



# CONTRACTORS STATE LICENSE BOARD

## LEGISLATIVE COMMITTEE MEETING SUMMARY REPORT

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

Legislative Committee Chair Miguel Galarza called the meeting of the Contractors State License Board (CSLB) Legislative Committee to order on February 16, 2023, at 10:02 a.m. via WebEx teleconference. A quorum was established.

#### Committee Members Present

Miguel Galarza, Chair

David De La Torre

Diana Love

James Ruane

Johnny Simpson

Steven Panelli had an approved absence.

#### CSLB Staff Present

David Fogt, Registrar

Michael Jamnetski, Chief Deputy Registrar

Foad Gharahgozlu, Chief of Licensing

Yeaphana La Marr, Chief of Legislation

Jason Perez, Chief of IT

Mike Melliza, Chief of Administration

Steve Grove, Chief of Enforcement

Katherine White, Chief of Public Affairs

Hal Clay, Classification Deputy

Americo Garcia, Public Affairs Manager

Stacey Paul, Budgets Manager

Mariah Rovera, Executive Staff

#### DCA Staff Present

Kristy Schieldge, DCA Legal Counsel

#### Members of the Public Present

Aaron Barnaby

Aaron Stockwell

Anna Carno

Audrey Thornton, Housing and Economic  
Rights Advocates

Bradly Kirk

Bruce Wick

Chelsey Olsen

Chris Peterson

Chris Walker

Craig C. Weaver, Esq.

Matthew Wainwright

Phil Vermeulen, Contractors Licensing  
Center

Deborah Wilson

Jennifer Ellingson

Joel Ulloa

Josh Buswell-Charkow, CALSSA

Judie Bucciarelli

Larissa Petrucci

Maria Parra

Martin Herzfeld

Mark Rice

Mary Day

Paul Nagata

Stacey Tutt, NHLP & CEJ

Stephanie Carroll



Richard H Markuson  
Rivas Home Improvement  
Rob Stoker  
Shauna Krause

Victor Velazquez

## **B. Public Comment**

There was no public comment.

## **C. Review, Discussion, and Possible Action on Legislative Proposal Regarding Information a Qualifying Individual Must Provide Under Business and Professions Code Section 7068.1**

Legislative Committee Chair Miguel Galarza introduced agenda item C, located on page 26 of the Committee packet. Chair Galarza stated there were two proposed amendments to Business and Professions Code (BPC) section 7068.1, one staff proposal to amend subdivisions (c) and (d) and an industry proposal that would amend subdivision (a) and (b).

Chief of Legislation Yeaphana La Marr stated the staff proposal would remove a duty statement submission requirement that was added last year by Assembly Bill (AB) 830. Chief La Marr explained CSLB is already authorized to require detailed information on the qualifier's duties to exercise supervision and control over the construction operations and the duty statement requirement creates uncertainty among applicants about documentation requirements for their qualifiers.

Registrar David Fogt provided background on the proposed amendment to BPC section 7068.1 (c) and why CSLB staff have reconsidered pursuing that amendment.

Chair Galarza clarified that the staff recommendation in the Committee packet on page 26 had changed. Chair Galarza explained the motion would be to amend Business and Professions Code section 7068.1 (d) to remove the duty statement requirement.

### Committee Member Comment:

Members Johnny Simpson and Diana Love asked for clarification on the staff recommendation to remove the duty statement requirement from BPC 7068.1.

Chief La Marr explained the motion would be to recommend to the full Board the legislative proposal to remove the duty statement submission requirement from BPC section 7068.1 (d). The staff recommendation in the packet, to define the term "firm," would be tabled until staff has had time to do more research into the issue.

### Public Comment:

There was no public comment.



**Motion:** Recommend to the full Board to pursue a legislative proposal to remove the duty statement requirement from Business and Professions Code Section 7068.1. Diana Love moved; David De La Torre seconded. The motion carried, 5-0.

BOARD MEMBER	YEA	NAY	ABSENT	ABSTAIN	RECUSAL
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

Legislative Committee Chair Galarza introduced the second proposal to amend BPC section 7068.1, subdivisions (a) and (b), as well as sections 7071.9 and 7071.10, to expand qualifier bond requirements. Chair Galarza explained this was an industry proposal to require a bond of qualifying individual for each license when the same person qualifies for multiple licenses, excluding a sole proprietorship. Chair Galarza added the proposal would also remove the “percentage of ownership” provision relating to obtaining multiple licenses and securing a bond of qualifying individual.

Phil Vermeulen, from Contractors Licensing Center, provided background on how the industry is currently complying with the BPC section 7068.1 qualifier requirements. Vermeulen believes that some licensees are not being honest when applying to qualify multiple licenses and CSLB does not have the resources to verify the information being provided. Vermeulen added that the proposal to require a qualifying individual bond for each license a person qualifies would protect consumers, especially with the increase in home improvement contract prices.

Chair Galarza stated CSLB staff request the Legislative Committee direct staff to perform additional research to determine the consumer protection value a bond would provide.

Committee Member Comment:

Member Love asked for clarification on the 2018 Board vote to remove the 20 percent requirement from BPC section 7068.1.

Registrar Fogt explained that the Board did vote to remove the 20 percent requirement in 2018, but CSLB was unable to find a legislator to author the bill, resulting in no change to BPC section 7068.1.



Member Simpson stated that they are in favor of more bonds but believe this proposal requires more work.

Public Comment:

Phil Vermeulen stated that if a bill is not approved to remove the 20 percent ownership requirement, BPC section 7068.1 would remain unchanged.

Richard Markuson believed that a single proposal could be drafted to address all of the Board member concerns regarding consumer protection and removing the 20 percent ownership requirement for licensees.

**Motion:** Recommend staff to perform further research to address consumer protection needs. Johnny Simpson moved; David De La Torre seconded. The motion carried, 5-0.

BOARD MEMBER	YEA	NAY	ABSENT	ABSTAIN	RECUSAL
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

**D. Review, Discussion and Possible Action on Disaster Response Partnership with the Office of Senator McGuire**

Legislative Committee Chair Galarza explained Senator McGuire’s interest in CSLB disaster response after wildfires impacted their district and most of California. Chair Galarza stated that in response to Senator McGuire’s interest, CSLB’s Public Affairs Office revised the Disaster Response Plan, and the Legislative Committee would be requested to consider Legislative proposals.

**1. Disaster Modernization Plan**

Chair Galarza highlighted the updated Disaster Response Plan in the committee packet on page 37, that reflects CSLB’s increased focus on enforcement in disaster areas. Chair Galarza explained the plan serves as a CSLB staff guide for disaster preparedness, response and post-disaster education for various stakeholders when a natural or human-caused disaster occurs.

Committee Member Comment:

There was no committee member comment.

Public Comment:



There was no public comment.

**2. Legislative Proposal to Increase Consumer Protections in Disaster Zones relating to Contract Bonds and Statute of Limitations for Unlawful Use of Contractors License**

Chair Galarza explained the first proposal would require the prime contractor to secure separate performance and payment bonds in the amount of half the contract price for a home improvement contract after a disaster.

Chief La Marr provided background for the proposal and explained the proposal would give consumers a guarantee against loss or damage when a contractor fails to comply with Contractors State License Law. Chief La Marr added that the proposal would be limited to areas which the Governor declares a state of emergency. Chief La Marr provided the Legislative Committee with the staff recommendation and explained the recommendation is made with the understanding that staff would further confer with the Chair of the Legislative Committee to seek authorization to take a position on any subsequent bill and notify the Board of such action of the March quarterly meeting.

Committee Member Comment:

There was no committee member comment.

Public Comment:

There was no public comment.

**Motion:** Recommend to the full Board to approve sharing the proposal with the office of the honorable Senator McGuire. Johnny Simpson moved; James Ruane seconded. The motion carried, 5-0.

BOARD MEMBER	YEA	NAY	ABSENT	ABSTAIN	RECUSAL
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

Chair Galarza explained the second proposal would address the need for increased consumer protection in disaster areas by increasing the statute of limitations for a misdemeanor violation when a licensee allows unlawful use of their license.



Chief La Marr provided a summary of the current statute of limitations and CSLB’s authority to seek misdemeanor charges. Chief La Marr explained disaster recovery can take years so the current limitation of one year from the date of violation prevents CSLB from taking appropriate action against a licensee who allows fraudulent use of their license. Chief La Marr added that a statute of limitations of three years from the date of discovery would allow CSLB to investigate and pursue criminal offenses against contractors who permit their license to be used by an unlicensed contractor. Chief La Marr explained the recommendation is made with the understanding that staff would further confer with the Chair of the Legislative Committee, as well as the Board Chair, to seek authorization to take a position on any subsequent bill and notify the Board of such action of the March quarterly meeting.

Committee Member Comment:

There was no committee member comment.

Public Comment:

There was no public comment.

**Motion:** Recommend to the full Board to authorize staff to share this proposal with the office of the honorable Senator McGuire. David De La Torre moved; James Ruane seconded. The motion carried, 5-0.

BOARD MEMBER	YEA	NAY	ABSENT	ABSTAIN	RECUSAL
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

**E. Review, Discussion and Possible Action Regarding Restitution Funds at the Contractors State License Board**

**1. Solar Energy System Restitution Program Continued Funding**

Legislative Committee Chair Galarza provided a summary of the CSLB Solar Energy System Restitution Program (SESRP) and explained CSLB had issued \$2.7 million in restitution to consumers financially harmed by solar contractors. Chair Galarza stated the one-time appropriation was projected to be expended by the claims currently being processed and explained the Enforcement Division reports solar complaints have increased 103 percent compared to 2018.

Chair Galarza provided three possible means of continued funding for the solar restitution fund: (1) legislation through a new PACE restitution fund; (2) a fee assessed



to licensees whose enforcement cases are settled by CSLB; or (3) a fee assessed to connect a solar energy system to the grid.

Registrar Fogt provided a summary of CSLB’s administration of the SESRP fund and issues the Enforcement Division is facing regarding solar contractors. Registrar Fogt also explained the need for continued funding to help consumers who are requesting solar restitution, but the current fund balance cannot support additional claims.

Committee Member Comment:

There was no committee member comment.

Public Comment:

Registrar Fogt provided an overview of consumer Maria Parra’s Solar Energy System Restitution Program claim for a leased solar system that also included a Property Assessed Clean Energy (PACE) loan.

Maria Parra added that Registrar Fogt is correct and there has been no resolution to their problem.

Josh Buswell-Charkow from California Solar and Storage Association (CalSSA) recommended Parra fill out a customer intake form on the CalSSA website and explained CalSSA tries to resolve issues between solar contractors and consumers.

Buswell-Charkow asked about the possibility of levying an interconnection fee to finance continued funding.

Registrar Fogt explained if the committee approved the motion, staff would meet with the Public Utilities Commission (PUC) and the Department of Financial Protection and Innovation (DFPI) to explore finding opportunities and ideas that both agencies would support.

**Motion:** Recommend to the full Board to consider alternative means of funding to continue the Solar Energy System Restitution Program. Diana Love moved; Johnny Simpson seconded. The motion carried, 5-0.

BOARD MEMBER	YEA	NAY	ABSENT	ABSTAIN	RECUSAL
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

**2. PACE Restitution Proposal as Presented by National Housing Law Project**



Chair Galarza introduced a proposal by the National Housing Law Project to create a restitution fund similar to the Solar Energy System Restitution Program for residential energy efficiency projects funded through the PACE program.

Stacey Tutt from National Housing Law Project and the Clean Energy Justice Coalition provided background on their work to address concerns around the PACE program, including ensuring DFPI would have oversight of the license of the program administrators. Tutt explained that statutory changes and regulations have worked to address some concerns, but one of the issues that remains for California is the lack of relief or restitution to homeowners who were harmed prior to the statutory and regulatory changes.

Tutt explained a PACE restitution fund would be a last resort for consumers and these legacy claims would be capped at \$60,000 for one assessment or \$80,000 for two assessments. Tutt said they have a budget request of \$32.5 million, of which \$30 million would be relief for homeowners with \$2.5 million available to administer and oversee the fund. Tutt also said their organization would be supportive of using their budget request to provide gap funding for the SESRP fund until additional funding is secured.

Registrar Fogt said the SESRP fund has been helpful to consumers and provided a recap on how the SESRP fund is currently being administered at CSLB.

DCA Legal Counsel Kristy Schieldge explained that the support would be in concept since CSLB does not have actual text for the proposal.

Committee Member Comment:

Committee Member Simpson agreed that they support the concept of the proposal but would like more details and to understand the effect on consumers.

Public Comment:

Chris Peterson from Fortifi Financial, a PACE administrator, stated that none of the three remaining licensed PACE administrators had been contacted by Clean Energy Justice Group and said the three administrators are not the problem. Peterson added PACE administrators would work with CSLB and Clean Energy Justice group to determine if there is a need for a fund of this magnitude.

Audrey Thornton with Housing and Economic Rights Advocates fully supports creating a PACE restitution fund because of their many clients that have been misled or defrauded by PACE loans.

**Motion:** Recommend to the full Board that they support, in concept, a proposal to create a PACE restitution fund for consumers harmed by PACE loans. Moved by Johnny Simpson; seconded by Diana Love. The motion carried, 5-0.





<b>BOARD MEMBER</b>	<b>YEA</b>	<b>NAY</b>	<b>ABSENT</b>	<b>ABSTAIN</b>	<b>RECUSAL</b>
Miguel Galarza	✓				
David De La Torre	✓				
Diana Love	✓				
Steven Panelli			✓		
James Ruane	✓				
Johnny Simpson	✓				

**F. Adjournment**

**Motion:** To adjourn the February 16, 2023, Legislative Committee meeting. Johnny Simpson moved; David De La Torre seconded.

The Legislative Committee adjourned at approximately 11:25 a.m.