November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Executive, Enforcement, Public Affairs, Licensing, and Legislative Teleconference Committee Meetings

CONTRACTORS STATE LICENSE BOARD STATE OF CALIFORNIA
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NOTICE OF EXECUTIVE, ENFORCEMENT, PUBLIC AFFAIRS, LICENSING AND LEGISLATIVE TELECONFERENCE COMMITTEE MEETINGS

Wednesday, November 4, 2020, 9:00 a.m. – 1:00 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=e79fa06ee7a98a82158eed4ed06f9c7b8
Call-In Number: (415) 655-0001 or (844) 621-3956
Access Code: 126 085 6908

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 each Committee's Chair 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 Committee during the public comment session. Public comments will also be taken on agenda items at the time the agenda item is heard and prior to the CSLB's Committee taking any action on said items. Total time allocated for public comment may be limited at the discretion of each Committee Chair.

EXECUTIVE

(9:00 a.m.)

Executive Committee Members

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

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 Committee to discuss items not on the agenda; however, the CSLB's Committee 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. Review and Discussion on CPS HR Fee Audit Study

E. Review and Discussion on CSLB's Mentoring and Career Development Program

F. Status Update on Contract with Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems

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

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

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

J. Adjournment

ENFORCEMENT COMMITTEE MEETING AGENDA

(Upon Adjournment of Executive Committee Meeting)

Enforcement Committee Members:

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

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 Committee to discuss items not on the agenda; however, the CSLB's Committee 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. Update and Discussion Regarding Enforcement Priorities
   a. Complaint Prioritization Guidelines
   b. Referral of Non-Egregious Complaints to Small Claims Court
   c. Proactive Enforcement to Remove Unlicensed Persons from the Marketplace

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

E. Adjournment

PUBLIC AFFAIRS COMMITTEE MEETING AGENDA

(Upon Adjournment of Enforcement Committee Meeting)

Public Affairs Committee Members:

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

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 Committee to discuss items not on the agenda; however, the CSLB's Committee 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. Update and Discussion on CSLB Disaster Response to 2020 Wildfires

D. Update and Discussion on Outreach Efforts to Potential Licensees

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

F. Adjournment

LICENSING COMMITTEE MEETING AGENDA

(Upon Adjournment of Public Affairs Committee Meeting)

Licensing Committee Members

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

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 Committee to discuss items not on the agenda; however, the CSLB's Committee 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. Review and Discussion on Policy Change Related to Signature Requirements on CSLB License Renewal Applications

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

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

F. Adjournment

LEGISLATIVE COMMITTEE MEETING AGENDA

(Upon Adjournment of Licensing Committee Meeting.)

Legislative Committee Members:

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

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 Committee to discuss items not on the agenda; however, the CSLB's Committee 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. Update on 2019-20 Enacted Legislation

D. Update on Previously Approved Legislative Proposals

E. Review, Discussion, and Possible Action on Legislative Proposal that would Make Illegal Dumping a Cause of Discipline for Licensed Contractors

F. 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))

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

H. Adjournment

***Note:** Members of the board who are not members of the committee may attend the committee meetings. However, if a majority of members of the full board are present at any of the committee meetings, members who are not committee members may attend the meeting as observers only.

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.

Note that viewers of the webcast can only view the meeting, not participate. If you wish to participate, you must join the teleconference itself via the Webex link above. If participating via teleconference, on day of meeting please register/join Webex at least 15-30 minutes early to ensure that you have adequate time to install any required plugins or apps.

The meetings are accessible to those needing special accommodation. A person who needs a disability-related accommodation or modification in order to participate in the meetings may make a request by contacting Phyliz Jones at (916) 255-4000, or phyliz.jones@cslb.ca.gov, or 9821 Business Park Drive, Sacramento, CA, 95827. Providing your request at least five business days prior to the meetings will help ensure availability of the requested accommodation.

CONTRACTORS STATE LICENSE BOARD

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November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Executive Committee Meeting

AGENDA ITEM A

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

Executive Committee Committee Members

David De La Torre, Chair

Susan Granzella

Mary Teichert

Johnny Simpson

Committee Chair David De La Torre will review the scheduled Committee actions and make appropriate announcements.

AGENDA ITEM B

Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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

Review and Discussion on CPS HR Fee Audit Study

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.

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	$200 admin fee if you have cash bond with board 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) Additional Exam fee (2 exams $140, 1 exam $95) paid directly to vendor, PSI
Arizona	$200 (General Commercial-GC) $100 (Specialty Commercial-SC) $180 (General Residential-GR) $80 (Special Residential-SR) $200 (General Dual-GD) $100 (Specialty Dual-SD)	$580 (GC) $480 (SC) $320 (GR) $270 (SR) $480 (GD) $380 (SD)	$580 (GC) $480 (SC) $320 (GR) $270 (SR) $480 (GD) $380 (SD)	Recovery Fund Assessments $0 (GC) $0 (SC) $370 (GR) $370 (SR) $370 (GD) $370 (SD) Additional Exam fee of $66 paid directly to vendor, PSI

CPS HR CONSULTING

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
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www.cpshr.us

Your Path to Performance

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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

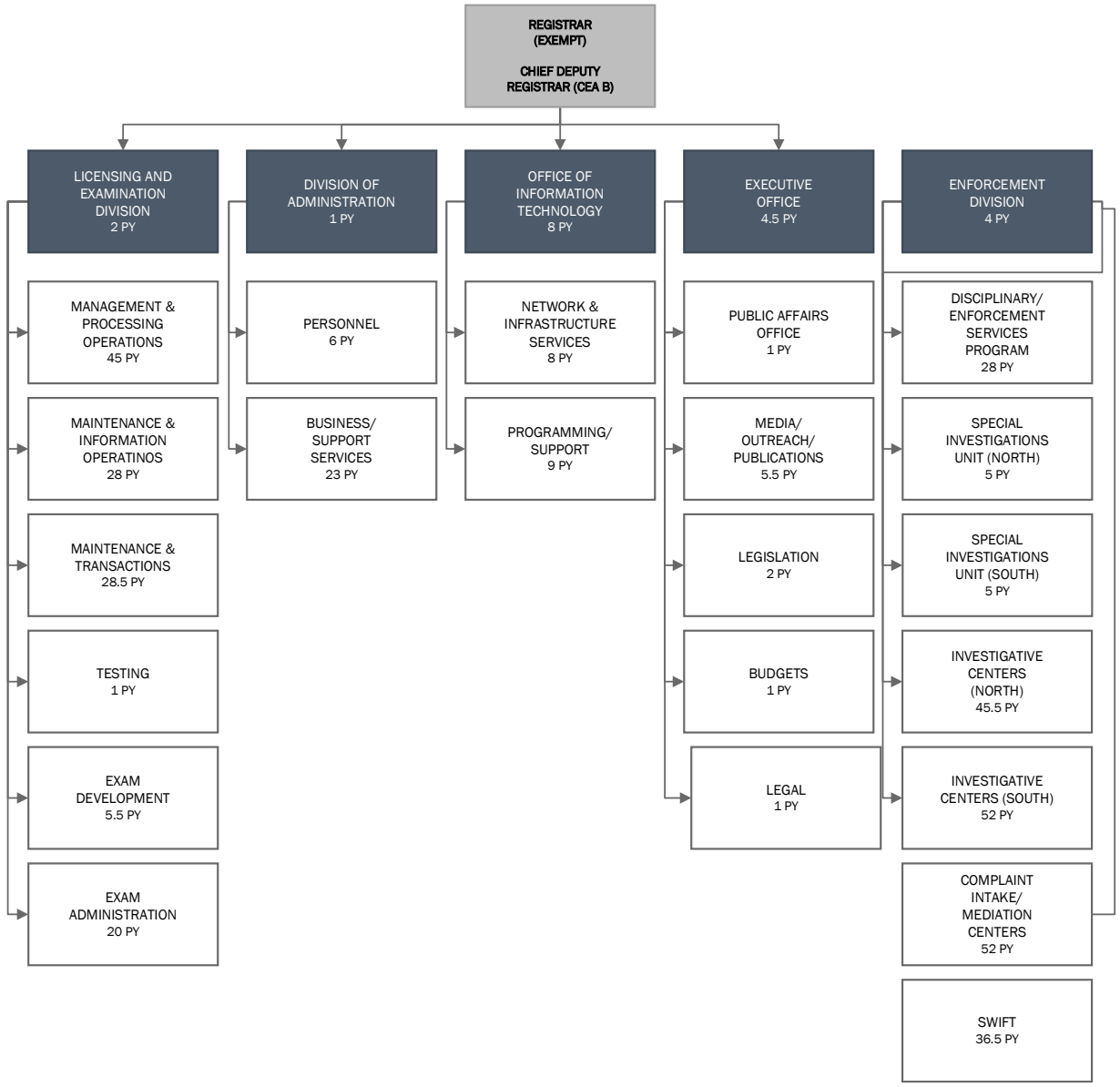
The Fee Costing Analysis determined the revenue needed to cover the expenditures associated with each fee, outlining the work requirements and industry considerations utilized in determining the recommended fees. This analysis involved four distinct phases.

- **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
Delinquent Contractor Active Renewal - Sole Owner	*10,382*	*9,112*	*7,937*	*7,865*	*7,422*	*7,061*
Biennial Contractor Renewal-Active Timely Renewal -Corp/Partners/JV/LLC	35,933	38,269	37,879	41,350	41,746	43,132
Delinquent Contractor Active Renewal - Corp/Partners/JV/LLC	*5,591*	*5,126*	*4,661*	*4,821*	*4,746*	*4,907*
4-yr Timely Inactive Renewal - Sole Owner	14,168	13,867	13,617	15,081	12,711	12,500
Delinquent 4-yr Timely Inactive Renewal - Sole Owner	*2,241*	*2,162*	*2,048*	*2,048*	*1,754*	*1,729*
4-yr Timely Inactive Renewal - Corp/Partners/JV/LLC	1,401	1,371	1,347	1,492	1,257	1,236
Delinquent 4-yr Timely Inactive Renewal - Corp/Partner/JV/LLC	*222*	*214*	*203*	*203*	*173*	*171*
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
Delinquent HIS Renewal (Renewal Fee plus penalty)	*421*	*439*	*364*	*660*	*1,178*	*1,467*

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
Re-examinations	*9,714*	*10,871*	*12,076*	*17,127*	*17,110*	*19,033*

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 *(fee to be developed)*	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
Delinquent Contractor Active Renewal	*The delinquency fee is equal to 50% of the Biennial Contractor Renewal fee*	*$540.00*	*$600.00*	*$675.00*	*$675.00*
4-yr Timely Inactive Renewal	Inactive contractors' licenses are renewed every four years	$180.00	$200.00	$225.00	$225.00
Delinquent 4-yr Timely Inactive Renewal	*The delinquency fee is equal to 50% of the 4-yr Timely Inactive Renewal*	*$270.00*	*$300.00*	*$337.50*	*$337.50*
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
Delinquent HIS Renewal	*The delinquency fee is equal to 50% of the Biennial Renewal - HIS fee*	*$112.50*	*$124.50*	*$142.50*	*$142.50*

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.

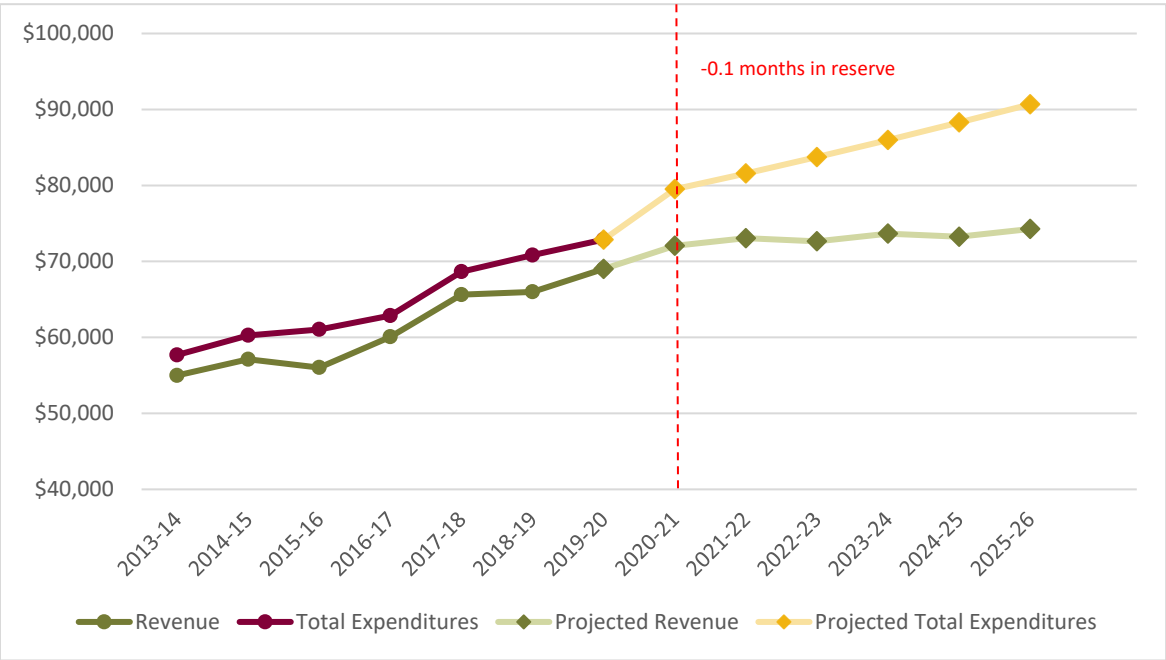
CSLB's revenue has grown from $55M in FY 2013-14 to $69M in FY 2019-20, thanks in part to a 10% fee increase in 2017 and an emergency renewal fee increase effective February 2020. This represents a **25.5% increase** in revenue over the last seven fiscal years. During the same period,

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 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Projected	4-year Average Revenue	4-year Average % Total
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 Totals[2]	**$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.

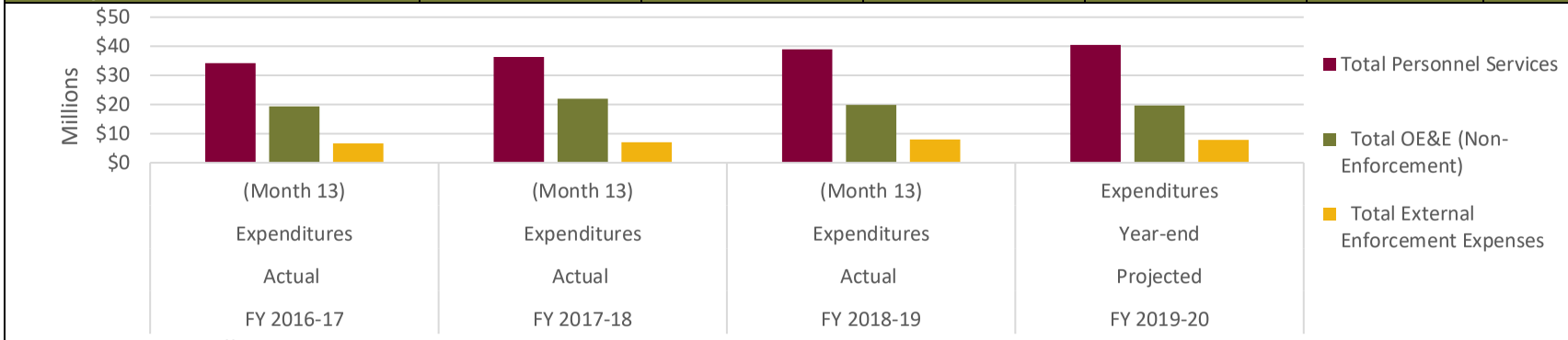
The three fees that constituted the largest percentage of total revenue were the Biennial Contractor Renewal – Active Timely Renewal Fee (64.7%), the Original Contractors Application Fee (exam or test waiver) (11.8%), and the Initial Contractors License Fee (5.1%).

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	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.	Expenditures	% 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%**



Source: CSLB Budget Office

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

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20		
PERSONNEL SERVICES:	**Actual Expend. (Month 13)**	**Actual Expend. (Month 13)**	**Actual Expend. (Month 13)**	**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.

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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

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4 Year Average	
OE&E (Non-Enforcement)	**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

REIMBURSEMENT OFFSETS	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
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 Resources[1]	**$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)

[1]Total 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.
[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.
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.

[3]Projections 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. • 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	• 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 *(travel, training, facilities, vehicles, etc.)*	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: • 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	• 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.

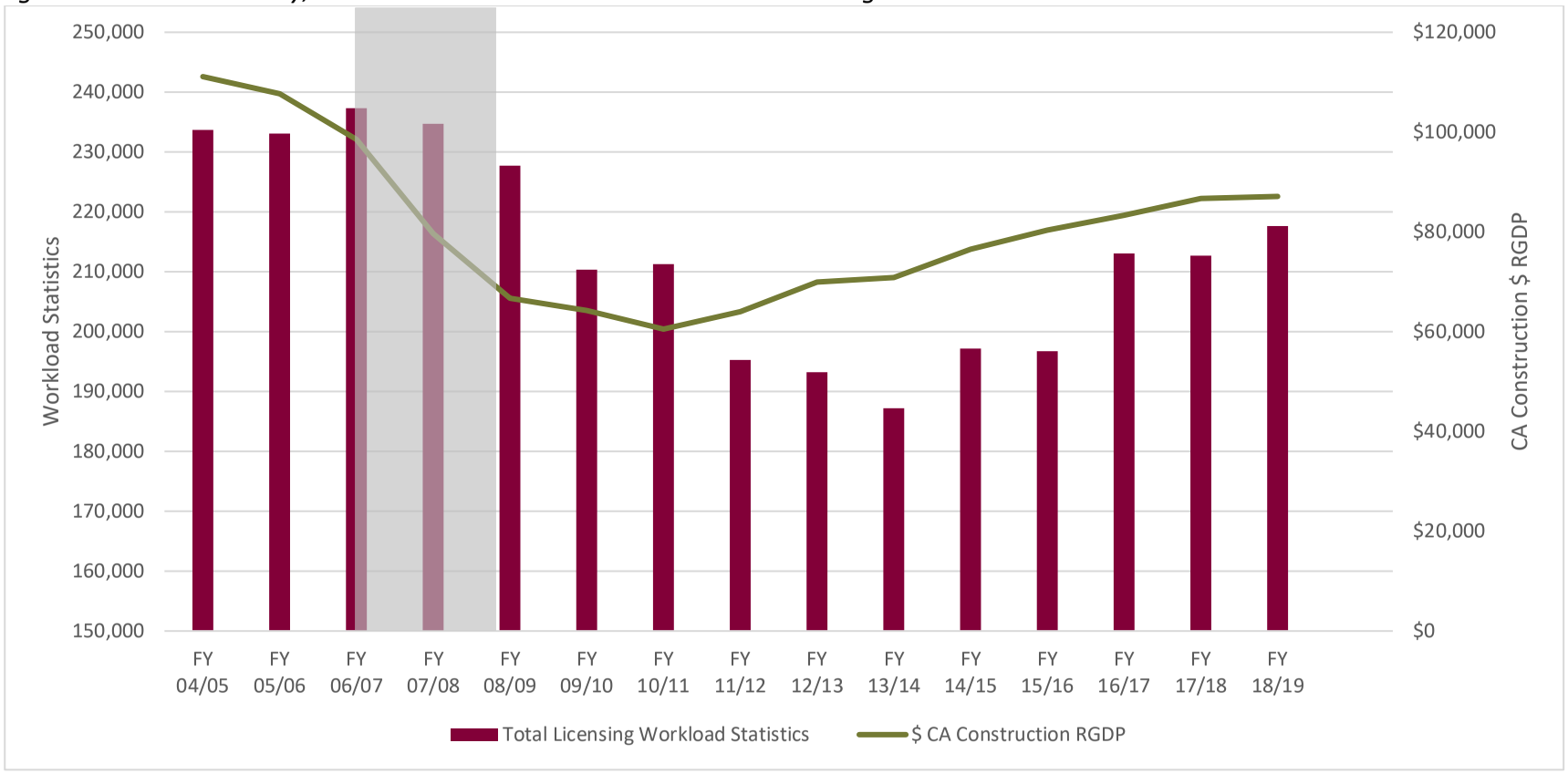
This study examined three historical factors to look at the relationship between the overall US economy, the California construction economy, and CSLB's total licensing workload statistics to evaluate the historical impact of a prior recession on CSLB:

- 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 Rate[9]

[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 Resources[1]	$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

[1]Total 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 2nd 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	**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.
EA-6	**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.
EA-7	**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.
EA-8	**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.
EA-9	**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.

Task Code	Task Activity
EA-10	**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.
EA-11	**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.
Enforcement General Work Tasks	
EF-12	**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.
EF-13	**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.

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 *Estimated volume based on 4-year avg.*	$330	$450	36%	$120	21-22	22,735	$7,502,550	$10,230,750	$2,728,200
					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 *Estimated volume based on 3-year avg. due to sharp increase in FY 16-17*	$200	$200	0%	$0	21-22	10,068	$2,013,600	$2,013,600	$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 *Estimated volume based on 3-year avg. due to sharp increase in FY 16-17*	$200	$350	75%	$150	21-22	6,712	$1,342,400	$2,349,200	$1,006,800
					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) *Estimated volume based on 2-year avg.; previously combined with other metrics*	$75	$150	100%	$75	21-22	2,355	$176,625	$353,250	$176,625
					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 *Estimated volume based on 3-year avg. after SB 561*	$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 *Estimated volume based on 4-year avg*	$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 *Estimated volume based on 4-year avg.*	$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 *Estimated volume based on 3-year avg. after change in pass rate in FY 16/17*	$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) *Estimated volume based on 2-year avg.; previously combined with other metrics*	$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) *Estimated volume based on 2-year avg.; only 2 years available metrics*	$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 *Estimated volume based on 4-year avg*	$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 *Estimated volume based on FY 18-19, only recorded metric*	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 *Estimated volume based on 4-year avg.*	$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 *Estimated volume based on 4-year avg.*	$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

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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 *Estimated volume based on 4-year avg.*	$225	$300	33%	$75	21-22	14,427	$3,246,075	$4,328,100	$1,082,025
					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 *Estimated volume based on 4-year avg.*	$225	$500	122%	$275	21-22	1,427	$321,075	$713,500	$392,425
					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 *Estimated volume based on 4-year avg.*	$450	$450	0%	$0	21-22	1,532	$689,400	$689,400	$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 *Estimated volume based on 4-year avg.*	$450	$700	56%	$250	21-22	151	$67,950	$105,700	$37,750
					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 *Estimated volume based on 3-year avg. after SB 561*	$95	$200	111%	$105	21-22	4,795	$455,525	$959,000	$503,475
					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.

AGENDA ITEM E

Review and Discussion on CSLB's Mentoring and Career Development Program

CSLB Career Development/Mentorship Program

CSLB is developing a series of programs to assist all employees with their career development goals and to provide them with tools for upward mobility. To assist employees in all aspects of their career CSLB is establishing a career development program and a mentorship program.

A career development program will help to retain and promote CSLB's talented and motivated employees. These programs will help employees enhance their skills in their current roles, navigate organizational ladders, gain personal insights into their strengths and areas of potential growth, and sharpen their ability to pursue career advancement when opportunities arise. In addition, a formal mentorship program will provide employees "one-on-one" mentorship to help build networks and to receive career-related support, advice, and encouragement.

CSLB's Executive staff and the Career Development/Mentorship Program Steering Committee held a kick-off teleconference meeting on September 15, 2020 to review broad program goals. The steering committee is comprised of staff representing each of CSLB divisions and meets weekly to discuss and build this program.

On October 8, 2020, the steering committee sent a survey to all CSLB staff to solicit ideas and feedback about the program. This survey includes questions about what type of career assistance would be most helpful, including resume writing, interview preparation, training on specific fields of work, opportunities to learn more about other divisions within CSLB, job shadowing, and formal "one-on-one" mentorship. The survey also included an open-ended question for staff to share other ideas they may have. Responses will assist the committee develop the program in a way that prioritizes the needs of staff.

AGENDA ITEM F

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.

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 approved the exemption request.

The steps in the process of selecting the consultant followed requirements set forth by the State Contracting rules and were conducted by the Department of Consumer Affairs, alongside the CSLB evaluation team.

- **Three Phase Evaluation Process**

  Those proposals meeting the RFP requirements underwent a three-phase evaluation process by CSLB's evaluation committee: David Fogt, Registrar; Tonya Corcoran, Chief Deputy Registrar; and Mike Melliza, Administration Chief participated in the first two phases.

  During the first phase, the evaluation committee reviewed the technical written proposals and, through consensus, arrived at a single score for each of the evaluation criteria. This occurred on August 17 and August 18, 2020. Any bidder receiving the minimum technical score proceeded to phase two.

  The second phase was based on an oral presentation from each bidder, held online via videoconferencing to ensure social distancing on September 3, 2020. Successful proposals advanced to phase three.

  Phase three involved DCA granting a cost component score based on total project cost, which concluded on September 9, 2020.

- **Final Selection and Award**

  DCA awarded the contract to the bidder who accumulated the highest final score (technical, oral presentation, cost component).

On September 11, 2020 DCA issued a "Notice of Intent to Award" to the winning bidder (University of California Berkeley). As required, this notice was physically posted at DCA and CSLB headquarters and online at FI$CAL.ca.gov. CSLB took the additional measure of posting the notice on CSLB's website on the Energy Storage System page. CSLB waited for DCA to determine if there were any protests to this notice during the required five business day protest period; no protests were filed.

DCA will draft and execute the contract with the University of California Berkeley. The tentative contract term dates are November 1, 2020 through February 28, 2021.

AGENDA ITEM G

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.

Staff Recommendation

That the Executive Committee recommend 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

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 stationary 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
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
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
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 H

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

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 pubic 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 I

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

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

AGENDA ITEM J

Adjournment

November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Enforcement Committee Meeting

AGENDA ITEM A

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

Enforcement Committee Members:

Kevin Albanese, Chair

Don Giarratano

Diana Love

Michael Mark

Marlo Richardson

Johnny Simpson

Nancy Springer

Committee Chair Kevin Albanese will review the scheduled Committee actions and make appropriate announcements.

AGENDA ITEM B

Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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

Update and Discussion Regarding Enforcement Priorities

a. Complaint Prioritization Guidelines

b. Referral of Non-Egregious Complaints to Small Claims Court

c. Proactive Enforcement to Remove Unlicensed Persons from the Marketplace

Enforcement Priorities

Background

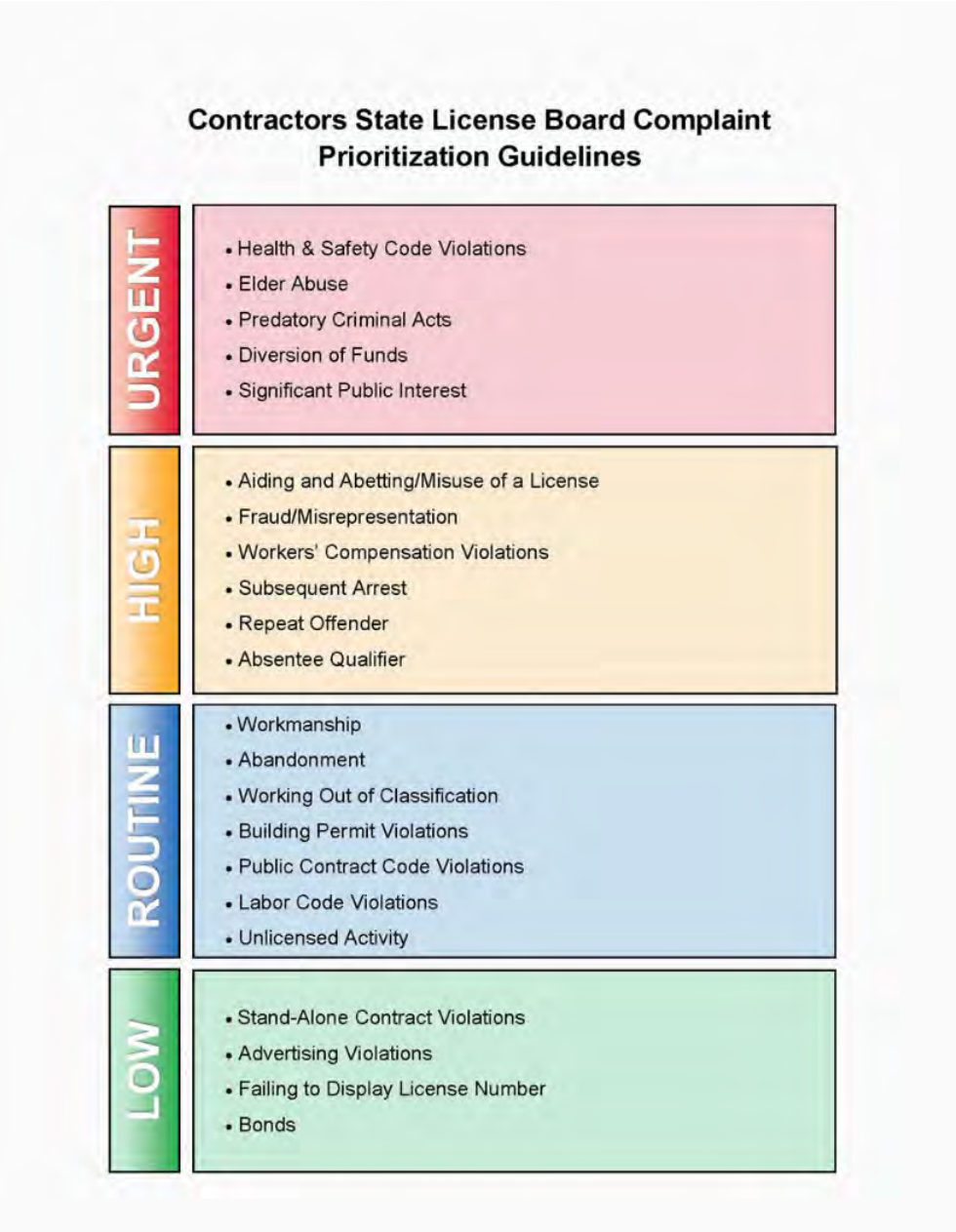
CSB's Enforcement division has been significantly affected by budget restrictions, the COVID-19 pandemic, and wildfire disaster relief response.

Sufficient staffing is one of the primary concerns. As of October 1, 2020, 26 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, 16 Enforcement staff have been redirected to assist counties with COVID contact tracing, and approximately a dozen Enforcement staff are using leave to work a reduced time base to assist their children with distance learning. The result is that 48 Enforcement positions are not available to perform CSLB-related work.

The excessive number of vacancies has created a need to fill Enforcement vacancies, that include investigator positions. Effective July 1, 2020, following an extensive third-party study and contract negotiations, CSLB's Enforcement Representative positions, responsible for investigations, were converted to 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. Further, SI applicants are highly qualified, with extensive investigative experience.

Complaint Prioritization Guidelines

In June 2019, the board approved the Complaint Prioritization Guidelines below. These guidelines were distributed to staff and provide a roadmap as Enforcement staff manage their complaint caseload to address the most egregious complaints with urgency. Despite the expense reduction process changes that were implemented to address the budget shortfall in June 2020, the prioritization guidelines remain unchanged.


Contractors State License Board Complaint
Prioritization Guidelines
URGENT
• Health & Safety Code Violations
• Elder Abuse
• Predatory Criminal Acts
• Diversion of Funds
• Significant Public Interest
HIGH
• Aiding and Abetting/Misuse of a License
• Fraud/Misrepresentation
• Workers' Compensation Violations
• Subsequent Arrest
• Repeat Offender
• Absentee Qualifier
ROUTINE
• Workmanship
• Abandonment
• Working Out of Classification
• Building Permit Violations
• Public Contract Code Violations
• Labor Code Violations
• Unlicensed Activity
LOW
• Stand-Alone Contract Violations
• Advertising Violations
• Failing to Display License Number
• Bonds

Consumer-Filed Reactive Complaints

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 for field investigation complaints filed against unlicensed persons and egregious complaints against licensees. For less egregious complaints, CSRs attempt to mediate resolutions, which are typically brought to conclusion within 60-90 days of receipt. Between January 2020 and September 2020, CSRs successfully settled 1,768 complaints, resulting in over $16 million in restitution.

However, not every licensee complaint can be successfully mediated, and some complaints are primarily civil/financial and do not include repeated acts or an egregious violations of contractors' state license law.

To continue to provide high level customer service and comply with the complaint prioritization guidelines, 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 acts, CSLB mediation attempts have not been successful, and the estimated financial injury is less than $10,000. 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 referred to field investigation.

Field Investigation

The majority of CSLB investigators began teleworking in March 2020, to comply with the Governor's stay-at-home order issued on March 19, 2020, with the goal of 75 percent of state employees working from home.

Since then, Enforcement management has worked to ensure that investigators receive the proper training to maintain the integrity of their investigations despite the challenges presented by limited access to consumers, respondents, and jobsites. On July 23, 2020, CSLB's attorney general liaisons conducted a WebEx training focused on video and telephone interview techniques to ensure the viability of the content when it is admitted in court.

In August 2020, investigators were given permission to return to the field, depending on their comfort level. To prepare staff for re-entry on August 18 and 25, Cal-OSHA training was conducted which focused on key COVID-19 prevention practices for employees to ensure their safety as well as that of others in the field.

Public Works Enforcement

Many segments of the economy were nearly halted by the onset of the pandemic in March 2020. However, recent meetings with the Work Preservation Fund, Operating Engineers, and a roundtable attended by CSLB staff on October 9, 2020, facilitated by the Foundation for Fair Contracting (FFC), confirmed that large commercial and public works projects continue to burgeon despite the restrictions of the pandemic. Representatives from other state agencies, including the Employment Development Department (EDD), the Department of Labor Standards Enforcement (DLSE), and the Department of Apprenticeship Standards (DAS) reported that their fieldwork confirms this trend.

Complaints that result from larger projects often include high priority violations, such as inappropriate licensure, misuse of construction funds, labor law violations, and workers' compensation avoidance.

Public works enforcement strategies were developed to coordinate investigations, confirm CSLB jurisdiction, and discuss the evidence needed to support a violation of contractors' state license law. CSLB has identified a special investigator to act as the single point of contact for public works compliance investigators. This will provide for more effective investigation of the more urgent and high priority public works complaints.

Proactive Enforcement to Remove Unlicensed Persons from the Marketplace

The stay-at-home order during the pandemic, when fieldwork was discouraged, limited stings and sweeps – CSLB's traditional proactive enforcement activities. During this time, SWIFT special investigators increased investigation of advertisements on online marketplaces and social media to identify and issue administrative citations against individuals advertising for construction services without the required contractor license. Licensed contractors with a workers' compensation exemption on file with CSLB and either a website or social media presence indicating employee labor are issued an advisory notice, letter of admonishment, or citation.

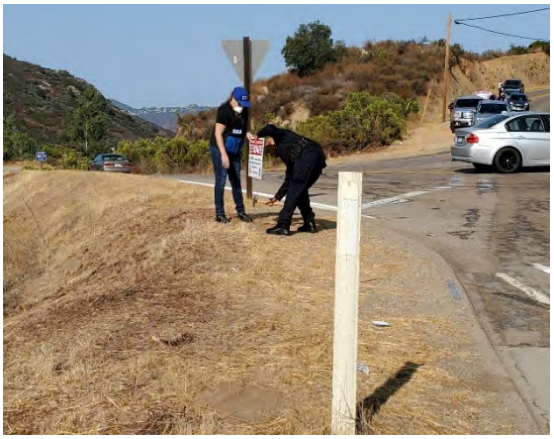
The following is an example of how the public can further CSLB's investigation of unlawful social media activity.

A CSLB special investigator received a link to an illegal advertisement from a confidential informant who stated that the unlicensed contractor featured in the advertisement was working in the Inland Empire. The advertisement was a Facebook profile offering roofing services, work that requires a license, but there was no mention of a contractor license. A subsequent Google search on the phone number revealed a second advertisement for a website listing the same contact number and email address as the Facebook ad but showing the business was in Peralta, New Mexico. CSLB records showed the suspect was not a licensed contractor, although he was listed as an officer on an application received in April 2020 for a license. The special investigator obtained an admission from him about placing the ads and issued a citation for contracting without a license.

In September 2020, SWIFT recommenced performing fieldwork. Sixteen of the 18 CSLB staff redirected for COVID-19 contact tracing are SWIFT investigators, leaving two or three special investigators available for each of CSLB's three SWIFT units. Consequently, SWIFT activities are currently focused on establishing a presence in declared disaster areas, with a focus on license requirements, license misrepresentation, and workers' compensation insurance compliance.

SWIFT special investigators have been exceptionally active statewide in the declared disaster areas impacted by the record-setting wildfires of the 2020 fire season. SWIFT investigators, in partnership with local law enforcement and other state agencies, have been placing signs and distributing literature warning consumers and potential unlicensed contractors about the dangers and implications of unlicensed activity.

Valley Fire (Lake County):



Monterey County Creek Fire (Monterey County)

LNU Lightening Complex Fire (Solano & Napa Counties)

AGENDA ITEM D

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

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 asked to recognize three individuals at the December 2020 board meeting 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.

AGENDA ITEM E

Adjournment

November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Public Affairs Committee Meeting

AGENDA ITEM A

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

Public Affairs Committee Members:

Diana Love, Chair

Kevin Albanese

Don Giarratano

Michael Mark

Marlo Richardson

Johnny Simpson

Nancy Springer

Committee Chair Diana Love will review the scheduled Committee actions and make appropriate announcements.

AGENDA ITEM B

Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(Note: Individuals may appear before the committee to discuss items not on the agenda; however, CSLB's committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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

Update and Discussion on CSLB Disaster Response to 2020 Wildfires

Disaster Response to 2020 Wildfires

Protecting California's Disaster Survivors

As part of its role protecting California consumers by regulating the state's construction industry, the Contractors State License Board (CSLB) is responsible for protecting those whose homes and property are directly affected by disasters.

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.

CSLB has traditionally dedicated significant resources to post-disaster response.

Brief History of CSLB's Post-Disaster Response

Since disasters are common in California, CSLB's post-disaster response program has been in place for well over 30 years and involves all CSLB divisions. It has evolved and expanded during that time, and especially over the past four years as California has experienced some of the most devastating and damaging wildfires in the state's history.

As reported in previous editions of the *California Licensed Contractor* newsletter, a concentrated focus on post-disaster outreach began after the Whittier earthquake in October 1987. The program expanded two years later after the Loma Prieta earthquake struck the San Francisco Bay Area.

The efforts at that time included media outreach, distribution of almost 100,000 copies of CSLB materials to 12 assistance centers, 85 building departments, legislators, banks, and other state agencies. CSLB also established a toll-free disaster hotline, which is still in use today.

A recommitment to post-disaster outreach came after the devastating 1994 Northridge earthquake. Outreach following that disaster involved 55 CSLB staff members, including staffing 21 assistance centers. In addition, the number of complaints submitted at one southern California office grew from an average of 90 per month to 275 per month.

Since the mid-1990's CSLB has continued its post-disaster program, responding to floods, wildfires, earthquakes, and a 2010 underground gas line explosion and fire in San Bruno that killed eight people, destroyed 38 homes, and damaged 70 others.

The number of disasters, especially wildfires, has increased significantly since the fall of 2017, including the Camp Fire in Butte County that killed 85 people and destroyed more than 18,800 structures, including a large part of the town of Paradise.

Over the past four years CSLB has invested dozens of staff and thousands of staff hours, along with other resources to its post-disaster response program.

Summer/Fall 2020 Wildfires

During the Summer and Fall of 2020, the California Department of Forestry and Fire Protection (Cal Fire) has responded to almost 8,500 incidents, including large, extended-day wildfires (10 acres or greater), floods, earthquakes, and hazardous material spills. Through October 12, 2020, wildfires in the state have burned more than 4.1 million acres, the equivalent of more than 6,200 square miles, 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 three months:

Top 20 Largest California Wildfires

	FIRE NAME (CAUSE)	DATE	COUNTY	ACRES	STRUCTURES	DEATHS
1	AUGUST COMPLEX *(Under Investigation)**	August 2020	Mendocino, Humboldt, Trinity, Tehama, Glenn, Lake, & Colusa	1,029,140	935	1
2	MENDOCINO COMPLEX *(Under Investigation)*	July 2018	Colusa, Lake, Mendocino & Glenn	459,123	280	1
3	SCU LIGHTNING COMPLEX *(Under Investigation)**	August 2020	Stanislaus, Santa Clara, Alameda, Contra Costa, & San Joaquin	396,624	[illegible]	0
4	LNU LIGHTNING COMPLEX *(Under Investigation)**	August 2020	Sonoma, Lake, Napa, Yolo & Solano	363,220	1,491	6
5	CREEK FIRE *(Under Investigation)**	September 2020	Fresno & Madera	337,035	856	0
6	NORTH COMPLEX *(Under Investigation)**	August 2020	Butte, Plumas & Yuba	318,930	2,352	15
7	THOMAS *(Powerlines)*	December 2017	Ventura & Santa Barbara	281,893	1,063	2
8	CEDAR *(Human Related)*	October 2003	San Diego	273,246	2,820	15
9	RUSH *(Lightning)*	August 2012	Lassen	271,911 CA / 43,666 NV	0	0
10	RIM *(Human Related)*	August 2013	Tuolumne	257,314	112	0
11	ZACA *(Human Related)*	July 2007	Santa Barbara	240,207	1	0
12	CARR *(Human Related)*	July 2018	Shasta County & Trinity	229,651	1,614	5
13	MATILIJA *(Undetermined)*	September 1932	Ventura	220,000	0	0
14	WITCH *(Powerlines)*	October 2007	San Diego	197,990	1,650	2
15	KLAMATH THEATER COMPLEX *(Lightning)*	June 2008	Siskiyou	192,038	0	2
16	MARBLE CONE *(Lightning)*	July 1977	Monterey	177,866	0	0
17	LAGUNA *(Powerlines)*	September 1970	San Diego	175,425	382	5
18	SQF COMPLEX *(Lightning)*	August 2020	Tulare	167,479	328	0
19	BASIN COMPLEX *(Lightning)*	June 2008	Monterey	162,818	58	0
20	DAY FIRE *(Human Related)*	September 2006	Ventura	162,702	11	0

There is no doubt that there were fires with significant acreage burned in years prior to 1932, but those records are less reliable, and this list is meant to give an overview of the large fires in more recent times.
This list does not include fire jurisdiction. These are the Top 20 regardless of whether they were state, federal, or local responsibility.
*Numbers not final.

10/14/2020

CSLB's 2020 Disaster Response

The first step in CSLB's disaster response is to staff or make materials available at various assistance centers opened to aid survivors. Local Assistance Centers (LAC) are run by the Governor's Office of Emergency Services (OES); Disaster Relief Centers (DRC) are run by the Federal Emergency Management Agency (FEMA).

Due to the COVID-19 pandemic, some LACs are either virtual only or in locations where materials only are being given to wildfire survivors. So far in the summer/fall of 2020, CSLB has staffed, provided materials, or monitored a special phone line at 16 LACs.

Fire	LAC Location	Resources
1. **Bobcat Fire**	Palmdale (Los Angeles County)	In-Person Staffing
2. **Carmel/Dolan/River Fires**	Monterey (Monterey County)	Materials Only
3. **Creek Fire**	Clovis (Fresno County)	In-Person Staffing Special Phone Line
4. **CZU Lightning Complex**	Santa Cruz (Santa Cruz County)	In-Person Staffing Special Phone Line
5. **CZU Complex Fire**	Pescadero (San Mateo County)	Materials Only
6. **Glass Fire**	Santa Rosa (Sonoma County)	In-Person Staffing
7. **Glass Fire**	Napa (Napa County)	In-Person Staffing
8. **LNU Complex Fire**	Vacaville (Solano County)	Materials Only
9. **LNU Complex Fire**	Napa (Napa County)	Materials Only
10. **LNU Complex Fire**	Healdsburg (Sonoma County)	Materials Only
11. **LNU Complex Fire**	Guerneville (Sonoma County)	Materials Only
12. **North Complex Fire**	Oroville (Butte County)	In-Person Staffing
13. **SCU Lightning Complex**	(Santa Clara County)	Materials Only
14. **Slater/Devil Fire**	Yreka (Siskiyou County)	Materials Only
15. **Slater/Devil Fire**	Happy Camp (Siskiyou County)	In-Person Staffing
16. **Valley Fire**	El Cajon (San Diego County)	In-Person Staffing

"Boots on the Ground" Outreach Program

CSLB has partnered with the California Department of Insurance and local district attorney's offices for a "boots on the ground" outreach program.

The program consists of Enforcement staff placing hundreds of warning signs in both English and Spanish throughout a number of affected disaster areas, as well distributing 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, which includes state prison time and/or a fine of up to $10,000. Joint sweep operations were also conducted, and plans were developed to conduct sting operations, as needed.

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.

Task Force Participation

CSLB staff are participating on two task forces set up by OES as part of its post-disaster program.

1. Debris Task Force (Three Conference Calls per Week)
2. Housing Task Force (Two Conference Calls per Week / Now On-Hold)

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.

Media Outreach

Since CSLB has done extensive media outreach over the past four years, most media outlets are familiar with issues surrounding unlicensed contracting. While some media outreach has taken place at this point, more is expected in the next couple of months as survivors work through the insurance process and begin looking to make repairs or rebuild.

Additional Outreach

PAO has coordinated additional outreach to dozens of congressional offices and state legislator offices in the affected areas. Additional outreach is being prepared for building departments and chambers of commerce in these areas.

Social Media Outreach

CSLB continues to utilize its partnership with NextDoor, a social networking service for neighborhoods. 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, reaching almost 2.1 million households.

1. Butte
2. Lake
3. Mendocino
4. Napa
5. Nevada
6. Orange
7. Solano
8. Sonoma
9. Yuba

CSLB is also making regular disaster-related posts through its different social media channels, including Facebook, Twitter, and Instagram.

Toll-Free Disaster Hotline

CSLB 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 is unable to staff LACs, a special line has been set-up for wildfire survivors to speak with a CSLB staff member. That line has been available during the same hours the LAC is open and has been staffed by PAO. At other times, the line is forwarded to CSLB's toll-free line.

Wildfire Workshops

PAO is now reaching out to 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

Licensing and Enforcement staff will likely join PAO staff to present at these workshops. In the past, CSLB has been assisted by partner agencies, including the California Department of Insurance, the California Architects Board, and the State Compensation Insurance Fund, to serve as presenters during the contractor workshops.

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.

Meeting with Oregon Construction Contractors Board

Over the past three months, Oregon also has seen a rash of devastating wildfires that killed at least 11 people, destroyed more than 5,700 structures, and burned more than one million acres of land.

Registrar Fogt scheduled a meeting with his counterpart at the Oregon Construction Contractors Board to share best practices. On September 29, 2020, senior staff from both agencies discussed potential pitfalls in the coming wildfire cleanup, the importance of

collaboration with other state agencies, building departments, and local law enforcement agencies, including district attorneys, and successful outreach tools.

Consumer Complaints – Disaster-Related (2017–Today)

As outlined in this report, CSLB invests significant resources in education, outreach, and proactive enforcement with the belief that the more that can be done to educate consumers and contractors and to warn off unlicensed contractors CSLB will receive fewer complaints.

A review of CSLB complaints involving properties in disaster zones around the state since 2017 indicate that outreach, education, and enforcement have been successful.

During that time, CSLB's Statewide Investigative Fraud Team (SWIFT) opened more than 500 complaints. Most of them related to sweep and sting operations conducted in fire zones or for alleged unlicensed activity.

Also, CSLB has received an average of 30 disaster-related consumer complaints per month, a substantial improvement over the 90 consumer complaints per month received during the Northridge earthquake rebuild in the mid 1990's.

A small handful of complaints have led to administrative actions or criminal referrals to a local prosecutor. The following is a media story on the most significant disaster-related investigation over the past four years. The investigation resulted in dozens of felony charges being filed against a licensee, his wife, and daughter.

Sonoma County District Attorney Levels Criminal Charges Against Tulare Builder and His Wife
Austin Murphy, Santa Rosa Press Democrat, July 24, 2020

Sonoma County's top prosecutor filed a sweeping criminal complaint Friday against a Central Valley contractor, accusing the builder of defrauding customers who had turned to the company after losing their homes in the devastating Tubbs fire in October 2017.

Sal Chiaramonte, owner of Chiaramonte Construction & Plumbing in Tulare, is charged with 59 felony counts, including grand theft of personal property, diversion of construction funds, and theft from elderly clients totaling a little more than $1 million.

Named as co-defendants for all but one of those counts are his wife, Pamela Chiaramonte, and their daughter, Amy Diane Perry.

Neither Sal Chiaramonte nor his lawyer replied to multiple messages left for them on Friday.

Sal and Pam Chiaramonte, who in April filed personal bankruptcy, had signed roughly 40 construction contracts with Santa Rosa-area homeowners whose houses were destroyed in that historic blaze.

The alleged crimes were committed against 14 different homeowners and 10 different businesses, said Brian Staebell, chief deputy district attorney.

Half of those homeowners were over the age of 65, leading to additional charges of elder abuse, or “theft, embezzlement, forgery, fraud, and identity theft with respect to the property and personal identifying information of an elder and dependent adult,” according to the complaint.

“It’s tragic that these individuals, victimized first by the fire, were subjected to an organization that then re-victimized them,” said Staebell, who works alongside District Attorney Jill Ravitch.

Among the charges, the Chiaramontes are accused of unlawfully taking nearly $23,000 from Lynette Kronick, who hired them to rebuild her destroyed home on Lavender Lane in the Mark West neighborhood. Kronick was pleased to hear criminal charges had been filed.

“But I won’t really turn the page,” she said, “until that house is finished.” She’d hired a second builder, and hopes to be in her new home by Labor Day.

Rich Freeman, the Santa Rosa lawyer representing four homeowners who have brought civil lawsuits against Chiaramonte Construction, called the criminal charges “a great first step toward vindication for some incredibly nice people in our community who were preyed upon and victimized after already being devastated by the fires.”

While there is not yet a date for the Chiaramontes and Perry to make a first appearance in court, Staebell said, “there will be an active warrant for their arrest in the system next week.”

Over a year ago, responding to numerous disgruntled customers, the Contractors State License Board launched an investigation of Chiaramonte Construction over a year ago. That inquiry, by the board’s special investigations unit, was completed in May. The state board had suspended the builder’s license on March 25 for failure to maintain workers compensation coverage.

The state board’s findings were submitted to Ravitch, in parts, between May 28 and June 26, “due to the multiple boxes of exhibits and other materials compiled during the investigation,” said Rick Lopes, chief spokesman for the state contractor licensing agency.

Staebell said Friday prosecutors will continue to investigate the Tulare contractor. Others who suspect they were victimized by the company are urged to call the Contractors State License Board, at 1-800-321-2752, or to file a complaint online at www.cslb.ca.gov.

AGENDA ITEM D

Update and Discussion on Outreach Efforts to Potential Licensees

Outreach Efforts to Potential Licensees

Overview

After reaching a peak in early 2009, the number of CSLB's licensed contractors (active + inactive) dropped for nine straight years. While that number has inched up slightly over the past two years, today there are 32,000 fewer licensed contractors in California than there were 12 years ago.

However, over roughly the same time period the number of people employed in California's construction industry grew by more than one-third, to almost 840,000 people.

These statistics raise the question of what CSLB might do to help attract construction industry workers to get a contractor license.

The Public Affairs Office is taking the lead on three outreach initiatives and providing support to the Licensing Committee on a fourth program focused on developing outreach programs to help encourage more people to get their contractor license. The 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

Background

As reported by the Bureau of Labor Statistics, from January 2010 through August 2020, construction employment in California grew by 281,000 people, from 558,300 to 839,300.

During that same period, CSLB's license population (active + inactive) dropped by 24,282, from 307,228 to 282,946.

The statistics reveal a significant increase in the number of people employed in California's construction industry just as there has been a simultaneous decrease in the number of people who have taken the step to get a contractor license.

DATE	# OF CALIFORNIA CONSTRUCTION WORKERS	CHANGE FROM PREVIOUS YEAR
January 2010	576,200	-
January 2011	558,300	*- 17,900*
January 2012	580,600	*+22,300*
January 2013	622,000	*+41,400*
January 2014	660,600	*+38,600*
January 2015	702,400	*+41,800*
January 2016	759,600	*+57,200*
January 2017	772,200	*+12,600*
January 2018	840,900	*+68,700*
January 2019	869,500	*+28,600*
January 2020	888,600	*+19,100*
August, 2020	839,300	*-49,300*

Source: Bureau of Labor Statistics (August 2020 Statistics & Historical Statistics)

Over the past 15 years, CSLB has experienced both its peak number of licensed contractors, and its biggest drop in the number of licensed contractors.

CSLB's number of active licenses peaked in late 2008 and early 2009, at just over 254,000. As part of an economic downturn, the number of active licensees dropped in each of the next seven consecutive years, while the overall number of licensees (active + inactive) dropped in each of the next nine straight years.

While the total number of active licenses grew slightly from January 2016 through January 2020, it has dropped since the start of this year, likely due to the COVID-19 pandemic, which caused CSLB's test centers to be closed for three months.

Also, of note since January 2005:

- The # of Active Licenses is Down 1,475
- The # of Inactive Licenses is Down 7,122
- The # of Overall Licenses is Down 8,597

Since Peak Licensure in 2009:

- The # of Active Licenses is Down 24,287
- The # of Inactive Licenses is Down 8,091
- The # of Overall Licenses is Down 32,378

DATE	ACTIVE LICENSES	INACTIVE LICENSES	TOTAL LICENSES	CHANGE FROM PREVIOUS YEAR
January 2005	231,302	60,241	291,543	-
January 2006	238,529	58,812	297,341	*+5,798*
January 2007	244,675	59,219	303,894	*+6,553*
January 2008	253,863	60,819	314,788	*+10,894*
January 2009	254,114	61,210	315,324	*+536*
January 2010	246,210	62,855	309,065	*-6,259*
January 2011	240,523	66,705	307,228	*-1,837*
January 2012	234,236	67,909	302,145	*-5,083*
January 2013	228,019	67,046	295,065	*-7,080*
January 2014	223,786	64,525	288,311	*-6,754*
January 2015	222,824	62,453	285,277	*-3,034*
January 2016	223,973	60,399	284,372	*-905*
January 2017	224,124	58,563	282,687	*-1,685*
January 2018	225,647	56,416	282,063	*-624*
January 2019	229,333	55,349	284,682	*+ 2,619*
January 2020	231,405	54,225	285,630	*+948*
October 1, 2020	229,827	53,119	282,946	*-2,684*

Creation of New B-2 Licensing Classification

On September 30, 2020, Governor Gavin Newsom signed Senate Bill (SB) 1189 into law. The bill creates a new classification of licensed contractor as a subdivision within the existing "B" General Building Contractor classification – the B-2 Residential Remodeling Contractor.

The new classification will allow a B-2 contractor to take on projects that make improvements to, on, or in an existing residential wood frame structure that require the use of at least three unrelated building trades or crafts for a single contract. It would also prohibit a residential remodeling contractor from taking a contract for a project unless the contract includes three or more unrelated trades or crafts, including fire protection, unless the contractor holds the appropriate license classification or subcontracts with an appropriately licensed contractor.

Contractors holding the new B-2 classification will be prohibited from making structural changes to load bearing portions of an existing structure and from contracting to install, replace, substantially alter, or extend electrical, mechanical, or plumbing systems or their component parts, or the mechanisms or devices that are part of those systems, except as specified.

This new 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 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.

CSLB hopes to have everything in place, including a new licensing exam, by late summer 2021.

"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, six 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

There are a number of communities that 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.

The three communities are, minorities, low-income, and women.

- **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. Ms. Teichert and Mr. Ruane will discuss this initiative during the Licensing Committee meeting.

Next Steps

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.

AGENDA ITEM E

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

CONTRACTORS STATE LICENSE BOARD

2019-21 STRATEGIC PLAN – PUBLIC AFFAIRS OBJECTIVES

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.

AGENDA ITEM F

Adjournment

November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Licensing Committee Meeting

AGENDA ITEM A

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

Licensing Committee Members:

Jim Ruane, Chair

Frank Altamura, Jr.

Augie Beltran

Rodney Cobos

Miguel Galarza

Susan Granzella

Mary Teichert

Committee Chair Jim Ruane will review the scheduled Committee actions and make appropriate announcements.

AGENDA ITEM B

Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

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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 or Committee 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 or Committee 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 or Committee 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 or Committee 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 or Committee 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

Review and Discussion on Policy Change Related to Signature Requirements on CSLB License Renewal Applications

Signature Requirements on License Renewal Applications

Background and Current Signature Requirement

CSLB staff continue to explore ways to simplify the license application and renewal processes. Recently, CSLB enabled any sole owner without a responsible managing employee to renew their license online. CSLB is beginning to work on extending this option to other license types (i.e., sole owner with an RME, corporate, LLC, partnership, joint venture).

At present, internal policy requires all qualifiers and an owner, officer, or partner to sign a license renewal. Staff is seeking to improve the renewal process to reduce returns for correction and processing times.

Internal Review of the Signature Requirement

Staff and the Department of Consumer Affairs' Legal Division reviewed CSLB's requirements related to license renewal.

California Business and Professions Code (BPC) section 7067.6(a) states:

> Every application form for an original license, for renewal thereof, for reinstatement or for reissuance, including both active and inactive licenses, shall be signed by both the applicant and by the person qualifying on behalf of an individual or firm as referred to in Section 7068.1.

The board has historically interpreted the term "applicant" as "a person applying for issuance or renewal of a license." Using this definition, staff believe it is reasonable to conclude that a qualifier, or qualifiers on a license may also be viewed as "applicants" for purposes of a license renewal.

It should also be noted that a "qualifier" is defined under BPC section 7025(c) as "a person who qualifies for a license pursuant to Section 7068," and includes any of the following individuals:

- Responsible managing employee (RME)
- Responsible managing officer (RMO)
- Responsible managing member (RMM)
- Responsible managing manager (RMG)
- Qualifying partner (QP)

Proposed Procedural Change
Upon review of existing statutes, staff plan to alter its internal procedure for renewal signatures by:

1. Requiring only qualifiers sign the license renewal rather than all other personnel listed.
2. Discontinue returning renewals for correction when CSLB receives extraneous signatures on a license (e.g., personnel of a company that is not a qualifier).

Staff believe these changes will reduce the number of renewals returned for corrections and associated processing times as well as enable the board to allow more licensees to fully renew online. Staff plan to implement these changes on November 16, 2020.

It is important to note that this policy change will only be to renew an existing license, not to apply for licensure, nor to make any changes to members of personnel

AGENDA ITEM D

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

Outreach to Increase Women's Participation in Construction

Background

According to the U.S. Bureau of Labor Statistics, in 2019 women comprised 10.3 percent of the construction workforce. Many leading the construction industry are trying to improve this percentage. Board Member Jim Ruane asked staff to explore opportunities to increase women's participation in the industry.

CSLB can serve as a resource to various communities by answering questions and assisting individuals through the application process. It can also serve as one of many resources to help promote the profession.

Board Chair David De La Tore has appointed a two-person advisory committee comprised of board members and licensees Mary Teichert and Jim Ruane to oversee a three-phase outreach plan outlined below.

Phase I – Research

Public Affairs and Licensing staff have begun researching available resources to increase women's participation in the industry.

Staff has also been in contact with industry experts, as well as with three former board members and licensees. Cindy Mitchell (2006-2011), Joan Hancock (2007-2019), and Linda Clifford (2013-2019) have all pledged their support for CSLB's efforts and have shared resources.

Below is a list of preliminary information and resources available to women in the construction industry.

- Women in Construction: The State of the Industry in 2020
  https://www.bigrentz.com/blog/women-construction

- National Association of Women in Construction
  - National https://www.nawic.org/nawic/default.asp
  - Fresno Chapter http://www.nawicfresno.org/
  - Los Angeles Chapter http://www.nawicla.org/
  - Orange County Chapter https://www.nawicoc.org/
  - Sacramento Chapter http://nawicsacramento.com/
  - San Diego Chapter https://www.nawicsd.org/
  - San Francisco Chapter https://www.nawicsf.org/
  - Santa Clara Chapter http://www.nawicsantaclara99.org/

- Tradeswomen, Inc.
  https://tradeswomen.org/

- Women in Construction USA
  https://www.women-in-construction-usa.com/

- Women Construction Owners & Executives
  https://www.wcoeusa.org/
- Women's Construction Coalition
  https://www.wccsd.org/
- California Apprenticeship Coordinators Association
  http://calapprenticeship.org/women.php
- National Association of Home Builders – Professional Women in Building Council
  https://www.nahb.org/nahb-community/Councils/Professional-Women-in-Building-Council
- North State Building Industry Association Foundation
  https://www.biaworkforce.com/
- National Association of Home Builders – Professional Women in Building Council
  https://www.nahb.org/NAHB-Community/Councils/Professional-Women-in-Building-Council
- Professional Women in Construction
  https://www.srbx.org/women-in-construction.html
- National Alliance for Partnerships in Equity (NAPE)
  https://napequity.org/public-policy/frontline-legislation/womens-apprenticeships-nontraditional-occupations-act/
- Women in Construction Operations
  https://womeninoperations.com/
- A Guide to Mentoring – A Tool to Sharpen the Skills of Women in Construction
  https://womeninoperations.com/wp-content/uploads/2015/02/WiOPS-Guide-to-Mentoring.pd
- North American Building Trades Unions
  https://nabtu.org
  https://nabtu.org/about-nabtu/affiliates/
  https://nabtu.org/building-trades-academy/
  https://nabtu.org/apprenticeship-and-training/apprenticeship-readiness-videos/
- Sacramento Regional Builders Exchange – Women in Construction
  https://www.srbx.org/women-in-construction.html
- Habitat for Humanity Sacramento Women Build
  https://habitatgreatersac.org/get-involved/womenbuild/

Phase II – Establishing Partnerships

Staff will use the information gathered during research to identify and contact potential partners with the intent to see how CSLB may be able to 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

Phase III – Outreach Events

This phase will focus on working with partners to coordinate/produce outreach events. Depending on COVID-19 restrictions, these could take place online only, or as a hybrid of both online and in-person events.

AGENDA ITEM E

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

CONTRACTORS STATE LICENSE BOARD

2019-21 STRATEGIC PLAN – LICENSING & TESTING OBJECTIVES

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:** 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 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.

AGENDA ITEM F

Adjournment

November 4, 2020
Sacramento, California

CONTRACTORS STATE LICENSE BOARD

Legislative Committee Meeting

AGENDA ITEM A

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

Legislative Committee Members:

Augie Beltran, Chair

Frank Altamura, Jr.

Rodney Cobos

Miguel Galarza

Susan Granzella

Jim Ruane

Mary Teichert

Committee Chair Augie Beltran will review the scheduled Committee actions and make appropriate announcements.

AGENDA ITEM B

Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests

(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 or Committee 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.

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  (a) The Board or Committee 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 or Committee 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 or Committee 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

Update on 2019-20 Enacted Legislation

Update on 2019-20 Enacted Legislation

Following is an update on legislative bills on which the CSLB took a formal position for the 2019-20 Legislative session. The board last voted on these bills at its June 5, 2020 meeting. Below is a short summary of the measures, as enacted.

This is a status update only; no further action is required from the committee at this time.

a. **AB 2210 (Aguiar-Curry) Contractors: Violations: Disciplinary Actions.** Makes it a CSLB "cause of discipline" for a contractor to violate a Tree Safety Order issued by the Department of Industrial Relations' Division of Occupational Safety and Health, whether or not the event caused a severe injury. Provides additional time for CSLB to investigate and initiate disciplinary action in such cases.

   Board Position: SUPPORT; **Status:** Approved by the Governor and Chaptered by Secretary of State—Chapter 128, Statutes of 2020, on September 24, 2020.

b. **AB 2232 (Grayson) Contractors: Renewal of Licenses.** Requires the registrar to retroactively reinstate an expired contractor's license if a completed license renewal application is received with the appropriate fees within 90 days of the license expiration date.

   Board Position: SUPPORT. **Status:** Entire bill inserted into Senate Bill 1474 (below) on July 27, 2020.

c. **AB 2471 (Maienschein) Senior Citizens: Rescission of Contracts.** Extends the right to cancel certain contracts for people 65 years of age or older from three business days to five.

   Board Position: SUPPORT. **Status:** Approved by the Governor and Chaptered by Chaptered by Secretary of State—Chapter 158, Statutes of 2020, on September 25, 2020.

d. **AB 3087 (Brough) Professions and Vocations.** Clarifies CSLB authority to contract with a third-party vendor for the administration of its licensing examinations.

Board Position: SUPPORT. **Status:** Approved by the Governor and Chaptered by Secretary of State—Chapter 295, Statutes of 2020, on September 29, 2020.

e. **SB 1189 (McGuire) Contracting Business: Home Improvement: Residential Property.** Creates a new classification of licensed contractor as a subdivision within the existing General Building Contractor classification, called "residential remodeling contracting." Also clarifies that home improvement projects that are undertaken in declared disaster zones are subject to home improvement contract consumer protections laws.

Board Position: SUPPORT. **Status:** Approved by the Governor and Chaptered by Secretary of State—Chapter 364, Statutes of 2020, on September 30, 2020.

f. **SB 1474 (Senate Business, Professions & Economic Development) Committee Bill.** Incorporates recommendations for technical, non-substantive changes to contractors' state license law (CSLL) approved by the board at its December 12, 2020 meeting, including: 1) removing the apostrophe from the contractors' state license law, Contractors' State License Board, and the Contractors' License Fund legal titles; 2) replacing a previously existing provision of the CSLL that was accidentally deleted by CSLB-sponsored AB 3087 (Brough, 2018, relating to cash deposits in lieu of a contractor bond); and 3) places CSLB's authority to issue a letter of admonishment (Business and Professions Code [BPC] section 7099.2) into its own section of law (BPC section 7099.9).

In addition, AB 2232 (Grayson) Renewal of Licenses, was placed in its entirety into SB 1474 to shorten legislative committee agendas that were elongated by delays resulting from the COVID-19 pandemic.

Board Position: SUPPORT. **Status:** Approved by the Governor and Chaptered by Secretary of State—Chapter 312, Statutes of 2020, on September 30, 2020.

AGENDA ITEM D

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 I - 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~~ ***or 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 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 E

Review, Discussion, and Possible Action on Legislative Proposal that would Make Illegal Dumping a Cause of 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:

SECTION 1. Section 7110 of the Business and Professions Code is amended to read:

7110. Willful or deliberate disregard and violation of the building laws of the state, or of any political subdivision thereof, or of Section 8550 or 8556 of this code, or of Sections 1689.5 to 1689.15, inclusive, of the Civil Code, or of the safety laws or labor

laws or compensation insurance laws or Unemployment Insurance Code of the state, or of the Subletting and Subcontracting Fair Practices Act (Chapter 4 (commencing with Section 4100) of Part 1 of Division 2 of the Public Contract Code), or violation by any licensee of any provision of the Health and Safety Code or Water Code, relating to the digging, boring, or drilling of water wells, or Article 2 (commencing with Section 4216) of Chapter 3.1 of Division 5 of Title 1 of the Government Code, *or illegal dumping*, constitutes a cause for disciplinary action.

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AGENDA ITEM F

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))

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 are presented for review and discussion by the Legislative Committee.

Staff Recommendation

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 2020.

CONTRACTORS STATE LICENSE BOARD

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

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 1963[3] following the addition of Section 7071.9[4] 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 bill[16] 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 commentors 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 number[58] 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

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

[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 let 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 maid, 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 G

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

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. (~~Regulatory~~) (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.

AGENDA ITEM H

Adjournment