



Strategic Plan

2014-15





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OVERVIEW

California's construction industry is unique from other states in terms of its breadth, magnitude, and complexity. California has one of the top 10 world economies, and construction continues to be one of the state's largest industries. California's physical size, large and diverse population, varied landscape and climate, frequent seismic activity, distinctive legal framework, and massive economy create an unusually demanding context for contractor licensing.

The responsibility for licensing and regulating California's construction industry belongs to the Contractors State License Board (CSLB).

CSLB was established by the Legislature in 1929 as the Contractors License Bureau, under the Department of Professional and Vocational Standards, to protect the public from irresponsible contractors. In 1935, the mission and duties were placed under the auspices of a seven-member Board. The Board increased to 15 members in 1960. Since 1970, CSLB has been part of the Department of Consumer Affairs.

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

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



BOARD STRUCTURE AND FUNCTIONS

The 15-member Board is comprised of five contractor members and 10 public members. The public members include one labor representative, one local building



official, and one representative of a statewide senior citizen organization. The governor and state legislature make these appointments.

The Board appoints the Registrar of Contractors, who directs administrative policy for CSLB operations. CSLB currently has five standing committees that perform various functions for the Board.

- **Licensing Committee** – Ensures that all applicants and licensees are qualified to provide construction services
- **Enforcement Committee** – Helps reduce, eliminate, or prevent unlicensed activity and unprofessional conduct that pose a threat to public health, safety, and welfare
- **Public Affairs Committee** – Educates consumers about making informed choices related to construction services, and provides information to licensed contractors so they can improve their technical, management and service skills
- **Legislative Committee** – Ensures that statutes, regulations, policies, and procedures strengthen and support CSLB operations
- **Executive Committee** – Enhances organizational effectiveness and improves the quality of service in all programs

LICENSING CONTRACTORS

CSLB regulates contractors in 43 license classifications and two certifications under which members of the construction industry practice their trades and crafts. As of May 2014, there were about 288,000 licensed contractors (both active and inactive status) in California.

Licenses are categorized into three basic branches of contracting business, as defined by statute and CSLB rules and regulations:

- **Class “A” General Engineering –**
Infrastructure and similar projects requiring specialized engineering knowledge and skill
- **Class “B” General Building –**
Buildings – housing, commercial, office, etc.
- **Class “C” Specialty –**
Specific trades, such as painters, plumbers, electricians, etc.

CSLB may issue a license to an individual, partnership, corporation, limited liability company, or joint venture. All licenses must have a qualifying individual (also referred to as a “qualifier”). A qualifying individual is the person listed in CSLB records who satisfies the experience and examination requirements for a license.

Depending on the type of license, the qualifying individual must be designated as an owner, responsible managing employee, responsible managing officer, responsible managing manager, responsible managing member or qualifying partner in the license records. A qualifying individual is required for every classification and on each license issued by CSLB; the same person may serve as the qualifier for more than one classification.

CSLB also registers home improvement salespersons (HIS) who are engaged in the sale of home improvement goods and services. As of May 2014, there were nearly 9,600 active HIS registrants.

ENFORCING CONTRACTORS STATE LICENSE LAW

CSLB’s responsibility to enforce California’s Contractors State 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. In fiscal year (FY) 2012-13, CSLB helped recover nearly \$44 million in ordered restitution for consumers.



CSLB receives complaints from members of the public, licensees and professional groups, governmental agencies, and others concerning all phases of the construction industry. However, the majority of complaints come from owners of residential property involved in remodeling or repair work. In the 2013 calendar year, CSLB opened 17,543 cases and closed 18,386 complaints.

COMPLAINT PROCESS

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

- Complaint initiation: complaint receipt, screening, and mediation to establish jurisdiction and attempt resolution when disciplinary action is not necessary;
- Complaint investigation: field investigations performed by Enforcement Representatives;
- Arbitration: resolution of disputes for cases meeting defined criteria;
- Minor cases: issuance of a warning letter for technical violations of law;
- Citations: issued when public disclosure is warranted and/or a material financial injury exists;
- Accusations: referral of completed investigation reports to the Attorney General's (AG) Office for serious violations that warrant suspension or revocation of a license;
- Criminal referrals: cases involving criminal violations referred to local prosecutors for filing of criminal charges;
- Appeal hearings: evidentiary hearings before an administrative law judge (ALJ) from the Office of Administrative Hearings;
- Proposed decision: submission of the ALJ's proposed decision to the Registrar of Contractors for final agency decision;
- Reconsideration: request to the Registrar to reconsider the proposed decision; and
- Judicial review: Petition of Writ of Mandate in superior court;

THE UNDERGROUND ECONOMY

California's underground economy drastically affects law-abiding businesses, consumers, and workers. The problem is particularly prevalent in the construction industry, where cheating businesses underbid law-abiding businesses by:

- Failing to obtain required licenses and building permits;
- Failing to pay payroll or other taxes;
- Failing to obtain required workers' compensation insurance;
- Failing to report worker injuries to keep insurance premiums artificially low; and
- Lying on workers' compensation insurance applications to obtain a lower rate.

CSLB estimates that on any given day, tens of thousands of licensed contractors and unlicensed operators are breaking the law and contributing to the state's underground economy.

Since no one state agency has the resources or the information to tackle this enforcement problem alone, state agencies with overlapping jurisdictions in the areas of labor law enforcement have joined forces to make a concerted, consistent, and effective dent in California's underground economy. CSLB is a partner in the Labor Enforcement Task Force (LETF).

LETF, which was launched January 1, 2012, is comprised of investigators from CSLB, the Department of Industrial Relations, Employment Development Department, and Board of Equalization, in collaboration with the Insurance Commissioner and Attorney General's Office. Partners have broadened information-sharing and the use of new enforcement technology to improve the way they target businesses in the underground economy.



UNLICENSED ACTIVITY

CSLB's Statewide Investigative Fraud Team (SWIFT) proactively combats illegal contractors who operate in the underground economy. SWIFT routinely partners with other state and local regulatory and law enforcement agencies to conduct undercover sting and sweep operations, targeting egregious offenders who pose a threat to consumers, employees, businesses, and legitimate licensed contractors.

SIGNIFICANT ACCOMPLISHMENTS OF 2013-2014

Board members develop CSLB's annual strategic plan after reviewing the previous fiscal year's accomplishments. During FY 2013-14, CSLB divisions accomplished the following:

Licensing/Testing

- Established a Veterans Application Assistance program for military service personnel transitioning to civilian employment
- Enabled Renewal/Registration Fee Waiver for active military personnel
- Increased by 17% the number of calls answered by Licensing Information Center (LIC) staff; more than 146,000 calls answered in 2013
- Reduced average wait time for LIC callers to from 7:00 to 2:13 minutes
- Conducted eight occupational analyses and updated eight license exams in calendar year 2013
- Scheduled more than 30,000 license exams at CSLB's eight test centers throughout California

Enforcement

- Expanded Public Works Unit from two to four investigators
- Added nine Peace Officer positions (for a total of 12)
- Lowered consumer complaint cases aged over 270 days to a record average low of 84 days
- Conducted 84 stings during calendar year 2013, resulting in 773 individuals being issued Notices to Appear in superior court for charges including contracting without a license

- Partnerships established with Employment Development Department (EDD), Franchise Tax Board (FTB), Division of Labor Standards Enforcement (DLSE), and Division of Occupational Safety and Health (DOSH) resulting in the suspension of 553 licenses for outstanding liabilities totaling more than \$37 million; suspension program resulted in payment of more than \$15 million to allied state agencies
- Arbitration program rendered 288 awards in calendar year 2013, with \$1,254,767 in restitution ordered for financially injured persons; forty-five licenses were revoked for failure to comply with an arbitration award
- Appointed CSLB's first Deputy Chief of Enforcement

Legislative

- Sponsored Senate Bill 261 (Monning, Chapter 163, Statutes of 2013)
The new law allows CSLB to take administrative action for certain violations related to misuse of a contractor's license. This change enables CSLB to establish a relevant record against licensed and unlicensed individuals who commit these egregious violations.
- Sponsored Senate Bill 262 (Monning, Chapter 180, Statutes of 2013)
The new law provides that failure of a qualifying individual to exercise direct supervision and control of construction operations constitutes grounds for disciplinary action, punishable as a misdemeanor or imprisonment in a county jail, by a fine of \$3,000 - \$5,000, or both. The authority provided by this bill enhances consumer protection and ensures that licensees are fulfilling their supervisory requirements.

Public Affairs

- Organized and conducted 76 Senior Scam Stopper seminars during calendar year 2013 (average attendance of 59); 300th seminar was held in January 2014
- Redesigned and worked with Information Technology division to launch new employee-only intranet site



Information Technology/Administration

- Began disclosing partner agencies' disciplinary actions on CSLB's website
- Implemented new storage and backup solutions for all critical CSLB data, including redundant system in Fresno to prevent loss of critical information in a disaster
- Successfully moved test center from Oakland to Berkeley
- Received a prestigious state award for CSLB's emphasis on buying from small businesses and disabled veteran business enterprises

PROGRAM PRIORITIES

The Board established the following priorities to direct program activities:

- Focus on early enforcement intervention and high priority (health and safety) complaints.
- Help keep licensees in business and maintain the collection of revenue by keeping renewals and license maintenance current.
- License applicants by reviewing qualifications and criminal background, and administering legal and effective examinations.
- Educate consumers about their rights and responsibilities, and empower consumers with methods to protect themselves.
- Stress early intervention and resolution of reactive complaints, and refer minor complaints to small claims court.
- Provide services through the Licensing Information Center (call center) and public counters.
- Ensure that Administrative Services and Information Technology divisions provide the support necessary to maintain unit operations.

CSLB IN THE YEAR 2020

CSLB has adopted and aims to establish the following vision by 2020:

Licensing/Call Center and Testing

- Electronic/paperless application, renewal and license management processes
- Fully automated bond and workers' compensation insurance submission processes
- Majority of all communication with applicants and licensees via email
- Virtual call center with chat ability
- Email Unit
- State-of-the-art security technology in testing centers

Enforcement

- System for purchasing new vehicles that utilizes the latest technology, including GPS and Bluetooth
- Improved, direct communication between CSLB headquarters and field offices including video conferencing, online training, etc.
- Improved CSLB presence statewide with more small field offices
- Staff access to new communication equipment
- Staffed in-house training program
- Pay differentials and adjustments for staff in high-cost areas of state
- Utilization of state-of-the-art audio/video equipment



Public Affairs

- State-of-the-art audio/video studio to communicate directly with media/ stakeholders
- State-of-the-art social network communications
- Ability to quickly look up license information with smartphones through QR codes or other technology
- Ability to attend/participate in conferences (both inside and outside of California)

Administration and IT

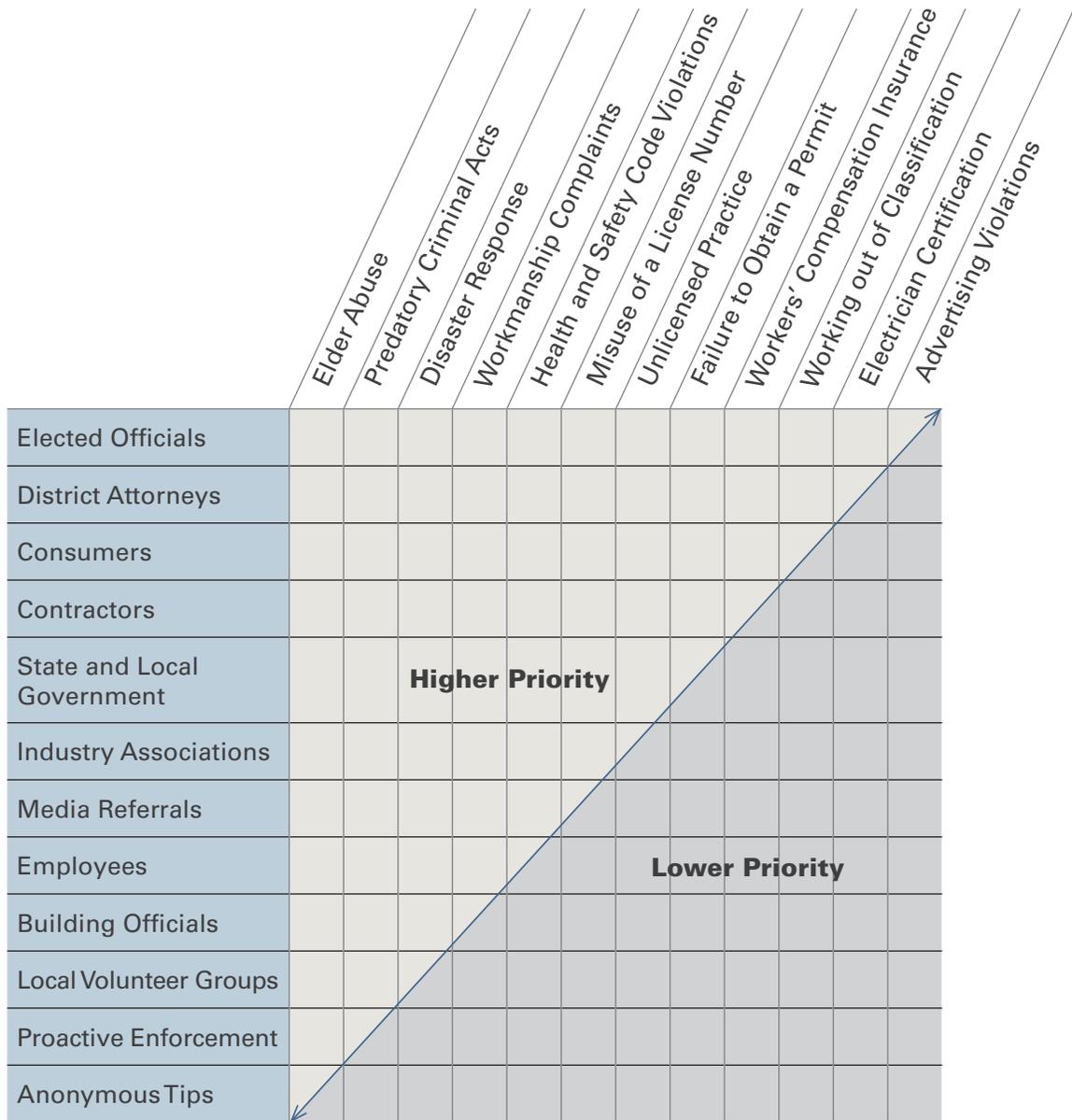
- VDI (Virtual Desktop)
- Hiring and retention plan for IT staff
- Enhanced Tele-Work/telecommuting in a virtual environment
- Supervisors provided with real-time snapshot of work in progress
- Automation of all internal services using state-of-the-art technology
- Develop Email Alert system for licensees



CSLB LIVE Web Stream: Quarterly Board Meeting
Wednesday, February 19, 2014



CSLB ENFORCEMENT PRIORITIZATION





MISSION

CSLB protects consumers by regulating the construction industry through licensure, enforcement, and education.

VISION

CSLB is a model consumer protection agency, integrating regulatory oversight of the construction industry as necessary for 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.

GOALS AND OBJECTIVES

CSLB has identified the following objectives to help meet its goals. These objectives are assigned with a priority status of: (E) Essential, (I) Important or (B) Beneficial.

GOAL 1: LICENSING AND TESTING

Ensure that all applicants and licensees are qualified to provide construction services.

1.1	Increase high-tech security monitoring in test centers (I)	December 2014
1.2	Establish task force to analyze application process and reduce rejection rates (I)	January 2015
1.3	Develop and apply consistent application evaluation criteria (E)	July 2015
1.4	Develop online smart application package to reduce application decline rates (I)	January 2016
1.5	Fully automate bonds and workers' compensation insurance submission processes (I)	January 2016
1.6	Implement online licensure tool for credit card payment (B)	January 2016

GOAL 2: ENFORCEMENT

Prevent, reduce or eliminate unlicensed activity and unprofessional conduct that pose a threat to public health, safety, and welfare.

2.1	Establish enforcement strategy to address predatory service and repair scams (E)	July 2014
2.2	Update Industry Expert Training Program (I)	October 2014



2.3	Automate official educational letter to consumers who repeatedly hire unlicensed operators (B)	November 2014
2.4	Establish RMO/Application Waiver Task Force to identify issues and make enforcement strategy recommendations (E)	December 2014
2.5	Create Peace Officer Special Investigations Unit (I)	December 2014
2.6	Implement Peace Officer Training Curriculum (I)	December 2014
2.7	Provide for the disclosure of partnering agencies' administrative actions section on CSLB website (B)	December 2014
2.8	Partner with Public Affairs Office and California Energy Commission to create an energy efficiency campaign (B)	January 2015

GOAL 3: PUBLIC AFFAIRS

Educate consumers about how to make informed choices related to construction services, and provide information to licensed contractors so they can improve their technical management and service skills.

3.1	Establish outreach strategy to address predatory service and repair scams (E)	August 2014
3.2	Complete flagship consumer publication (E)	September 2014
3.3	Complete flagship contractor publication (E)	December 2014
3.4	Work with Information Technology (IT) division to determine feasibility of developing opt-in "Find a Contractor" website feature (B)	December 2014
3.5	Work with Information Technology (IT) division to determine feasibility/need to update pocket license cards (B)	December 2014
3.6	Determine feasibility of developing system to send licensees renewal information and updates via text and email (B)	December 2014

3.7	Explore feasibility of obtaining a contract for advertising services to enhance media outreach opportunities (B)	December 2014
3.8	Develop contractor bid presentation kit (B)	March 2015
3.9	Develop CSLB style guide and brand standards manual (B)	March 2015

GOAL 4: LEGISLATION

Ensure that statutes, regulations, policies, and procedures strengthen and support CSLB operations.

4.1	Prepare and submit Sunset Review Report to California Legislature (E)	November 2014
4.2	Provide end-of-year training for staff on new laws that will take effect the next year (B)	December 2014
4.3	Pursue legislation to allow CSLB enforcement representatives to investigate active job sites (E)	January 2015
4.4	Pursue legislation to increase amount of surety bond to reflect homeowner risk (I)	December 2015
4.5	Review CSLB's laws and rules (B)	Ongoing

GOAL 5: IT AND ADMINISTRATION

Enhance organizational effectiveness, and improve the quality of service in all programs.

5.1	Request additional staff in Case Management (Citation Program) through the Budget Change Proposal (BCP) process to meet operational demands (E)	July 2015
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5.2	Request additional Statewide Investigative Fraud Team (SWIFT) staff in remote locations through the BCP process to meet operational demands (E)	July 2015
5.3	Request additional staff for the Public Works Program through the BCP process to meet operational demands (E)	July 2015
5.4	Implement State Contractor Official Regulatory Exam (SCORE) 2.0 computer testing system to improve security and make exams more user-friendly (I)	December 2015
5.5	Prepare CSLB for implementation of BreEZe by actively working with Department of Consumer Affairs BreEZe team (E)	January 2017



CONTRACTORS STATE LICENSE BOARD

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