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THIRTEENTH SENATE DISTRICT



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July 27, 2015

Cindi Christenson, Registrar
Contractors State License Board
9821 Business Park Drive
Sacramento, CA 95827

Dear Ms. Christenson:

On July 14, 2015 the Assembly Committee on Business and Professions had an in-depth discussion on the extent to which the Contractors State License Board (CSLB) should obtain information from its licensees regarding felony convictions or any other crime substantially related to the qualifications, functions, and duties of a licensed contractor. Discussions also included whether licensees should be required to disclose to the CSLB if they have been subject to a civil action settlement or binding arbitration award above a certain amount resulting from specified acts.

What prompted this discussion was the introduction of Senate Bill 465, which we joint-authored to address what we believe to be a loophole in state law exposed by the June 16, 2015 balcony collapse in Berkeley that killed six people and injured seven others. The company that constructed the apartment complex, Segue Construction Company, has a history of questionable work. Notably, over the past three years, the company paid out \$26.5 million dollars in legal settlements over construction defects. State law, however, does not require contractors to report defect settlement cases to the CSLB. Such disclosure requirements are routine for professionals such as architects, engineers and doctors.

CSLB's chief of enforcement has been quoted in recent weeks regarding the Segue settlements saying, "Had we known about the suits and the underlying reasons for them, we would have absolutely taken action." He went on to say that the repeated problems would have triggered an investigation into suspending or revoking their contractor's license, adding that even a citation for a single violation would have gone on Segue's record to alert city building officials.

But because Segue settled out of court, and because a loophole in state law allows it, the board, which oversees construction licensing in California, was unaware of the company's history of construction defect lawsuits until after the June 16 tragedy.

Since SB 465 remains in the Assembly Committee on Business and Professions and cannot be acted on until January 2016, we're requesting that the CSLB work with interested parties in the coming months to determine which information licensees should be required to report so that the state's contractor watchdog has the information it needs to protect the public.



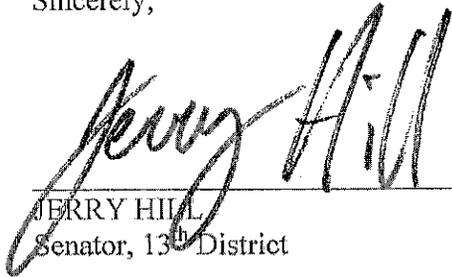
The main issues that legislators thought warranted discussion surrounding the reporting requirements included:

- To what extent civil action settlements or binding arbitration awards should be disclosed to the CSLB. Should all of them be disclosed, or just those over a certain amount, or just those that are substantially related to the qualifications, functions, and duties of a licensed contractor.
- If disclosure is warranted, when should that information be made available to the public. Should it be limited to when the CSLB conducts an investigation and determines action should be taken.

We appreciate the work you do every day to ensure California's contractors and licensees are acting in the public's best interest. We look forward to working with you during the coming months to determine the best way to provide the Board with useful licensee conviction and settlement information so you can be fully empowered to achieve your mission of protecting California consumers by licensing and regulating the state's construction industry.

Thank you for your consideration of this request. You're welcome to contact us if you'd like more information or if we can be of assistance bringing the proper stakeholders together.

Sincerely,



JERRY HILL
Senator, 13th District



LONI HANCOCK
Senator, 9th District