includes a promise to reimburse the bond company if the bond is paid out, the price for the bond is based



partially on a credit score. If the applicant has low credit or no credit, they will pay a higher rate for the bond; and if they have higher credit, they will get a preferred rate. The impact is a higher cost of licensure or obtaining a bond for applicants with financial problems or without a credit profile.

As a result, the author agreed with the Senate Judiciary to amend AB 3126 so that securing a bond with a surety insurer was not the only way to obtain a bond. The measure preserved one alternative to the surety bond, the filing of a cashier's check in an interest-bearing account with the state. This allows anyone without a social security number or credit score to obtain a contractor bond and ensures the funds are available if a claim is made against the bond. Since the implementation of AB 3126, 28 applicants have applied for a license with the cashier's check option instead of a surety bond.

As a result of the foregoing, the complete answer to Senator Glazer's question about the cost to the contractor of the typical \$15,000 bond, is as follows: for those with good credit or just starting out, it costs somewhere between less than \$100 a year to \$150 to \$200 a year; but if one has identified financial liabilities or prior bond claims, it can be hundreds of dollars or over a thousand dollars a year. And the reason credit is the largest factor is because, unlike on an insurance policy, the bond requires the contractor to reimburse the surety company if a claim is made. The bond premium will also need to be paid throughout the life of an active license. But if one cannot obtain a surety bond because they lack credit or a Social Security number, the cost is the full amount of the bond up front with no ongoing costs, and interest is earned on the bond. For anyone who does not obtain a license bond due to financial or other reasons, they cannot maintain an active license. The risk is that these individuals forgo the license entirely and work in the underground economy.

B. Underwriting and the Impact of Raising the Contractor License Bond

During the February 26, 2019 sunset hearing, Registrar Fogt explained that when the topic of increasing the bond was discussed in previous years insurance companies opposed increasing the bond to an amount that would require underwriting the bond. A



definition in the Insurance Code provides that, generally, “underwrite” refers to “the authority to accept or reject risk on behalf of the insurer,”⁴³ or in this case, on behalf of an admitted surety insurer. Past Board Chair Albanese suggested that underwriting might be required for a contractor to secure a bond of \$25,000 or \$50,000. Senator Glazer then stated that he shares CSLB’s concern about how raising the bond may affect costs, but that he would “be interested in evidence that makes it clear that costs are going to create issues,” and asked CSLB to look into that question.

How Does Underwriting Relate to the License Bond?

A bond, regardless of type, is a guarantee.⁴⁴ The surety who writes the bond is the party providing the guarantee that they will answer for the debt, default, or miscarriage of the contractor.⁴⁵ However, there is a fundamental difference between a bond as a prerequisite to licensure and other available bonds in the construction industry.

In the case of “contract” surety bonds, such as a bid bond, performance bond, payment bond, warranty bond, or maintenance bond,⁴⁶ (maintenance bonds are common for public works projects) the surety is focused on whether it can reasonably guarantee that the contractor will perform their obligations in a particular contract or agreement.⁴⁷ Contract bonds potentially involve penal sums much larger than \$15,000 that are connected to those specific set of promises to perform in a specific way. In contrast, for the \$15,000 contract license bond, the surety is focused only on the guarantee that the contractor will comply – generally – with the rules and regulations of the Contractors State License Law.^{48 49} As such, a contractor license bond does not guarantee a specific contract.⁵⁰ It is regarded as a “low” penal sum without specific promises associated with it, other than the general obligation that the contractor comply with the license law, which all contractors have to do anyway.

As a result, the surety undergoes very different analysis when it comes to issuing a contract bond versus a license bond. The underwriting for a contract bond issued for a particular purpose is done on a “case-by-case basis” following a “review the contract



documents, especially the scope of work” to “make sure that the work under the contract fits within the contractor’s normal abilities and capabilities.”⁵¹ Surety writers are evaluating the risk under the specific contract for which the contractor seeks a bond.⁵² This requires reviewing the contract or agreement at issue and evaluating factors like the “contractor’s entire work portfolio, past performance, experience, operational efficiency, managerial skills, business plan, and reputation for integrity.”⁵³

In contrast, the license bond is not underwritten.⁵⁴ This is because sureties consider the \$15,000 contractor license bonds to be “low-risk due to their relatively low number of claims and/or small penalty sum.”⁵⁵ Indeed, as of 2020, the industry loss ratio on a license bond remains at about 20 percent,⁵⁶ meaning that either up to 80 percent of licensed contractors uphold their obligation on the license bond to comply with CSLB laws, or an unknown number of that 80% received bond claims but they were not sufficiently proven for the bond company to pay out.⁵⁷ As a result of this “manageable” ratio, unlike the detailed case-by-case review required by underwriting a contract bond, the license bond is based only a credit rating, or in some cases only a CSLB application fee number⁵⁸ and can be purchased instantly with no underwriting process necessary.⁵⁹

Impact of Raising the Contractor License Bond Amount

At the February 26, 2019 sunset hearing, Senator Glazer stated that he shared CSLB’s concern about how raising the bond may affect costs, but that he would “be interested in evidence that makes it clear that costs are going to create issues,” and asked CSLB to look into that question. This requires an analysis of how license bonds are currently written and how an increase, and by how much, would affect that process.

Currently, license bonds are not comprehensively underwritten on the contractor’s ability to reimburse the surety; instead, the surety simply expects a “loss ratio” of approximately 20 percent.⁶⁰ Thus, a surety might be “exposed” on 200 bonds at \$15,000 and 40 of those bonds may pay out, resulting in \$600,000 in losses.⁶¹ Sources tell CSLB that with the license bond at \$15,000, this is a manageable loss in the event



of payouts against the bonds in their portfolios.⁶² CSLB obtained a statement from a surety bond company that increasing the license bond to \$25,000 would be manageable for contractors and the surety industry would not require underwriting.⁶³ For a “typical contractor with a clear bond history” this might result in an increase in the annual bond premium of \$100 to \$200.⁶⁴ For those utilizing the cashier’s check option, they would need to provide \$25,000 cash.

However, if the \$15,000 bond suddenly – for example – triples in size, this would be a “massive change for the industry” and almost certainly would result in “substantially stricter” risk-based underwriting.⁶⁵ Surety bonds would no longer reflect a “low risk” penal sum product qualified with a credit rating and small fee based on a basic guarantee of compliance with the license laws. Instead, almost all sureties would begin considering a contractor’s financial capacity, net worth, cash flow, assets, credit score, existing projects, prior projects, expertise and experience, banking relationships, nature of projects, and character.⁶⁶

There are therefore two issues for the Legislature to consider in evaluating a bond increase in the context of underwriting. First, if the bond amount is raised to a level that requires underwriting, the concern is that such a change “would force new applicants and contractors with poor credit out of the market, or . . . into the underground economy,”⁶⁷ thus raising some barriers to licensure. Second, if a license bond begins to require underwriting to demonstrate the contractor’s ability to perform or pay in some specific way, it becomes another kind of bond entirely. The focus becomes a critical review of the contractor’s situation instead of a bond given in the furtherance of meeting a minimum standard for licensure.⁶⁸

Keeping the bond below the threshold for extensive underwriting invariably raises consumer protection concerns; indeed, because the bond is not underwritten, California consumers “should not assume that this bond signifies that the contractor is creditworthy or competent.”⁶⁹ However, the bond is a condition of licensure, which means there is a statutory measure of protection for all consumers associated with the \$15,000 bond. This is because in examining all applicants for licensure, CSLB



evaluates the applicant’s fitness to understand and comply with the laws that the license bond ultimately obligates them to;⁷⁰ therefore, CSLB in a sense already performs a form of “underwriting” for the license bond which may contribute to keeping costs low on the surety side.

Finally, whether the \$15,000 amount itself is sufficient is not a question that can fully be answered without evaluating the type of projects for which this bond amount may typically pay out. This is the purpose of the next section of this study, which focuses entirely on residential projects. This is because the first section of this study contends that, despite the bond having multiple statutory beneficiaries, a primary purpose of the license bond is the protection of residential consumers.

C. The Cost of Projects in a Typical Home

At the February 26, 2019 hearing, Senator Glazer stated that he is not making a judgment about the \$15,000 bond itself, other than that he did not know what percentage of work CSLB finds that “falls beneath that [amount] in a typical home” but that \$15,000 is “a pretty low threshold.” To address this question, CSLB studied: 1) CSLB consumer complaint data; 2) the cost of typical home remodeling projects; and 3) CSLB bond payment of claims information.

CSLB Consumer Complaint Data

CSLB opens approximately 20,000 complaints a year. Most complaints come from different sources and can involve a variety of construction projects, including public works, commercial, and residential. Approximately 80 percent of complaints each year are “reactive,” and 20 percent are “proactive.” Reactive cases are complaints filed by a consumer who has hired a contractor. Proactive cases are filed by third parties that direct CSLB to certain jobsites or geographical areas for compliance checks, or they involve undercover sting operations. Between the two types of complaints, approximately 90 percent involve residential projects.



The following chart shows the value of construction contracts found in CSLB reactive complaints filed by residential consumers between 2015 and 2020, for which the price of the contract or invoice is available in the complaint record.

Year	\$501 - \$5,000	\$5,001- \$10,000	\$10,001 - \$15,000	\$15,001 - \$25,000	\$25,001- \$50,000	\$50,001- \$75,000	\$75,001 - \$100k	\$100,001 - \$500k	Over \$500k
2015	31.10%	17.40%	10.00%	11.40%	12.30%	5.30%	2.50%	7.90%	2.10%
2016	28.90%	16.70%	10.10%	12.50%	12.50%	4.80%	2.80%	9.70%	2.60%
2017	25.40%	16.50%	8.70%	12.30%	16.10%	6.00%	3.20%	9.10%	2.50%
2018	25.30%	15.40%	8.80%	12.70%	16.10%	6.10%	3.40%	9.90%	2.40%
2019	22.40%	15.00%	9.50%	12.90%	16.30%	6.20%	3.80%	10.80%	3.00%
2020	24.30%	13.10%	8.10%	14.50%	17.40%	5.80%	3.50%	10.20%	2.90%
AVG	26.2%	15.7%	9.2%	12.7%	15.1%	5.7%	3.2%	9.6%	2.6%

The chart supports the following conclusions:

- Approximately 48.9 percent of complaints involved contracts over \$15,000, the current threshold of the license bond amount.
- Most CSLB consumers (52.7 percent) file complaints for contracts between \$5,001 and \$50,000.
- More complaints are filed about contracts between \$15,001 and \$50,000 (28 percent) than between \$5,001 and \$15,000 (25 percent).
- Every year, the number of complaints filed between \$15,001 and \$25,000, as well as between \$25,001 and \$50,000, has steadily increased.
- The value of contracts has risen steadily every year within the range that most consumers seem to complain: between \$5,001 and \$50,000.
- Even though over a quarter (26.2%) of complaints each year are valued below \$5,000, the number of people filing in this category has declined by 27% between 2015 and 2020 (from 31.1% of complaints down to 24.3% of complaints)

In all, it appears the \$15,000 bond covers slightly more than half of the residential construction contracts subject to CSLB complaints today.



The Cost of Home Remodeling Projects

This section provides information about the cost of different remodeling projects in the year 2020, in the Pacific U.S. (Hawaii, Alaska, California, Oregon, and Washington).⁷¹ The information in the following chart is drawn from Hanley Wood business intelligence and data service, via their “Metrostudy” feature.

Project	Level	Cost
Bathroom Remodel	Midrange	\$24,757
Bathroom Remodel	Upscale	\$75,763
Bathroom Addition	Midrange	\$58,038
Bathroom Addition	Upscale	\$104,722
Deck Addition	Composite	\$22,762
Deck Addition	Wood	\$18,059
Entry Door Replacement	Steel	\$2,048
Garage Door Replacement		\$3,874
Major Kitchen Remodel	Midrange	\$75,292
Major Kitchen Remodel	Upscale	\$148,216
Manufactured Stone Veneer		\$10,175
Master Suite Addition	Midrange	\$159,510
Master Suite Addition	Upscale	\$325,452
Minor Kitchen Remodel	Midrange	\$26,150
Roofing Replacement	Asphalt Shingles	\$27,769
Roofing Replacement	Metal	\$46,932
Siding Replacement	Fiber-Cement	\$20,064
Siding Replacement	Vinyl	\$16,937
Window Replacement	Vinyl	\$19,184
Window Replacement	Wood	\$22,976
Average Cost of Improvements in Chart:		\$60,434



The chart supports the following findings:

- The average cost of a significant remodeling project of the type indicated in the chart is \$60,424.
- The lower range of cost is between \$2,000 and \$3,000 for the replacement of doors of varying types.
- The middle range of cost is between \$15,000 and \$25,000 for siding replacement or entry level bathroom remodels.
- The higher range of projects for room additions or upscale room remodels well exceed \$100,000.

The chart excludes service and repair projects (such as plumbing replacement or repair, heating, ventilation and air conditioning, roof repair, etc.) because they tend to fall beneath the \$15,000 bond amount.

Bond Payment of Claims

Contractors State License Law requires that bond companies notify CSLB within 30 days of payment on the \$15,000 contractor bond (BPC section 7071.11(e)), the \$100,000 LLC bond (BPC section 7071.65), and the \$12,500 bond of qualifying individual (BPC section 7071.9). CSLB may suspend the license by operation of law if the licensee does not reimburse the surety or perform an investigation to determine if a good faith payment was warranted and/or if a citation is appropriate.

CSLB has compiled all the bond payment of claims bond companies have filed with CSLB pursuant to BPC 7071.11 between September 1, 2017 and September 1, 2020.⁷² The notification to CSLB of these claims does not include the facts underlying the bond payout; CSLB merely records the name of the contractor, surety bond number, amount of payment, statutory basis for the claims, names of parties involved, and whether the payment is the result of a good faith action by the surety. Unpaid claims result in license suspension.



CSLB may perform an investigation of a payment of claim if a licensee files a protest with CSLB against the bond payout. Not all bond payouts are investigated; for example, between January 1 and September 1, 2020, CSLB was notified of 782 payment of claims against license bonds; 243 (or 31 percent) were investigated because of a licensee protest. As such, not all the information in the chart below can be said to relate to residential projects since the facts behind these claims are not available for most of the payouts. The claims, therefore, may relate to a payout to any of the beneficiaries named in BPC Section 7071.5: that is, a homeowner; an owner contracting for construction of a single-family dwelling; a person damaged as a result of a willful and deliberate violation of the law; an employee of a licensee damaged by a failure to pay wages; or a fringe benefits claim.

However, since most CSLB complaints involve residential projects, it is reasonable to assume that most of the payment of claims involve residential projects. This is particularly true given that contracting parties on non-residential projects, as opposed to making a claim against the license bond, tend to consult attorneys or obtain bonds or insurance to protect themselves, which homeowners are less likely to do.⁷³ Homeowners are more likely than non-homeowners to make a claim against a license bond.

Time Period	Total Claims	> One Claim	\$1,001-\$7,499	\$7,500	\$7,501 - \$10,000	\$10,001-\$14,999	\$15,000	Avg. Claim
2017-2018	1,290	124	626	267	67	128	202	\$7,302
2018-2019	1,432	146	607	328	93	118	286	\$7,766
2019-2020	1,223	111	503	276	75	101	268	\$8,144
Averages	1,315	127	579	290	78	116	252	\$7,737

This chart supports the following findings:

- Nearly 10 percent (127) of contractors each year have two or more claims against their bond (indicated by the “> One Claim” column).
- Nearly 20 percent (252) of claims each year max out the \$15,000 bond.



- Over 22 percent (290) of claimants each year are limited to the aggregate liability cap of \$7,500 because another party has a valid claim to the bond as well.⁷⁴

It is important to note that bond payment of claim information does not provide a complete assessment of damages that are alleged or due on construction projects in California. Many people will not bother to claim against the bond because their perceived damages are much higher than \$15,000. For example, between January 1, 2020 and July 3, 2020, the average restitution amount CSLB ordered in a stipulation or proposed decision pursuant to an accusation to suspend or revoke a contractor license was \$36,318. The lowest order was for \$617, and the highest was for \$333,850.



PART TWO:

OTHER ISSUES RELEVANT TO THE CONTRACTOR LICENSE BOND



The following sections of this study address issues not raised at the hearing but are relevant to the issue of the contractor license bond.

A. CSLB’S Qualifying Individual’s Bond

CSLB issues contractor licenses to individual owners, as well as partnerships, corporations, and limited liability companies.⁷⁵ All licenses must have an individual that qualifies on behalf of that license entity using their construction knowledge and experience.⁷⁶ If the qualifying individual on a license is not the owner of the entity, or a general partner of the entity, the law requires that individual to file a \$12,500 “qualifying individual’s bond.”⁷⁷ The qualifying individual’s bond is in addition to any other required bond. The named beneficiaries of the qualifying individual’s bond are the same as those named for the contractor license bond.⁷⁸

There are two reasons why the qualifying individual’s bond is referenced in this study. First, the qualifying individual’s bond should be raised concurrently with the contractor license bond. Second, issues surrounding the qualifying individual’s bond may warrant a review by the Legislature.

Raising the Qualifying Individual’s Bond Concurrently with the Contractor License Bond

The qualifying individual’s bond became law in 1967,⁷⁹ three years after the contractor license bond, and was correspondingly set at \$1,000 to match the contractor license bond. Each time the qualifying individual’s bond was raised thereafter, it was done concurrently with an increase in the contractor license bond: from \$1,000 to \$2,500 in 1972; from \$2,500 to \$5,000 in 1980; from \$5,000 to \$7,500 in 1994; and \$7,500 to \$12,500 in 2007.

However, when the license bond increased from \$12,500 to \$15,000 in 2015 in CSLB’s sunset bill,⁸⁰ the bond of qualifying individual was not correspondingly raised at the same time, for the first time in history. The legislative history for the 2015 sunset bill



does not provide an explanation for the omission; it is assumed to have been inadvertent.

Issues Surrounding the Qualifying Individual's Bond

The person qualifying a contractor's license on behalf of another person or an entity is responsible for "exercising that direct supervision and control of his or her employer's or principal's construction operations to secure compliance with this chapter and the rules and regulations of the board."⁸¹ Direct supervision and control "includes any one or any combination of the following activities: supervising construction, managing construction activities by making technical and administrative decisions, checking jobs for proper workmanship, or direct supervision on construction job sites."⁸² Failure to exercise these qualifier responsibilities is cause for administrative discipline of the license, and is punishable as a misdemeanor by imprisonment and a fine up to \$5,000.⁸³

The requirement that the license qualifier exercise supervision and control over construction operations is a consumer protection measure to ensure that the individual with the construction knowledge and experience is involved in the business. This is particularly important when there are many individuals associated with a license or when an individual is qualifying more than one license. It is for this reason that there is an additional bond for license qualifiers. Unfortunately, when CSLB investigates a complaint against a licensed contractor it is not uncommon to discover that the individuals running the business are not associated with the license qualifier identified in CSLB records. In some cases, the individuals running the license business will pay the license qualifier for the use of their name on the license application. This is known as a "sham RMO" (responsible managing officer), a term used to describe this phenomena by California Court of Appeal, Second District Court of Appeal.⁸⁴ Since January of 2018, CSLB has taken 317 legal actions (citation, accusation to suspend or revoke a license, or criminal referral) against licensees whose qualifiers failed to exercise direction and control over construction operations.



In 2018, CSLB board members approved a legislative proposal to modify the qualifier bond requirements to address some of these concerns but was unable to locate an author to introduce the measure. Therefore, in addition to the need to raise the bond of the qualifying individual to match the contractor license bond, the CSLB appreciates the Legislature’s consideration of the concerns identified in consumer complaints about the failure of license qualifiers to be sufficiently involved in the construction operations.

B. License Bonds in Other States

Other states also require contractor license bonds, and for comparative purposes CSLB is providing information about other the requirements in other selected states.⁸⁵ The states are Arizona, Hawaii, Louisiana, Nevada, Oregon, Utah, and Washington, because these states have license classifications or policies with similarities to CSLB.

State	Bond and Financial Requirements
Arizona	License bonds range from \$2,500 to \$100,000. The amount of the bond is based on the type of license and anticipated volume of work
Hawaii	Bonds in varying amounts are required; the minimum is \$5,000. Whether a bond is required at all, as well as the amount of the bond is based on financial statements provided by the applicant and what kind of work is being performed.
Louisiana	Contractors shall post a bond or other surety in the minimum amount of \$1,000. Financial statements are provided with the license application.
Nevada	Bonds range from \$1,000 to \$500,000 based on financial data provided by applicants.
Oregon	Contractors are divided by residential services or commercial services. Required commercial services bonds range from \$20,000 to \$75,000. Required residential services bond range from \$10,000 to \$20,000.
Utah	Contractors are classified by the value of their contracts and their annual volume of work. Bonds between \$15,000 and \$50,000 may be required depending on contractor’s debt.
Washington	Liability insurance only, no bond. \$200,000 for public liability; \$50,000 for property.



C. Survey of Licensed Contractors

CSLB distributed a survey about the contractor license bond and received 4,411 responses. The survey was designed to assess licensed contractors’ opinions about the sufficiency of the \$15,000 contractor bond for reimbursing consumers harmed by a contractor’s actions.⁸⁶

CSLB asked about accepting a contract to fix another contractor’s work because it is common, particularly in bond cases or consumer complaints, that a “correcting contractor” is retained to repair substandard workmanship.

How often have you had to correct or complete another contractor’s project?	Number of Respondents	Percentage of Total Responses
0 – 2 times per year	3,395	82%
3 – 5 times per year	470	11%
6 – 10 times per year	105	3%
More than 10 times per year	148	4%
TOTAL	4,118	100%

Most respondents have either not had to correct another contractor’s work or have done it only one or two times in a year, with another 11 percent of respondents correcting or completing another contractor’s project three to five times a year. And 4 percent have corrected or completed another contractor’s project more than 10 times per year.

As reflected in the following chart, for those that stated they had to correct or complete another contractor’s project, 43 percent stated that \$15,000 was a sufficient remedy for the consumer, and 17 percent stated that it was not.



In cases where you have had to correct or complete another contractor’s project, was \$15,000 sufficient to provide a remedy for the consumer?	Number of Respondents	Percentage of Total Responses
Yes	1,772	43%
No	694	17%
Not Applicable	1,633	40%
TOTAL	4,099	100%

In addition, most respondents stated that the \$15,000 contractor bond is sufficient for the residential construction industry, while 27 percent believe the bond amount is not sufficient, as reflected in the table below.

Do you believe the \$15,000 contractor's bond is sufficient for the residential construction industry?	Number of Respondents	Percentage of Total Responses
Yes	3,006	73%
No	1,121	27%
TOTAL	4,127	100%

Contractor comments were also solicited on the question of whether the \$15,000 bond is sufficient. Among those who said it was sufficient, many appeared to represent trades for which the cost of projects tends to fall beneath \$15,000. Others objected to anything that would increase costs of doing business generally. And still others commented that more “expensive” projects tend to have other protections associated with them (like required contract bonds discussed earlier in this study). However, of those that responded that the amount of the bond is insufficient, associated comments mentioned that \$15,000 is very low compared to the cost of construction, labor, materials, and other factors. And many recommended raising the license bond to



specific amounts and suggested minimum bond amounts ranging from \$20,000 to \$100,000. Significantly, the survey received 94 comments explaining why the bond is insufficient, compared to only 37 comments explaining why it is sufficient.

Contractors were also asked if they believe their contractor bond brings value to their license. This question was premised on the expectation that meeting license standards and having work backed by a bond professionalizes the industry and contributes to a sense of pride in workmanship. As the table below reflects, 69 percent of respondents agreed that the bond brings value to the license, while 31 percent said that it does not. Frequent comments to this question cited the inability of the contractor to advertise the fact that they have the bond, an act which is prohibited by BPC Section 7027.4. Other comments indicated that liability insurance would provide more value to the license than a bond. Notably, the requirement that liability insurance be required for all contractors was proposed in a bill 20 years ago, but the measure was not successful.⁸⁷

Do you believe the contractor’s bond brings value to the license?	Number of Respondents	Percentage of Total Responses
Yes	2,850	69%
No	1,294	31%
TOTAL	4,144	100%

CSLB also collected demographic data for this survey. Slightly over half of the survey respondents held the B–General Building license, followed by the C-10 Electrical license at 14 percent, and the A–General Engineering license with 10 percent. Other common classifications included C-36 Plumbing, C-20 HVAC, and C-61 Limited Specialty. It is significant that different license classifications had differing views on the value and impact of the bond. In interviewing industry stakeholders, such as construction associations, lobbyist groups, and construction law attorneys, a common recommendation was that CSLB consider varied bond amounts for various license



types. One construction law attorney stated that the \$15,000 bond is sufficient for many of the specialty licenses but not for the general contractor licenses.⁸⁸ Similar comments were made by contractors in the comment boxes of the bond survey. Notably, “individualized” bond requirements have existed before at CSLB; from 1979 to 2002, a separate \$10,000 bond was required for swimming pool contractors.⁸⁹



CONCLUSION

This study concludes that **the current \$15,000 amount of the contractor bond is not sufficient, and an increase is necessary.**

Prior to this study, CSLB noted the insufficiency of the \$15,000 bond. In its December 2018 Sunset Review Report CSLB wrote that “greater consumer protection is realized with the increase in the [contractor] bond because a construction project can easily exceed \$15,000 in costs or potential financial injury to a consumer.” And, Past Board Chair Albanese testified at the February 26, 2019 sunset hearing that, “\$15,000 is not a huge dollar amount to a harmed consumer.”

In addition, Senator Glazer opined during the hearing that \$15,000 is a “pretty low threshold” and that it is important to recognize that “circumstances and experiences are changing.” There is direct evidence that circumstances and experiences are changing in the CSLB consumer complaint data that shows increased contract values over the years. The number of residential complaints reflecting contract values between \$15,000 and \$25,000 as well as between \$25,000 and \$50,000 have steadily increased each year for the last six years, with a corresponding decline in the number of complaints valued at less than \$5,000. In addition, the average home remodel project is just over \$60,000, well above the \$15,000 bond amount. The evidence shows that the \$15,000 bond covers slightly over half of the residential construction contracts subject to CSLB complaints today. These facts demonstrate that an increase in the bond is necessary.

The payment of claims information also suggests that the \$15,000 bond is insufficient. Nearly 20 percent of the claims max out the \$15,000 bond; and this does not account for the unknown damage on construction contracts that are too large to bother with the \$15,000 bond. In addition, each year around 10 percent of contractors subject to payment of claims have more than one claim against their bond. As a result, over 22 percent of the claimants are capped at \$7,500, regardless of the full value of their claim, because of other valid claims against the same contractor bond. Therefore,



the \$15,000 bond and corresponding \$7,500 liability cap should be increased to provide relief for these individuals.

Concerns about barriers to licensure associated with raising the license bond can be addressed if it is raised below the point that would require underwriting. The research conducted for this study suggests that this amount is \$25,000. That amount could ensure that the bond serves the dual functions of increasing the available funds for consumers harmed by contractors while ensuring that the bond is still accessible for all applicants to meet the minimum standards of licensure. It would not serve the goal of limiting barriers to licensure if the license bond required case by case underwriting of the personal financial affairs of applicants for contractor's licenses.

As reflected in interview and survey comments reviewed for this study, some have suggested that California implement a tiered bond system that prescribes different bond amounts by type of license classification. This assumes that some work, such as that of general contractors, is valued higher than the work of other contractors, such as service and repair. CSLB is willing to explore this option with the Legislature if asked to do so. CSLB would also welcome the opportunity to review some of the concerns with the qualifier individual's bond discussed in this study, and recommends that any increase in the license bond correspond with an increase in the qualifier's bond as well as the aggregate liability "cap."

In addition to the findings of this study that support an increase in the bond, there are well-stated reasons to raise the bond that were provided in the April 23, 2002 Senate Committee analysis of SB 1919 and are still valid today. In raising the bond to \$12,500, the Committee stated that the increase will "guarantee an increase in restitution available to homeowners, reduce the competition for existing license bond payouts, help professionalize the home improvement industry, and provide the CSLB with a vehicle for consumer relief toward which it could direct consumer complaints."



ENDNOTES

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- ¹ Contractors State License Board Sunset Review, December 2018, page 113.
<https://www.cslb.ca.gov/Resources/Reports/Sunset/SunsetReviewReport2018.pdf>
- ² February 23, 2019 letter from stakeholder to Joint Committee. Redacted copy available upon request. Call 916-255-4000.
- ³ Statutes of 1963, Chapter 1971, Section 1.
- ⁴ Section 7071.9 was renumbered to Section 7071.6 by Statutes of 1967, Chapter 1604, Section 5
- ⁵ Statutes of 1979, Chapter 1013, Section 10.5.
- ⁶ See subdivision (a) of BPC Section 7071.5.
- ⁷ Statutes of 1979, Chapter 1013, Section 34.5, page 3460.
- ⁸ Senate Bill 1432, Chapter 157, Statutes of 2008.
- ⁹ Using Surety Bonds & Insurance to Protect Consumers. California Contractors State License Board. October 1, 2001. Page 31.
- ¹⁰ Statutes of 1963, Chapter 1971, Section 1.
- ¹¹ According to U.S. Inflation Calculator, <https://www.usinflationcalculator.com/>, last accessed September 30, 2020.
- ¹² Senate Bill 574, Senate Floor Analysis, July 13, 1993. Page 1.
- ¹³ Senate Bill 574, Senate Floor Analysis, July 13, 1993. Page 3.
- ¹⁴ Joint Legislative Sunset Review Committee, 2002 Sunset Review Report. Background Paper for the 2001 Public Hearing, and Final Recommendations of the Joint Committee and the Department of Consumer Affairs. Page 8 (describing prior JLSRC findings that led up to SB 2029 in 2000).
- ¹⁵ Senate Bill 2029, July 3, 2000 Analysis by the Assembly Committee on Consumer Protection, Governmental Efficiency, and Economic Development. Page 8.
- ¹⁶ Senate Bill 2029 (Figueroa), Chapter 1005, Statutes of 2000.
- ¹⁷ The bond amount is referred to as “Penal Sum” because the purpose of the bond is to provide restitution when a licensee has caused financial injury by violating contractor’s license law. It should be noted that the bond is not an insurance policy and a licensee must reimburse the surety or discharge the payout amount in bankruptcy to maintain licensure.
- ¹⁸ Using Surety Bonds & Insurance to Protect Consumers. California Contractors State License Board. October 1, 2001. Page 32.
- ¹⁹ Pursuant to Senate Bill 2029 (Figueroa), Chapter 1005, Statutes of 2000, which created the Enforcement Monitor position.
- ²⁰ Senate Bill 1919, April 22, 2002 Analysis by the Senate Committee on Business and Professions, page 3.
- ²¹ Id.
- ²² Senate Bill 1919, June 25, 2002 Analysis by the Assembly Committee on Business Professions Analysis, page 2.
- ²³ Senate Bill 1919 (Figueroa) Chapter 1123, Statutes of 2002.
- ²⁴ Second Report, Contractors State License Board, Enforcement Program Monitor. April 1, 2002. Page 56.
- ²⁵ Senate Bill 1919, June 25, 2002 Analysis by the Assembly Committee on Business Professions Analysis, page 2.
- ²⁶ Senate Bill 467 (Hill), Chapter 656, Statutes of 2015.
- ²⁷ Second Report, Contractors State License Board, Enforcement Program Monitor. April 1, 2002, page 58.
- ²⁸ Senate Bill 467, September 8, 2015, Analysis by the Senate Rules Committee, page 7.
- ²⁹ A recording of the hearing is available to stream on the California State Senate media archives page. Date of Hearing February 26, 2019. <https://www.senate.ca.gov/media-archive> .
- ³⁰ Survey distributed to approximately 124,128 email addresses associated with licensed contractors, via “Survey Monkey.” Survey open September 22, 2020 and closed September 29, 2020. The survey received 4,411 responses.
- ³¹ Jobs for Californians: Strategies to Ease Occupational Licensing Barriers. Report #234, October 2016. Little Hoover Commission. Page 5. <https://lhc.ca.gov/sites/lhc.ca.gov/files/Reports/234/Report234.pdf>.
- ³² Jobs for Californians: Strategies to Ease Occupational Licensing Barriers. Report #234, October 2016. Little Hoover Commission. Page 22-23. <https://lhc.ca.gov/sites/lhc.ca.gov/files/Reports/234/Report234.pdf>.



- ³³ Jobs for Californians: Strategies to Ease Occupational Licensing Barriers. Report #234, October 2016. Little Hoover Commission. Page 1. <https://lhc.ca.gov/sites/lhc.ca.gov/files/Reports/234/Report234.pdf>.
- ³⁴ The Economy & Efficiency Report, 2017-2018. The Little Hoover Commission's Biennial Review of California State Government Operations. Report #246, February 2019. Pages 8-9. <https://capitolmr.com/wp-content/uploads/2019/02/Little-Hoover.pdf>.
- ³⁵ This question was asked in same survey described in end note 30. Unfortunately, CSLB asked the question in terms how much licensees pay "by month" for the bond. The CSLB later discovered that with rare exceptions, the industry standard for a contractor bond is annual billing (as confirmed by October 8, 2020 correspondence from a surety underwriter and senior vice president of a commercial property casualty and surety broker). Therefore, CSLB cannot be certain that all respondents to the "by month" question understood the question or correctly calculated what their annual bill is per month. The question was therefore thrown out for the body of this study; nonetheless the results are as follows: 2,923 respondents said they pay \$0-\$50 per month; 657 respondents pay \$51-\$100 per month; 324 pay \$101-\$200 per month; and 165 pay \$201 or more a month.
- ³⁶ This is drawn from an interview of three surety company representatives conducted by CSLB staff in April 2020 .
- ³⁷ For example, see many of the CSLB fees in Business and Professions Code section 7137.
- ³⁸ Id. at endnote 36.
- ³⁹ Id. at endnote 36.
- ⁴⁰ Offer located at <https://bond911.com/bond/california-contractors-license-bond>, last accessed October 5, 2020. States, "(w)e offer a special program for all NEW CA Contractors applying with an application fee number! We will waive the credit check requirement for underwriting and approve your bond for \$140.00 for a one year term."
- ⁴¹ See Assembly Bill (AB) 3126, Brough, Chapter 925, Statutes of 2018.
- ⁴² Assembly Bill 3126, Senate Judiciary Committee Analysis, June 18, 2018. Page 4.
- ⁴³ California Insurance Code Section 769.81 subdivision (d).
- ⁴⁴ See generally, The Basic Bond Book, Second Edition. Copyright 2011. The Associated General Contractors of America and National Association of Surety Bond Producers. Page 5.
- ⁴⁵ California Civil Code Section 2787.
- ⁴⁶ National Association of Surety Bond Producers. <https://www.nasbp.org/getabond/about-surety/surety-bond>. Last accessed October 5, 2020.
- ⁴⁷ See generally, The Basic Bond Book, Second Edition. Copyright 2011. The Associated General Contractors of America and National Association of Surety Bond Producers. Page 6.
- ⁴⁸ National Association of Surety Bond Producers. Copyright 2016 by NASBP. A SuretyLearn Publication. Answers to 51 Questions Small Contractors Ask About Bonding. Page 5.
- ⁴⁹ Indeed, the face of the Contractor's Bond form filed with the Registrar of Contractors by any licensed contractor using a surety bond to comply with the \$15,000 bond requirement, states the following: "The conditions of the foregoing obligation are that if the Principal shall comply with and be subject to the provisions of Division 3, Chapter 9 (commencing with Section 7000) of the Business and Professions Code, then this obligation shall be null and void; otherwise to remain in full force and effect."
- ⁵⁰ National Association of Surety Bond Producers. Copyright 2016 by NASBP. A SuretyLearn Publication. Answers to 51 Questions Small Contractors Ask About Bonding. Page 5.
- ⁵¹ Id.
- ⁵² Id.
- ⁵³ Id.
- ⁵⁴ Using Surety Bonds & Insurance to Protect Consumers. California Contractors State License Board. October 1, 2001. Page 7.
- ⁵⁵ Everything you Need to Know About the Surety Underwriting Process. Surety Bonds Direct. Copyright 2020. <https://www.suretybondsdirect.com/educate/surety-bond-underwriting-process>, last accessed October 5, 2020.
- ⁵⁶ September 9, 2020 conversation with a surety underwriter and senior vice president of a commercial property casualty and surety broker.
- ⁵⁷ The 2001 CSLB study, "Using Surety Bonds & Insurance to Protection Consumers," October 1, 2001, page 7, stated that about 27% of the total cost of premiums each year is paid out in bond claims in the California construction industry. The 2001 study does not indicate where this number comes from, and CSLB was unable to



locate a source, despite attempts to do so, to provide an updated figure to this amount for 2020. It is unknown as of the date of this study, how many license bond claims are made, paid, and denied by surety companies in California in aggregate.

⁵⁸ See endnote 40.

⁵⁹ Everything you Need to Know About the Surety Underwriting Process. Surety Bonds Direct. Copyright 2020. <https://www.suretybondsdirect.com/educate/surety-bond-underwriting-process>, last accessed October 5, 2020.

⁶⁰ September 9, 2020 conversation with a surety underwriter and senior vice president of a commercial property casualty and surety broker.

⁶¹ Id.

⁶² Id.

⁶³ Id.

⁶⁴ October 6, 2020 correspondence with a surety underwriter and senior vice president of a commercial property casualty and surety broker. The representatives made it clear the actual amount of bond premium pricing of a license bond set at \$25,000 cannot be authoritatively predicted; that these amounts are an “educated guess.”

⁶⁵ September 9, 2020 conversation with a surety underwriter and senior vice president of a commercial property casualty and surety broker.

⁶⁶ National Association of Surety Bond Producers. Copyright 2016 by NASBP. A SuretyLearn Publication. Answers to 51 Questions Small Contractors Ask About Bonding. Page 6.

⁶⁷ Using Surety Bonds & Insurance to Protect Consumers. California Contractors State License Board. October 1, 2001. Page 7.

⁶⁸ See Business and Professions Code Section 101.6., the purpose of DCA licensing agencies is to set minimum standards for licensure.

⁶⁹ Using Surety Bonds & Insurance to Protect Consumers. California Contractors State License Board. October 1, 2001. Page 7.

⁷⁰ See Business and Professions Code Section 7068 for the minimum qualifications of a contractor.

⁷¹ The data for this section, including how it is presented and organized, is drawn entirely from Hanley Wood business intelligence and data service, via their “Metrostudy” feature. Metrostudy tracks more than 3.2 million lot and land parcels and gathers details on more than 100 million households and over 360 remodeling activity markets. Hanley Wood provides this information through the “Cost vs. Value” feature in their Remodeling Magazine. See <https://www.hanleywood.com/about/our-company> and <https://www.remodeling.hw.net>, last accessed October 7, 2020.

⁷² The payment of claim data reviewed for this study did not identify what kind of bond against which the claim payment was made (i.e., qualifier bond, license bond, or LLC bond). However, can be assumed that the data is largely reflective of claims against the license bond, because all licensed contractors have a license bond versus much smaller percentage of contractors having the LLC bond and qualifier bond. In addition, excluded from the claim data for this study were any payments made over \$15,000 (i.e. the LLC bond) because they are not the focus of this study (and there were very few of them). And all the payments made over \$12,500 cannot be against the qualifier bond.

⁷³ Nguyen, Terrence. Resolving the Double Liability Problem: A Critique of California’s Mechanics Lien Statute. UMass Law Review. 9 U. Mass. L. Rev 136. Page 136.

⁷⁴ See BPC Section 7071.6(b). It is impossible to know from the existing data how many \$7,500 payouts were because of the liability cap, versus those being simply a bond payment that happened to be valued at \$7,500. However, because there were are large number of payouts at exactly \$7,500 more than there were payouts at other specific amounts, it can be assumed that most if not all of the \$7,500 payouts were the result of the liability cap.

⁷⁵ See Business and Professions Code Section 7065.

⁷⁶ See Business and Professions Code Section 7068.

⁷⁷ See Business and Professions Code Section 7071.9.

⁷⁸ Cf.: Business and Professions Code Section 7071.5 and 7071.10.

⁷⁹ See Statutes of 1967, Chapter 1604, Section 7.

⁸⁰ See Senate Bill 467 (Hill), Chapter 656, Statutes of 2015.



⁸¹ See Business and Professions Code Section 7068.1.

⁸² See Title 16, Division 8, Article 2, Section 823 of the California Code of Regulations.

⁸³ See Business and Professions Code Section 7068.1.

⁸⁴ See *Jeff Tracy, Inc. v. City of Pico Rivera* (2015), 240 Cal.App.4th 510, at 514.

⁸⁵ This information is drawn from a report published by the National Association of State Contractors Licensing Agencies. www.nascla.org.

⁸⁶ Readers are also encouraged to contact the CSLB Executive Office at (916) 255 – 4000 for a copy of the full survey results with contractor comments.

⁸⁷ See Assembly Bill 1288 (Davis), which would have required contractors to demonstrate to CSLB that they carry general liability insurance in an amount of \$1 million as a condition of license renewal.

⁸⁸ This interview occurred on October 8, 2020.

⁸⁹ Enacted by Statutes 1979, Chapter 747, Section 1. Terminated by Senate Bill 1919, Stats.2002, c. 1123, § 1, when all contractor's bonds were raised from \$7,500 to \$10,000.

AGENDA ITEM H-2

Review, Discussion, and Possible Action on Legislative Proposal that would Make Illegal Dumping a Cause of Discipline for Licensed Contractors





CONTRACTORS STATE LICENSE BOARD

LEGISLATIVE PROPOSAL TO MAKE ILLEGAL DUMPING A CAUSE OF DISCIPLINE

Legislative Proposal to Make Illegal Dumping a Cause of Discipline

Background

Local governments and district attorneys have reported that discarded construction material is being illegally dumped and have documented instances of CSLB-licensed contractors doing so. Construction material can consist of asphalt, concrete, paint, drywall, lumber, brick, rock, ceramics, and metal of all types.

Several California cities and counties, including Alameda, Contra Costa, and Los Angeles, are trying to find effective ways to address the problem. Additionally, district attorneys throughout California report difficulty in prosecuting contractors for illegal dumping because it is challenging to criminally prosecute a corporation – identifying the individual responsible in a large corporation can be difficult, and witnesses employed by the contractor may be fearful about speaking with law enforcement.

In 2021, a legislative measure will be introduced to provide CSLB authority to discipline licensees who are found guilty of illegal dumping by adding the verbiage “illegal dumping” to Business and Professions Code section 7010. The author of this measure, Assembly Member Bill Quirk, has asked if CSLB would consider sponsoring the measure.

For CSLB, applying this measure would require local jurisdictions to confirm that disposing of construction materials inappropriately violates their law, and it would only apply to licensed contractors dumping construction material from a project. CSLB’s enforcement of illegal dumping would be similar to the authority that already exists to enforce permit requirements pursuant to BPC section 7110.

On November 4, 2020, the Legislative Committee approved forwarding to the full board the author’s request that CSLB sponsor this measure. The author’s original fact sheet for the bill as well as the original language follow. Whether or not CSLB elects to sponsor the measure, the author intends to introduce this measure in 2021.

Legislative Committee Recommendation

Recommend that the board approve Assembly Member Quirk’s request that CSLB sponsor a legislative measure that would make illegal dumping of construction materials a cause for discipline for licensed contractors.

ASSEMBLY BILL

No. 2368

Introduced by Assembly Members Quirk and Mathis

February 18, 2020

An act to amend Section 7110 of the Business and Professions Code, relating to contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 2368, as introduced, Quirk. Contractors: discipline: illegal dumping.

Existing law provides for the licensure and regulation of contractors by the Contractors' State License Board (board). Under existing law, a willful or deliberate disregard by a licensed contractor of various state building, labor, and safety laws constitutes a cause for disciplinary action by the board.

This bill would add illegal dumping to the list of violations that constitute a cause for disciplinary action against a contractor by the board.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 7110 of the Business and Professions
- 2 Code is amended to read:
- 3 7110. Willful or deliberate disregard and violation of the
- 4 building laws of the state, or of any political subdivision thereof,
- 5 or of Section 8550 or 8556 of this code, or of Sections 1689.5 to
- 6 1689.15, inclusive, of the Civil Code, or of the safety laws or labor

1 laws or compensation insurance laws or Unemployment Insurance
2 Code of the state, or of the Subletting and Subcontracting Fair
3 Practices Act (Chapter 4 (commencing with Section 4100) of Part
4 1 of Division 2 of the Public Contract Code), or violation by any
5 licensee of any provision of the Health and Safety Code or Water
6 Code, relating to the digging, boring, or drilling of water wells, or
7 Article 2 (commencing with Section 4216) of Chapter 3.1 of
8 Division 5 of Title 1 of the Government Code, *or illegal dumping*,
9 constitutes a cause for disciplinary action.

O



Assembly Member Bill Quirk, 20th Assembly District

AB 2368 – CONTRACTORS STATE LICENSE BOARD: ILLEGAL DUMPING

(UPDATED – 03.10.20)

BACKGROUND

Illegal dumping is a huge issue state-wide and impacts public health, public safety, property, and the overall quality of our environment. Cities across the state are identifying popular areas for illegal dumping – alleys, unoccupied property and in some instances, sidewalks. Material illegally dumped ranges from mattresses and discarded electronics to more hazardous items like batteries and construction material. Local governments and district attorneys have reported that discarded construction material is also being illegally dumped. Construction material can consist of asphalt, concrete, paint, drywall, lumber, brick, rock, ceramics, and metal of all types.

Several California cities and counties, including Alameda, Contra Costa and Los Angeles, are prioritizing, and trying to find creative ways to address illegal dumping. Alameda County District Attorney Nancy O’Malley states, “illegal dumping is an environmental justice issue that disproportionately affects disadvantaged communities, and impacts the sense of well-being of all who live and work in neighborhoods where it is rampant.” In 2017 Alameda and Contra Costa County launched a \$750,000 pilot program to help establish best practices that will be used to enforce illegal dumping laws across the state. In 2019, the City of Los Angeles increased its illegal dumping fines an additional 300% to combat the problem.

EXISTING LAW

Business and Professions Code §7110 grants the Contractors State Licensing Board (CSLB) with the authority to discipline licensees for violations relating to state building, labor, and safety provision.

PROBLEM

There have been documented instances in which CSLB licensees have been caught illegally dumping construction materials and debris in an attempt to “cut corners” and maximize their total profit. They feel comfortable in doing so, because it is economically feasible, as the fines for violating illegal

dumping laws are relatively minimal. Additionally, district attorney’s throughout California report having difficulty in prosecuting cases because it is challenging to criminally prosecute a corporation, identifying the individual responsible in a large corporation can be next to impossible, and witnesses may be fearful about speaking with law enforcement.

Furthermore, the CSLB cannot discipline a licensee for illegally dumping. According to the board, this is because illegal dumping is not a direct violation of their Act.

SOLUTION

AB 2368 will provide the Contractors State License Board the authority to discipline licensees who are found guilty of illegal dumping.

SUPPORT

None at this time

FOR MORE INFORMATION

Evan Gyorkos, *Legislative Assistant*
(916) 319-2020
Evan.gyorkos@asm.ca.gov

AGENDA ITEM H-3

Review, Discussion, and Possible Action on Staff Recommendations for Legislative Proposals to Make Minor, Technical, or Non-Substantive Changes to the Contractors State License Law (Omnibus Bill, Clean-Up Request)





CONTRACTORS STATE LICENSE BOARD

OMNIBUS CONCEPTS, CLEAN-UP REQUEST

Omnibus Concepts, Clean-Up Request

On November 6, 2020, the Senate Business, Professions, and Economic Development Committee solicited ideas for “technical, non-substantive” legislative proposals that are “not controversial” or beyond the “technical cleanup” intended. Staff proposes for board consideration the following four concepts related to Contractors State License Law to share with the Senate committee in response to their request. The proposed legislative language for these changes follows the summaries.

1. Clean-Up Business and Professions Code Sections 7011.4 and 7017.3

On July 1, 2020, CalHR approved a reclassification of CSLB “Enforcement Representative” employees to “Investigators” and “Special Investigators.” As a result, references to Enforcement Representatives in the Contractors State License Law must be changed to Investigators and Special Investigators. This will affect Business and Professions (BPC) Code sections 7011.4 and 7017.3.

2. Clean-Up Business and Professions Code Section 7058.5.

Section 7058.5 of the BPC was last amended in 2011. It provides that no contractor shall engage in asbestos-related work unless the license qualifier passes a CSLB-issued asbestos certification examination. In 2015, CSLB created in regulation and began issuing the C-22 Asbestos Abatement specialty contractor license. The C-22 authorizes a contractor to engage in asbestos-related work and the examination referred to in BPC section 7058.5 is a prerequisite to obtaining the C-22 license. As a result, BPC section 7058.5 should be amended to clarify that the C-22 license also authorizes a contractor to engage in asbestos-related to work.

3. Clean-Up Business and Professions Code Section 7124.6

Among other changes to the law, Senate Bill 1474 (Chapter 312, Statutes of 2020) removed CSLB’s “letter of admonishment” program from BPC section 7099.2 and placed it in BPC section 7099.9. As a result, references in the law to the letter of admonishment as being in section 7099.2 must be changed to section 7099.9.



4. Clean-Up Business and Professions Code Section 7169.

Assembly Bill 2471 (Chapter 158, Statutes of 2020) extends the three-day right to cancel certain contracts to five days for senior citizens. As a result, the reference to there being only a “three-day” right to cancel in BPC section 7169 is not correct and needs to be amended appropriately.



Draft Legislative Language to Make Minor, Technical, or Non-Substantive Changes to the Contractors State License Law

1. Clean-Up Business and Professions Code Sections 7011.4 and 7017.3

Business and Professions Code Section 7011.4.

(a) Notwithstanding Section 7011, there is in the Contractors' State License Board, a separate enforcement division that shall rigorously enforce this chapter prohibiting all forms of unlicensed activity and shall enforce the obligation to secure the payment of valid and current workers' compensation insurance in accordance with Section 3700.5 of the Labor Code.

(b) Persons employed as ~~enforcement representatives~~ *special investigators* of the Contractors' State License Board and designated by the Director of Consumer Affairs shall have the authority to issue a written notice to appear in court pursuant to Chapter 5C (commencing with Section 853.5) of Title 3 of Part 2 of the Penal Code. An employee so designated is not a peace officer and ~~is not entitled to safety member retirement benefits as a result of that designation. He or she~~ does not have the power of arrest.

(c) When participating in the activities of the Joint Enforcement Strike Force on the Underground Economy pursuant to Section 329 of the Unemployment Insurance Code, the enforcement division shall have free access to all places of labor.

Business and Professions Code Section 7017.3.

The Contractors' State License Board shall report annually to the Legislature...

... [Excised as not relevant to this proposal]...

(e) For the board's Intake/Mediation Center and the board's Investigation Center closures, respectively, the total number of complaints closed prior to a field investigation per consumer services representative, and the total number of complaints closed after referral for a field investigation per ~~enforcement representative.~~ *investigator and special investigator*. Additionally, the board shall report the total number of complaints closed by other board staff during the year.

2. Clean up Business and Professions Code Section 7058.5

(a) No contractor shall engage in asbestos-related work, as defined in Section 6501.8 of the Labor Code, that involves 100 square feet or more of surface area of asbestos containing materials, unless the qualifier for the license passes an asbestos certification



~~examination.~~ *examination or holds the C-22 Asbestos Abatement contractor classification.* Additional updated asbestos certification examinations may be required based on new health and safety information. The decision on whether to require an updated certification examination shall be made by the Contractors State License Board, in consultation with the Division of Occupational Safety and Health in the Department of Industrial Relations and the Division of Environmental and Occupational Disease Control in the State Department of Public Health.

... *[Excised as not relevant to this proposal]*...

3. Clean up Business and Professions Code Section 7124.6

(a) The registrar shall make available to members of the public the date, nature, and status of all complaints on file against a licensee that do either of the following: ...

... *[Excised as not relevant to this proposal]*...

(c) (1) A complaint resolved in favor of the contractor shall not be subject to disclosure. (2) A complaint resolved by issuance of a letter of admonishment pursuant to ~~Section 7099.2~~ *Section 7099.9* shall not be deemed resolved in favor of the contractor for the purposes of this section. A letter of admonishment issued to a licensee shall be disclosed for a period of one year from the date described ~~in paragraph (2) of subdivision (c) of Section 7099.2.~~ *in subdivision (c) of Section 7099.9.*

4. Business and Professions Code Section 7169

... *[Excised as not relevant to this proposal]*...

(b) On or before July 1, 2018, the board, in collaboration with the Public Utilities Commission, shall develop, and make available on its internet website the disclosure document described in subdivision (a) that a solar energy system company shall provide to a consumer prior to completion of a sale, financing, or lease of a solar energy system. The “solar energy system disclosure document” shall be printed on the front page or cover page of every solar energy contract. The “solar energy system disclosure document” shall be printed in boldface 16-point type and include the following types of primary information:

- (1) The total cost and payments for the system, including financing costs.
- (2) Information on how and to whom customers may provide complaints.
- (3) The consumer’s right to ~~a cooling-off period of three days~~ *the appropriate cancellation period* pursuant to Section 7159 of the Business and Professions Code.

... *[Excised as not relevant to this proposal]*...

AGENDA ITEM H-4

Update on Previously Approved Legislative Proposals





Update on Previously Approved Legislative Proposals

Below is a summary and status update of legislative proposals approved by the board at the December 2019 and September 2020 meetings for which staff will seek an author for the 2021 legislative year. This is a status update only; no further action is required from the committee at this time.

Approved Proposals for Legislative Authorship in 2021

- a. Increase Civil Penalties for Specified Violations of the Contractors Law.** This proposal would raise the statutory cap on civil penalties for specific violations from \$15,000 to \$30,000 and would raise the statutory cap on all other civil penalties from \$5,000 to \$8,000. Among the violations for which the statutory cap would be raised to \$30,000 would be a licensee “filing of a false certificate of exemption from workers’ compensation insurance.”

Status: Legislative proposal approved by the board at its December 12, 2019 meeting. Currently seeking authorship for 2021 legislative year.

- b. Authorize Additional Minor Violations in a Letter of Admonishment Issued by CSLB.** Existing law authorizes CSLB to issue a letter of admonishment (LOA) for less egregious violations of the law, but limits LOAs to a single violation. This proposal would authorize CSLB to include additional minor violations in an LOA as appropriate.

Status: Legislative proposal approved by the board at its December 12, 2019 meeting. Currently seeking authorship for 2021 legislative year.

- c. Preclude Certain Licensees from Filing an Exemption from Workers’ Compensation in 2022 and Prohibit all Licensees from Doing so by 2025.** By precluding the filing of workers’ compensation exemptions for specified, and eventually all licensees, this proposal would require workers’ compensation insurance for C-8 Concrete contractors, C-20 HVAC contractors, and D-49 Tree Service contractors, and within three years (2025) would require workers’ compensation for every actively licensed contractor.

Status: Legislative proposal approved by the board at its September 9, 2020 meeting. Currently seeking authorship for 2021 legislative year.

**LEGISLATIVE PROPOSAL (Approved by board December 12, 2019)**

SUBJECT: Increasing the civil penalty assessment threshold amount.

RELEVANT PROVISION: BPC section 7099.2(b)

BACKGROUND: BPC §7099.2(b) establishes \$5,000 as the maximum civil penalty assessment allowed for most violations of contractors' state license law.

A maximum assessment of \$15,000 is specified for two violations considered more egregious:

- BPC §7114 (aiding, abetting, or conspiring); and
- BPC §7118 (hiring an unlicensed contractor)

Additionally, filing a false workers' compensation insurance exemption, a violation of BPC §7125.4, has a maximum penalty of \$5,000.

IDENTIFICATION OF PROBLEMS

1. The \$5,000 maximum general cap on civil penalty assessments was last increased in 2003, for only the second time since being instituted 40 years ago. The \$15,000 violation-specific cap has never been increased since it was instituted in 1992, 27 years ago.

Also, since 1992, California's Consumer Price Index (CPI) has increased 92 percent, and since 2003, it has increased 48 percent. So, applying the respective CPI increases to the existing assessment caps would bring the general cap to \$7,400; the violation-specific amount to \$28,800.

2. The maximum civil penalty assessment for BPC §7125.4 does not accurately reflect current economic conditions in the state's construction industry.

This code makes it a cause of discipline for a contractor to have employees without providing workers' compensation, for which the maximum civil penalty assessment is \$5,000.

However, in a case where a C-8 Concrete contractor has 10 full-time employees and a payroll of \$500,000 that contractor, according to the State Compensation Insurance Fund, would pay an estimated annual workers' compensation insurance premium of \$28,000 to \$48,000. For some licensees, the possibility of a \$5,000 civil penalty for not carrying WC insurance is a small price to pay in exchange for saving tens of thousands of dollars each year in insurance premiums.

In addition, the California Department of Industrial Relations can penalize illegally uninsured employers up to \$100,000, and can assess a penalty of either twice the amount the employer would have paid in WC premiums during the uninsured time or the sum of \$1,500 per employee during the uninsured time – whichever is greater.



PROPOSED CHANGE: The civil penalty assessment caps in BPC §7099.2(b) should be increased to more accurately reflect current economic conditions.

With rounding and some allowance for future CPI increases, staff propose raising the general cap for civil penalties from \$5,000 to \$8,000, and raising the violation-specific cap from \$15,000 to \$30,000.

Additionally, BPC §7125.4 should be included with the violation-specific penalty assessments listed in BPC §7099.2(b) to reflect the severity of this violation and better command licensee compliance with WC laws. Note: Unlicensed contractors are generally referred for criminal prosecution.

Under this proposal, the maximum penalty assessment for BPC §7125.4 would increase from \$5,000 to \$30,000.

PROPOSED LANGUAGE: Business and Professions Code Section 7099.2.

(a) The board shall promulgate regulations covering the assessment of civil penalties under this article that give due consideration to the appropriateness of the penalty with respect to the following factors:

- (1) The gravity of the violation.
- (2) The good faith of the licensee or applicant for licensure being charged.
- (3) The history of previous violations.

(b) Notwithstanding Section 125.9 and except as otherwise provided by this chapter, no civil penalty shall be assessed in an amount greater than ~~five thousand dollars (\$5,000).~~ eight thousand dollars (\$8,000). Notwithstanding Section 125.9, a civil penalty not to exceed ~~fifteen thousand dollars (\$15,000)~~ thirty thousand dollars (\$30,000) may be assessed for a violation of Section 7114 ~~or 7118.~~, 7118, or 7125.4.

(c) ...[EXCISED AS NOT RELEVANT TO THIS PROPOSAL]

ENFORCEMENT COMMITTEE RECOMMENDATION: That the board direct staff to seek an author for a legislative proposal that would:

1. Amend BPC §7099.2(b) to increase the maximum civil penalty assessments specified from \$5,000 to \$8,000, and from \$15,000 to \$30,000 for violations of BPC §7114 and §7118; and
2. Add violations of BPC §7125.4 (filing false exemptions for workers' compensation insurance) to the violation-specific penalty assessments listed in the statute.

**LEGISLATIVE PROPOSAL (Approved by board December 12, 2019)**

SUBJECT: Including more than one violation of contractors' state license law in a single Letter of Admonishment issued to a licensee.

RELEVANT PROVISION: Business and Professions Code (BPC) section 7099.2(c)

BACKGROUND: The Letter of Admonishment (LOA) is an intermediate level of corrective action used by CSLB with licensed contractors. The LOA enhances public protection by: 1) requiring prompt corrective action by the recipient; and 2) disclosing that violation to the public for one year. Senate Bill 486 (Monning) authorized CSLB's use of the LOA, which added enabling language to BPC §7099.2 and §7124.6. CSLB implemented field use of the LOA on July 1, 2018.

In terms of severity, the LOA is positioned between an Advisory Notice and an administrative citation. A review of SB 486's legislative history makes it clear that the legislative intent was *not* to use the LOA for egregious violations. To ensure that CSLB appropriately used the LOA, the Legislature added several restrictions for its use, codified as BPC §7099.2(c)(6) which states that an LOA cannot be used to close an investigation that includes any of the following conditions:

- a) The licensee, registrant, or applicant was unlicensed at the time of the violation;
- b) Multiple violations have been established;
- c) The licensee, registrant, or applicant has a history of the same or similar violations;
- d) The violation resulted in financial harm to another;
- e) The victim is an elder or dependent adult as defined in section 368 of the Penal Code; and
- f) The violation is related to the repair of damage caused by a natural disaster.

To ensure that LOAs issued by CSLB comply with these and other statutory restrictions, CSLB has implemented a formal, multi-level review process. This process includes review and compliance evaluation of each LOA complaint by a dedicated LOA program coordinator. The LOA approval process concludes with review and signature by the Enforcement division chief. CSLB's LOA procedures are documented and statewide training on LOA issuance is provided to all Enforcement division supervisors.

In almost all respects, CSLB's established LOA processes have been extremely effective. Field personnel use of the LAO has steadily increased, and 165 LOAs were issued in the first nine months of 2019.

IDENTIFICATION OF PROBLEM: BPC §7099.2(c)(6) precludes use of a LOA if "multiple violations have been established," to ensure that an LOA not be issued to egregious offenders for whom a more severe closing action would be appropriate.



However, many of CSLB’s consumer complaint investigations establish multiple *minor*, non-hazardous violations. Many of these investigations are appropriate for closure with a LOA, particularly one that includes a corrective action plan (e.g. take the online building code compliance training and provide evidence of an appropriate home improvement contract); but statutory restrictions preclude that option.

The unintended consequence of this restriction has been that field investigators who establish multiple minor violations and elect to use an LOA will select only one of those violations. Any other minor violations established in their investigation will be disregarded and not captured in CSLB’s database making them unavailable for reference, disclosable to the public, or for use in subsequent investigations of the same violator. Alternatively, the inability to use an LOA for multiple violations often results in a citation for non-egregious violations, which is a costly program for CSLB to administer and delays resolution for the consumer and compliance by the contractor.

PROPOSED CHANGE: Elimination of the “multi-violation” restriction in BPC section 7099.2(c), as follows:

(6) The board shall not issue a letter of admonishment when any one of the following factors is present:

(A) The licensee, registrant, or applicant was unlicensed at the time of the violation.

~~(B) Multiple violations have been established.~~

~~(C)~~(B) The licensee, registrant, or applicant has a history of the same or similar violations.

~~(D)~~(C) The violation resulted in financial harm to another.

~~(E)~~(D) The victim is an elder or dependent adult as defined in Section 368 of the Penal Code.

~~(F)~~(E) The violation is related to the repair of damage caused by a natural disaster.

The remaining statutory restrictions established by CSLB policy, and the existing internal review process will ensure that LOAs continue to be utilized *only* for non-egregious, non-hazardous contracting violations.

ENFORCEMENT COMMITTEE RECOMMENDATION: That the board direct staff to seek an author for a legislative proposal that would eliminate the “multi-violation” restriction for LOAs in BPC section 7099.2(c).

**LEGISLATIVE PROPOSAL (Approved by board September 9, 2020)**

SUBJECT: Precluding CSLB from accepting certificates of exemption from workers' compensation insurance from licensed contractors, thereby requiring that all contractors have a certificate of workers' compensation insurance on file by 2025.

RELEVANT PROVISIONS: Section 7125 and Section 7125.4 of the Business and Professions Code

BACKGROUND: There are two primary ways an employer can cheat California workers' compensation laws: 1) by not having workers' compensation at all; or 2) by committing premium fraud. CSLB's jurisdiction relates to contractors employing workers without workers' compensation insurance. Contractors State License Law provides CSLB administrative authority to discipline licensees that employ workers without obtaining a workers' compensation insurance policy and/or who file a false exemption from the workers' compensation insurance requirement. Every year approximately 50-60% of licensed contractors claim to not have employees.

IDENTIFICATION OF PROBLEM: CSLB research and enforcement activities indicate a licensee's failure to obtain a workers' compensation insurance policy and/or having a false exemption on file is a widespread issue. CSLB has worked to address this problem for many years, with minimal success. CSLB routinely takes disciplinary action against licensees discovered to have employees while having a false exemption on file, either through a consumer complaint or during a compliance sweep at an active construction site. Despite CSLB's efforts, however, the number of workers' compensation exemptions on file and contractors determined to be in violation has remained consistent.

PROPOSED CHANGE: By precluding the filing of workers' compensation exemptions for specified, and eventually all licensees, this proposal would require workers' compensation insurance for C-8 Concrete contractors, C-20 HVAC contractors, and D-49 Tree Service contractors, and within three years would require workers' compensation for every actively licensed contractor.

LEGISLATIVE LANGUAGE

Require workers' compensation for the C-8, C-20, and D-49 for the first three years, and then require it for everyone by no longer accepting exemptions in 2025.

[Section 1 - Amend BPC § 7125 as follows:](#)

- a) Except as provided in subdivision (b), the board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification



of Self-Insurance in the applicant's or licensee's business name. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by an insurer duly licensed to write workers' compensation insurance in this state. A Certification of Self-Insurance shall be issued and filed by the Director of Industrial Relations. If reciprocity conditions exist, as provided in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to ensure compliance with this section.

- b) This section does not apply to an applicant or licensee who meets both of the following conditions:
- 1) Has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.
 - 2) Does not hold a ~~C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations.~~ a C-8 license, as defined in Section 832.08 of Title 16 of the California Code of Regulations, a C-20 license, as defined in Section 832.20 of Title 16 of the California Code of Regulations, a C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations, or a C-61/D-49 license, as defined in Section 832.61 of Title 16 of the California Code of Regulations.
- c) No Certificate of Workers' Compensation Insurance, Certification of Self-Insurance, or exemption certificate is required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive.
- d)
- 1) The insurer, including the State Compensation Insurance Fund, shall report to the registrar the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable.
 - 2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:
 - A. The insurer has completed a premium audit or investigation.



B. A material misrepresentation has been made by the insured that results in financial harm to the insurer.

C. No reimbursement has been paid by the insured to the insurer.

3) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee.

e)

1) For any license ~~that, on January 1, 2013,~~ that is active and includes a ~~C-39 classification~~ a C-8, C-20, C-39, or a C-61/D-49 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension otherwise required under this article, remove ~~C-39 classification~~ the C-8, C-20, C-39, or a C-61/D-49 classification from the license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar.

2) For any licensee whose license, ~~after January 1, 2013,~~ is active and has had the ~~C-39 classification~~ C-8, C-20, C-39, or a C-61/D-49 classification removed as provided in paragraph (1), and who is found by the registrar to have employees and to lack a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, that license shall be automatically suspended as required under this article.

f) The information reported pursuant to paragraph (2) of subdivision (d) shall be confidential, and shall be exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

g) This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.

Section II – Amend BPC § 7125 as follows:

a) ~~Except as provided in subdivision (b), the board~~ The board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by an insurer duly licensed to write workers' compensation insurance in this state. A Certification of Self-Insurance shall be issued and filed by the Director of Industrial Relations. If reciprocity conditions



exist, as provided in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to ensure compliance with this section.

~~b) This section does not apply to an applicant or licensee who meets both of the following conditions:~~

~~1) Has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.~~

~~2) Does not hold a C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations.~~

c) No Certificate of Workers' Compensation Insurance, ~~Certification of Self-Insurance, or exemption certificate~~ Certification of Self-Insurance is required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive.

d)

1) The insurer, including the State Compensation Insurance Fund, shall report to the registrar the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable.

2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:

- A. The insurer has completed a premium audit or investigation.
- B. A material misrepresentation has been made by the insured that results in financial harm to the insurer.
- C. No reimbursement has been paid by the insured to the insurer.

3) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee.

e)

~~1) For any license that, on January 1, 2013, is active and includes a C-39 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension otherwise required under this article, remove the C-39 classification from the license unless a valid~~



~~Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar.~~

- 2) ~~For any licensee whose license, after January 1, 2013, is active and has had the C-39 classification removed as provided in paragraph (1), and who is found by the registrar to have employees and to lack a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, that license shall be automatically suspended as required under this article.~~
- f) The information reported pursuant to paragraph (2) of subdivision (d) shall be confidential, and shall be exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).
- g) *This section shall become operative on January 1, 2025, after which date the registrar shall no longer accept certificates of exemption from workers' compensation on behalf of a licensee.*

Section III – Amend BPC § 7125.4 as follows:

- (a) The filing of the exemption certificate prescribed by this article that is false, or the employment of a person subject to coverage under the workers' compensation laws after the filing of an exemption certificate without first filing a Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in accordance with the provisions of this article, or the employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that person, constitutes cause for disciplinary action.
- (b) Any qualifier for a license who, under Section 7068.1, is responsible for assuring that a licensee complies with the provisions of this chapter is also guilty of a misdemeanor for committing or failing to prevent the commission of any of the acts that are cause for disciplinary action under this section.
- (c) *This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.*

Section IV – Amend BPC § 7125.4 as follows:

- (a) The filing of the ~~exemption~~ certificate prescribed by this article that is false, or the employment of a person subject to coverage under the workers' compensation laws ~~after the filing of an exemption certificate~~ without first filing a Certificate of Workers'



Compensation Insurance or Certification of Self-Insurance in accordance with the provisions of this article, or the employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that person, constitutes cause for disciplinary action.

(b) Any qualifier for a license who, under Section 7068.1, is responsible for assuring that a licensee complies with the provisions of this chapter is also guilty of a misdemeanor for committing or failing to prevent the commission of any of the acts that are cause for disciplinary action under this section.

(c) *This section shall become operative on January 1, 2025, after which date the registrar shall no longer accept certificates of exemption from workers' compensation on behalf of a licensee.*

AGENDA ITEM I

Adjournment

