

AUGUST 3, 2018
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

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





CONTRACTORS STATE LICENSE BOARD

9821 Business Park Drive, Sacramento, CA 95827
Mailing Address: P.O. Box 26000, Sacramento, CA 95826
800-321-CSLB (2752)
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STATE OF CALIFORNIA

Governor Edmund G. Brown Jr.

NOTICE OF EXECUTIVE, ENFORCEMENT, LEGISLATIVE, LICENSING, AND PUBLIC AFFAIRS COMMITTEE MEETINGS

Friday, August 3, 2018, 9:00 a.m. – 3:30 p.m. (or until the conclusion of business)
Contractors State License Board HQ, John C. Hall Hearing Room
9821 Business Park Drive, Sacramento, CA 95827

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 COMMITTEE MEETING AGENDA

(9:00 a.m.)

Executive Committee Members:

Marlo Richardson, Chair / Kevin Albanese / Linda Clifford / 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. Discussion Regarding Creation of a Board Member Information Technology Advisory Committee
- D. Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature
- E. Review, Discussion, and Possible Action on Proposed 2019-21 Administration and Information Technology Strategic Plan Objectives
- F. Adjournment

ENFORCEMENT COMMITTEE MEETING AGENDA

(Upon Adjournment of Executive Committee Meeting)

Enforcement Committee Members:

Kevin Albanese, Chair / Agustin "Augie" Beltran / Linda Clifford / David Dias / Susan Granzella / 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
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- C. Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature
 - 1. New Enforcement Issue for Inclusion in the Report: Increased Staff Workload and Resources
- D. Review, Discussion, and Possible Action on Proposed 2019-21 Enforcement Strategic Plan Objectives
- E. Adjournment

LEGISLATIVE COMMITTEE MEETING AGENDA

(Upon Adjournment of Enforcement Committee Meeting)

Legislative Committee Members:

Linda Clifford, Chair / Kevin Albanese / Agustin "Augie" Beltran / David Dias / Susan Granzella / 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. Review, Discussion, and Possible Action on 2018 Pending Legislation
 - 1. AB 2138 (Chiu and Low) (2018) Licensing Boards: Denial of Application: Criminal Conviction
- D. Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature
 - 1. New Legislative Issues for Inclusion in the Report
 - a. License Suspension for Unsatisfied Final Judgments
 - b. C-10 (Electrician) and C-7 (Low Voltage Systems) Contractor Fee
 - c. Arborist Certification
- E. Review, Discussion, and Possible Action on Proposed 2019-21 Legislative Strategic Plan Objectives
- F. Adjournment

LICENSING COMMITTEE MEETING AGENDA

(1:00 p.m.)

Licensing Committee Members:

Frank Schetter, Chair / David De La Torre / Joan Hancock / Michael Layton / 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. Review, Discussion, and Possible Action Regarding Development of a New Remodeling and Home Improvement License Classification
- D. Review, Discussion, and Possible Action on Development of an Arborist Health and Safety Certification Program and Specialty "C" License Classification
- E. Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature
 - 1. New Licensing Issue for Inclusion in the Report: CSLB's Use of Criminal History Information in Licensing
- F. Review, Discussion, and Possible Action on Proposed 2019-21 Licensing Strategic Plan Objectives
- G. Adjournment

PUBLIC AFFAIRS COMMITTEE MEETING AGENDA

(Upon Adjournment of Licensing Committee Meeting)

Public Affairs Committee Members:

Joan Hancock, Chair / David De La Torre / Michael Layton / Frank Schetter / 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 Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature
 - 1. New Public Affairs Issue for Inclusion in the Report: Natural Disaster Response

D. Review, Discussion, and Possible Action on Proposed 2019-21 Public Affairs Strategic Plan Objectives

E. 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.

The Board intends to provide a live webcast of the meetings. The webcast can be located at www.cslb.ca.gov. Webcast availability cannot, however, be guaranteed due to limitations on resources or technical difficulties. The meetings will continue even if the webcast is unavailable. If you wish to participate or to have a guaranteed opportunity to observe, please plan to attend at the physical location.

The meetings are accessible to the physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Phyliz Jones at (916) 255-4000, or phyliz.jones@cslb.ca.gov, or send a written request to Phyliz Jones, 9821 Business Park Drive, Sacramento, CA 95827. Providing your request at least five (5) business days prior to the meeting will help ensure availability of the requested accommodation.



CONTRACTORS STATE LICENSE BOARD

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AUGUST 3, 2018
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 MEMBERS:

MARLO RICHARDSON, CHAIR

KEVIN ALBANESE

LINDA CLIFFORD

JOHNNY SIMPSON

Committee & Board Chair Marlo Richardson will review the scheduled Committee actions and make appropriate announcements.



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

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BOARD AND COMMITTEE MEETING PROCEDURES

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 - (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

Discussion Regarding Creation of a Board Member Information Technology Advisory Committee





CONTRACTORS STATE LICENSE BOARD

INFORMATION TECHNOLOGY ADVISORY COMMITTEE

Background

Over the past year, CSLB has worked with the Department of Consumer Affairs (DCA) to develop a business modernization plan to assess existing business processes and information technology (IT) needs. Through this effort, CSLB staff has determined existing IT systems meet current business needs and with standard assessments and enhancements will meet CSLB's business needs for the foreseeable future.

A two-person Board member advisory committee would report to the full Board and provide detailed reporting on IT projects, including establishing priorities and monitoring progress and costs. The advisory committee would also provide oversight for the mandatory reporting to the Legislature.

AGENDA ITEM D

Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature

**2018 Sunset Review Report –
see tabbed section in back**



AGENDA ITEM E

Review, Discussion, and Possible Action on Proposed 2019-21 Administration and Information Technology Strategic Plan Objectives

**2019-21 Strategic Plan Objectives –
see tabbed section in back**



AGENDA ITEM F

Adjournment



AUGUST 3, 2018
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

AGUSTIN "AUGIE" BELTRAN

LINDA CLIFFORD

DAVID DIAS

SUSAN GRANZELLA

JOHNNY SIMPSON

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



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

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AGENDA ITEM C

Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature

**2018 Sunset Review Report –
see tabbed section in back**



AGENDA ITEM C-1

New Enforcement Issue for Inclusion in the Report: Increased Staff Workload and Resources





Background

The Contractors State License Board (CSLB) is charged with protecting consumers from unscrupulous construction activity by licensing, regulating, and enforcing California’s contracting laws. CSLB’s Enforcement division is currently authorized to have 226 permanent staff (PYs). Yet, after experiencing multiple staffing cuts, furloughs and hiring freezes the Enforcement division still notes a net loss of 19 positions since FY 2001-02.

In preparation for the 2018 Sunset Review Report to the Legislature staff conducted an analysis of the number of consumer complaints, which revealed that consumer-filed complaints increased 15 percent in FY 2017-18 as compared to FY 2016-17. This increase equates to 188 additional complaints per month, which has led to higher caseloads for staff and longer cycle times. CSLB staff have identified a number of contributing factors to this increase.

Increased Workload

Solar

- As discussed at the June 2018 Board meeting, CSLB and the Solar Task Force continue to be challenged by the ever-evolving solar Industry and the resulting complaints that are not only inclusive of construction-related violations, but also involve complex financing agreements. A recent analysis of solar complaints revealed the following:

	FY 16/17	FY 17/18	FY 16/17 vs. FY 17/18
Solar-Related Complaints	642	864	▲ 35%

- In addition to the routine complaint handling process, CSLB leadership and the CSLB Solar Task Force have been partnering with the Department of Business Oversight (DBO), the Public Utilities Commission (PUC) and local district attorneys on the following:
 - Ensuring that home improvement salespeople (HIS) and contractors are appropriately registered, licensed, and trained prior to entering into contracts involving the installation of a solar panel system.
 - Performing joint investigations into businesses engaged in predatory lending and/or fraudulent contracting.
 - Developing a contract disclosure form to be included on all home improvement contracts inclusive of the installation of solar panels.



Disaster Response

- 2017 was California's largest and most destructive fire season on record. In October, more than a dozen fires ravaged Northern California. Four of these fires damaged over 181,000 acres, thousands of structures and took the lives of over 40 individuals.
- Over 50 CSLB staff, mostly drawn from the Enforcement division, were redirected to assist at the Local Assistance Centers (LACs) across northern and southern California and with nearly 90 work weeks of redirected staff resources to the disaster areas, the impact on productivity was significant.
- Year-to-date, over 100 CSLB staff hours have been redirected to four LACs across northern and southern California to address recent wildfires.

Assembly Bill 1701—Labor Related Liabilities

Historically, CSLB has received referrals from DLSE and other labor organizations when the prime contractor was held jointly and severally liable for a civil wage and penalty assessment (CWPA) issued against a subcontractor and has been subsequently forced to pay wage liabilities committed by the subcontractor on a public works project.

AB 1701 (Thurmond, Statutes 2017) extends these obligations of the prime contractor to private commercial projects.

CSLB currently investigates violations of BPC §7113 (failure to complete the project for the contract price) committed by subcontractors on public works projects when they fail to fully pay their employees' wages and fringe benefits, leaving the prime contractor responsible for the associated costs.

The goal of these investigations is to make the prime contractor financially whole and ensure that subcontractors who commit wage theft are held responsible through disciplinary action.

With this new legislation, CSLB anticipates conducting an increased number of investigations in response to complaints filed by prime contractors, the Department of Industrial Relations, and financially injured employees.

AGENDA ITEM D

Review, Discussion, and Possible Action on Proposed 2019-21 Enforcement Strategic Plan Objectives

**2019-21 Strategic Plan Objectives –
see tabbed section in back**



AGENDA ITEM E

Adjournment



AUGUST 3, 2018
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:

LINDA CLIFFORD, CHAIR

KEVIN ALBANESE

AGUSTIN "AUGIE" BELTRAN

DAVID DIAS

SUSAN GRANZELLA

JOHNNY SIMPSON

Committee Chair Linda Clifford will review the scheduled Committee actions and make appropriate announcements.



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

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AGENDA ITEM C

Review, Discussion, and Possible Action on 2018 Pending Legislation

1. AB 2138 (Chiu and Low) (2018) Licensing Boards:
Denial of Application: Criminal Conviction



**CONTRACTORS STATE LICENSE BOARD
LEGISLATIVE ANALYSIS (UPDATED – 7/17/18)**

Bill Number: AB 2138 (Chiu and Low)
Status/Location: Senate Appropriations
Sponsor: East Bay Community Law Center, Anti-Recidivism Coalition, Legal Services for Prisoners with Children, and Root & Rebound
Subject: Licensing Boards: Denial of Application: Revocation or Suspension of Licensure: Criminal Conviction
Code Sections: Amend Sections 480, 481, 482, 488, 490, 492, 493, 1005, and 11345.2 of; Add Section 481.5 to; and Repeal Section 490.5 of the Business and Professions Code

UPDATE: Amendments to Bill Since June 7, 2018 Board Meeting

- Section 1: Amendment to exempt the State Athletic Commission and Bureau for Private Postsecondary Education from the provisions of the bill.
- Section 2:
 - Consideration of the age of a conviction (for purposes of denial of a license) extended from five (5) years to seven (7) years.
 - Consideration of the type of conviction for purposes of denial of a license changed from “violent” felony as defined in the Penal Code to “serious” felony as defined in the Penal Code
 - Consideration of the relatedness of a conviction to the “qualifications, functions, or duties of the business or profession for which application is made” changed from “directly and adversely related” back to “substantially related.”
 - Deleted language that would have made the issuance of a probationary license a “license denial” for purposes of the statute.
 - Requires persons who wish to demonstrate rehabilitation to “provide evidence” of this fact (replacing the requirement that they merely “make a showing” of this fact).
 - Deletes language that would have provided that the bill “supersedes any contradictory provision” in a License Act.
- Section 4:
 - Deletes provisions that would have placed restrictions on issuance of probationary licenses.
 - Removes as one of the “conclusive findings” of rehabilitation that a board would make that an applicant shows a year of work in a related field without professional misconduct. Instead allows a board to “consider” if rehabilitation has occurred by either successful completion of probation/parole, or by the applicant’s or licensee’s completion of a board’s existing rehabilitation criteria.

- Section 5:
 - Removes current option for a board, after a hearing, to immediately revoke the license, stay the revocation, and impose probationary conditions on the license, which may include suspension. Provides that a board, after a hearing, may grant a license effective upon completion of all licensing requirements by the applicant, deny the license, or take other action deemed proper by the board.
 - Strikes all changes made by the bill to the current section 490 of the Business and Professions Code, which deals with the authority of the board to suspend or revoke a license based on a conviction.
 - Strikes what would have been a new section of law, section 492, which would have prohibited a board from taking disciplinary action against a licensee or from denying a license for professional misconduct upon a finding that a licensee or applicant successfully completed a diversion program, deferred entry of judgment, or alcohol and drug program.
- Section 8: The bill previously would have repealed a provision in the Business and Professions Code that authorizes a DCA board to suspend a license if a licensee is not in compliance with a child support order or judgment. This provision was restored (leaving existing law on this point intact).

Fiscal Impact for CSLB (Revised 7/17/18):

Because AB 2138 would preclude agencies from asking applicants or licensees for certain criminal histories, agencies would need to utilize other sources to obtain the information. This requires agencies to contact counties and local law enforcement agencies, as well as paying any associated costs for such documents, including possible certification costs from the courts pursuant to sections 70633(b) and 70627 of the Government Code. CSLB has discovered that it can take between two weeks and six months to obtain this information from local agencies, at an average cost of \$100 per record.

CSLB estimates approximately 2,500 of its applicants a year have criminal convictions. The time to process these applications, if this bill is passed, may be extended. The elimination of the probationary provisions from the bill in the newest amendments has reduced CSLB’s projected fiscal impact as follows: CSLB’s fiscal analysis of this bill is \$893,000 in initial, non-absorbable costs, with \$686,000 in ongoing, non-absorbable costs.

Previous Board Action:

OPPOSE. The Board voted to “oppose” this bill at its April 13, 2018 meeting.

Staff Recommendation:

Given the recent amendments and further communication with the author’s office, which will be discussed at the meeting, the Committee may wish to reaffirm or alter its previous position.

PREVIOUS BILL ANALYSIS – FROM JUNE 7, 2018 BOARD MEETING PACKET

Summary: This bill authorizes a board to deny, suspend, or revoke a license on the grounds of a criminal conviction only if the applicant or licensee is presently incarcerated or the conviction occurred within the preceding five (5) years and only if the crime is “directly and adversely related to the qualifications, functions, or duties” of the license. This bill exempts from the five-year limitation a “violent” felony (as defined in section 667.5 of the Penal Code) and excludes from consideration for denial, suspension, or revocation any conviction that was dismissed, expunged, or pardoned or for which the applicant or licensee demonstrated rehabilitation. This bill also prohibits boards from requiring an applicant to provide his or her criminal history information and requires boards to produce annual reports for the Legislature and for public posting. This bill would equate the issuance of a “probationary license” with a license denial and revises other probationary license provisions and authorizes a board to issue a license immediately followed by a public reproof under certain circumstances. This bill provides that its provisions supersede any contradictory provisions in any licensing act.

Existing law authorizes the Department of Consumer Affairs (DCA) boards and bureaus to deny, suspend, or revoke a license or take disciplinary action against a licensee if the applicant or licensee:

- has been convicted of a crime unless it was dismissed or expunged under specified Penal Code sections;
- was convicted of a felony, unless a certificate of rehabilitation has been obtained;
- was convicted of a misdemeanor, unless meeting a board’s rehabilitation criteria;
- has knowingly made a false statement of fact required to be revealed in the application for licensure;
- has failed to comply with a child support order or judgment (license suspension only); or
- has engaged in professional misconduct even if the licensee has successfully completed certain diversion or drug and alcohol problem assessment programs.

Existing law also authorizes a board, following an applicant or licensee’s appeal of a board decision and a hearing, to take various actions, including imposing probationary conditions on the license.

To execute these purposes, existing law requires the board to have developed criteria for considering the denial, suspension, or revocation of a license to determine two things: (1) if the crime is “substantially related to the qualifications, functions, or duties of the business or profession” the board regulates; and (2) if the applicant demonstrated rehabilitation.

Existing law provides in section 868 of Title 16, Division 8 of the California Code of Regulations (CCR) that a crime or act is substantially related to the qualifications, functions, or duties of a contractor if it “evidences present or potential unfitness of an applicant or licensee to perform the functions authorized by the license in a manner

consistent with the public health, safety, and welfare.” The section further defines such crimes or acts to include those involving dishonesty, fraud, deceit, or theft with the intent to substantially benefit oneself or another or to substantially harm another, as well as those that involve physical violence against persons and that indicate a substantial or repeated disregard for the health, safety, or welfare of the public.

Existing law provides in section 869 of the CCR that in evaluating a contractor’s or applicant’s rehabilitation and present eligibility for a license, the Board will consider if seven (7) years have passed from the date of release from incarceration or completion of probation if no time was served for a felony, or three (3) years have passed for a misdemeanor. Among several other detailed case-by-case considerations, CSLB’s rehabilitation criteria involves considering the nature and severity of the crime, evidence of subsequent crimes or acts, testimonials regarding the applicant’s or contractor’s fitness for licensure, work history, compliance with imposed restrictions, evidence of conviction expungement, and other rehabilitation efforts, such as completion of drug diversion or anger management programs.

This bill would revise and recast the above provisions and, in some cases, supersede them. It would provide that a board may deny, revoke, or suspend a license for the conviction of a crime only if:

- the applicant or licensee is presently incarcerated, or the conviction occurred within the last five years (violent crimes are an exception to the five-year limitation); and
- the crime, regardless of type, is directly and adversely related to the qualifications, functions, or duties of the business or profession.

It would provide that a board may deny a license on the grounds that an applicant has been subject to formal discipline by a licensing board only if:

- the discipline was in the last five (5) years and was based on professional misconduct that would have been cause for discipline before the current board; and
- the professional misconduct was directly and adversely related to the qualifications, functions, or duties of the business or profession.

This bill would prohibit a board from denying a person a license based on the conviction of a crime or for the acts underlying that conviction if the conviction was dismissed or expunged under specified Penal Code sections, if there is clemency or pardon, if an arrest did not result in a conviction, or if there is a showing of rehabilitation. The bill would define rehabilitation to mean that the applicant or licensee has “completed the criminal sentence at issue without a violation of parole or probation” or has worked in a related field or completed training in a related field for at least one year prior to licensure, which is a significantly lower threshold of rehabilitation than the current criteria in CCR section 869.

The bill would prohibit a board from denying a license based solely on an applicant’s failure to disclose a fact that would not have been cause for denial of the license if the

fact had been disclosed. This bill would repeal the authorization of a board to suspend a license for failing to comply with a child support order or judgment; however, authority for such actions remains under Family Code section 17520.

This bill would prohibit a board from taking disciplinary action against a licensee or denying a license for professional misconduct if the licensee has successfully completed certain diversion programs or alcohol and drug problem assessment programs or deferred entry of judgment.

The bill would prohibit a board from requiring an applicant for licensure to disclose any information or documentation regarding his or her criminal history. The bill would require a board to follow certain procedures when requesting or acting on an applicant's or licensee's criminal history information, and would require the board to retain for a minimum of three (3) years:

- applications, communications, and criminal history reports regarding an applicant or licensee;
- the number of applications received for each license and the number of inquiries regarding criminal history;
- the number of applicants or licensee with a criminal record who received notice of denial, suspension, or revocation or who were denied, suspended, or revoked;
- the number of applicants or licensees who provided evidence of mitigation or rehabilitation;
- the number of applicants or licensees who appealed any denial or disqualification of license, suspension, or revocation; and
- the final disposition and demographic information, including voluntarily provided information about race or gender.

The bill would also require CSLB to annually submit a report to the Legislature and post the report on its website containing specified information regarding actions taken by the board based on an applicant's or licensee's criminal history information.

The bill would limit probationary terms or restrictions placed on a license by a board to two years or less, and would authorize additional conditions to be imposed only if the board determines that there is clear and convincing evidence that additional conditions are necessary to address a risk shown by clear and convincing evidence.

The bill would require a board to develop criteria to aid it in considering the imposition of probationary conditions and to determine what conditions may be imposed. The bill would authorize a licensee or registrant whose license or registration has been placed on probation to petition the board for a change to that probation one year from the effective date of the board's decision; require the board to issue a decision on the petition within 90 days; and deem the petition granted if the board does not file a decision denying the petition within 90 days. This bill would authorize a board to grant the license and immediately issue a public reproof.

Background:

According to the author, the intent of the bill is to reduce barriers to entry in occupational licensure for individuals with a prior conviction. The author contends that nearly eight million people, or one in three adults, have an arrest or conviction record in California. The author notes that California has some of the highest recidivism rates in the country, which leads to prison and jail overcrowding, which is an issue the Legislature is trying to address.

The author contends that high recidivism rates are largely due to the inability of those with conviction records to find employment after release. The author states that 30 percent of California jobs require state agency oversight, which affects around 1,773 different occupations. The author believes that “qualified people are denied occupational licenses or have licenses revoked or suspended on the basis of prior arrests or convictions, many of which are old, unrelated to the job, or have been judicially dismissed.” The author states that assisting in the rehabilitation of criminal offenders by removing barriers to employment and, thereby, decreasing recidivism is in the interest of public safety.

CSLB staff have met with the authors’ staff. In addition to the background information above, the author states that the bill is driven in part by the philosophical idea that once an offender is processed through the criminal justice system, including meeting all post-conviction requirements such as parole, probation, or diversion, the individual has complied with the law and should not be subject to “retrial” in the private sector when seeking employment or licensure. The sponsors also believe that the extent of the effect of this problem cannot be measured, because there are any number of prior offenders who never file an application due to their concerns about having to disclose their past; such individuals are necessarily left out of the workplace.

Arguments in Support:

DCA boards and bureaus currently have broad discretion to take disciplinary action against licensees and applicants for criminal convictions and uncharged acts. According to the Assembly Committee on Business and Professions, the provision in Business and Professions Code section 480 that allows a board to act upon “any action involving dishonesty, fraud, or deceit with the intent to substantially benefit” or “substantially injure another” has come under increased criticism. The perception is that this “broad discretion” goes “beyond criminal convictions” into non-criminal activity, which has “opened the door for many licensure applications to be denied purely on alleged misconduct that has not been determined to have occurred through standard due process.” The 2017 Assembly Business and Professions Committee sunset background paper for DCA expressed concern that there is a “serious lack of clarity for applicants as to what ‘substantially related’ means and this determination is often left to the discretion of individual boards.”

The belief is that if applicants are unaware of which conduct excludes them from licensure, they are more likely to fail to understand a board’s disclosure requirements and over include or under include what they report, each of which will reflect negatively

on the applicant. At its highest, California's recidivism rate was close to 70 percent. The author contends that it would "close the revolving door" to prisons, reduce recidivism, and increase economic opportunity if barriers to licensure are reduced to only those acts and crimes most directly and adversely related to the profession.

Arguments in Opposition:

There is no evidence that criminal history is a significant barrier to entering the construction industry. The number of applicants denied licensure at CSLB because of a criminal conviction is very low. Since 2005, of the 176,668 applicants who fingerprinted for CSLB as part of their application, 30,166 (17.1%) returned criminal history hits. Only 314 (approximately 1%) of those were denied licensure due to criminal convictions. Another 492 (approximately 1.6%) were issued probationary licenses because of their conviction(s). If an impetus of the bill is to reduce barriers to licensure, there should first be evidence that it is a wide-ranging problem.

As indicated by the numbers, CSLB denies licenses only to those with the most serious convictions, which can include both violent and non-violent crimes. Because a contractor's place of work is regularly in the home of another, CSLB must evaluate criminal convictions in terms of victim vulnerability just as much as it considers if a crime was violent. There are a substantial number of non-violent crimes that bear significantly upon the "qualifications, functions, and duties" of a contractor that are serious enough to warrant license denial. These include, financial fraud, criminal diversion of funds, and other theft crimes, or crimes for which a pattern has developed over a number of years. It would also include multiple sexual crimes that may be deemed quite "serious" but are not identified as "violent" in California Penal Code section 667.5. If this bill is passed, CSLB would be unable to deny a license on the grounds of a conviction for several crimes and acts for which it currently has discretion to deny a license.

This bill also replaces the existing standard for determining if a conviction is "substantially related" with a higher burden of "directly and adversely related" (to the qualifications, functions, and duties of the business or profession). The "substantially related" criteria have already passed constitutional due process challenge in the California Supreme Court (see *Morrison v. State Board of Education* (1969) 1 C 3d 214, 230-235); the "directly and adversely related" standard has not. Defining a new standard requires replacing the existing regulations for analyzing convictions (CCR section 868), a process that can take up to two years. While the authors believe that the current standard is misapplied or too broadly applied, there is no reason to believe that the new "directly and adversely related" standard would be applied or defined any more or less effectively by boards and bureaus than the "substantially related" currently is, and there is no evidence that CSLB has misapplied the current standard in its denial cases.

Further, to uphold a decision of the agency to deny or revoke a license for a criminal conviction before an administrative law judge, the agency must first analyze the facts and circumstances of the crime to determine if the crime meets the requisite standard above and if there is evidence of rehabilitation. This will be especially true to meet the new evidentiary standard of clear and convincing evidence to impose the probationary

conditions proposed by the bill. This requires the agency to obtain criminal indictments or complaints, dispositions, dockets, minute orders, and any evidence of rehabilitation or case dismissal. If this bill is passed, the agency would be forced to obtain that information from third parties at great time and expense, which would only *create* not *remove* barriers to licensure.

Support:

All of Us or None
Anchor of Hope Ministries
Anti-Recidivism Coalition
Because Black is Still Beautiful
Californians for Prop 57
Californians for Safety and Justice
Center for Employment Opportunities (CEO)
Center for Living and Learning
Checkr
East Bay Community Law Center
Legal Services for Prisoners with Children
Los Angeles Regional Reentry Partnership (LARRP)
National Association of Social Workers - California Chapter
Prisoner Reentry Network
Project Rebound: Expanded
REDF (Roberts Enterprise Development Fund)
Rise Together Bay Area
Root & Rebound
San Jose State University Record Clearance Project
The Young Women's Freedom Center

Opposition:

Contractors State License Board
Plumbing-Heating-Cooling Contractors Association of California
Western Electrical Contractors Association
San Diego, Southern, and Central California Chapters of Associated Builders and Contractors

Date: July 17, 2018

AMENDED IN SENATE JUNE 20, 2018
AMENDED IN ASSEMBLY MAY 25, 2018
AMENDED IN ASSEMBLY APRIL 2, 2018

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 2138

Introduced by Assembly Members Chiu and Low

February 12, 2018

An act to amend Sections 7.5, 480, 481, ~~482~~, 488, 490, 492, 493, and 11345.2 of, and to add Section 481.5 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2138, as amended, Chiu. Licensing boards: denial of application: revocation or suspension of licensure: criminal conviction.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law authorizes a board to ~~suspend~~ or revoke a license or take disciplinary action against a licensee on the grounds that the applicant or licensee has, among other things, been convicted of a crime, *as specified*. Existing law provides that a person shall not be denied a license solely on the basis that the person has been convicted of a felony if he or she has obtained a ~~certificate~~ of rehabilitation or that the person has been convicted of a misdemeanor if he or she has met applicable requirements of rehabilitation developed by the board, *as specified*. Existing law also prohibits a person from being denied a license solely on the basis of a conviction that has been dismissed, *as specified*. Existing law requires a board to develop criteria to aid it when considering the denial, suspension, or revocation of a license to

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determine whether a crime is substantially related to the functions, or duties of the business or profession the board regulates and requires a board to develop criteria to evaluate the rehabilitation of a person when considering the denial, suspension, or revocation of a license.

This bill would revise and recast those provisions to instead authorize a board to, among other things, deny, revoke, or suspend a license on the grounds that the applicant or licensee has been convicted of a crime only if the applicant or licensee is presently incarcerated or if the conviction, ~~as defined~~, occurred within the preceding ~~50 years~~, except for ~~violent~~ ^{serious} felonies, and would require the crime to be directly and ~~adversely~~ ^{substantially} related to the ~~qualifications~~, functions, or duties of the business or profession. The bill would prohibit a board from denying a person a license based on the conviction of a crime, or on the basis of acts underlying a conviction for a crime, if the conviction has been dismissed or expunged, if the ~~parole board~~ ^{parole board} ~~showing~~ ^{provided evidence} of rehabilitation, if the person has been granted clemency or a pardon, or if an arrest resulted in a disposition other than a conviction. ~~The bill would provide that these provisions relating to denial, revocation, or suspension of a license would supersede contradictory provisions in specified existing law.~~

The bill would require the board to develop criteria for determining whether a crime is ~~directly and adversely~~ ^{substantially} related to the ~~qualifications~~, functions, or duties of the business or profession. The bill would require a board ~~that~~ ^{to} that a person has made a showing of rehabilitation if certain conditions are met. The bill would require a board to follow certain procedures when requesting or acting on an applicant's or licensee's criminal history information. The bill would also require a board to annually submit a report to the Legislature and post the report on its Internet Web site ~~containing~~ ^{containing identified} information regarding actions taken by a board based on an applicant or licensee's criminal history information.

Existing law authorizes a board to deny a license on the grounds that an applicant knowingly made a false statement of fact that is required to be ~~revealed~~ ^{revealed} in the application for licensure.

This bill would prohibit a board from denying a license based solely on an applicant's failure to disclose a fact ~~that would~~ ^{that would} be cause for denial of the license had the fact been disclosed.

~~Existing law authorizes specified agencies to take disciplinary action against a licensee or deny a license for professional misconduct if the~~

~~licensee has successfully completed certain diversion programs or alcohol and drug problem assessment programs.~~

~~This bill would instead prohibit a board from taking disciplinary action against a licensee or denying a license for professional misconduct if the licensee has successfully completed certain diversion or alcohol and drug problem assessment programs or deferred entry of judgment.~~

~~Existing law authorizes a board, after a specified hearing requested by an applicant for licensure to take various actions, including imposing probationary conditions on the licensee, relation to denying or granting the applicant the license.~~

~~This bill would additionally authorize a board to grant the license and immediately issue a public reproof. The bill would limit probationary terms or restrictions placed on a license by a board to 2 years or less and would authorize additional conditions to be imposed only if the board determines that there is clear and convincing evidence that additional conditions are necessary to address a risk shown by clear and convincing evidence. The bill would require a board to develop criteria to aid it in considering the imposition of probationary conditions and to determine what conditions may be imposed. The bill would authorize a licensee or registrant whose license or registration has been placed on probation to petition the board for a change to that probation one year from the effective date of the board's decision, would require the board to issue a decision on the petition within 90 days, and would deem the petition granted if the board does not issue a decision denying the petition within 90 days. The bill would also amend the law to eliminate some of the more options that the board may take in these circumstances.~~

This bill would also make necessary conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 7.5 of the Business and Professions Code
- 2 is amended to read:
- 3 7.5. (a) A conviction within the meaning of this code means
- 4 a judgment following a plea or verdict of guilty or a plea of nolo
- 5 contendere *finding* of guilt. Any action which a board is
- 6 permitted to take following the establishment of a conviction may

1 be taken when the time for appeal has elapsed, or the judgment of
 2 conviction has ~~been affirmed~~ on appeal or when an order granting
 3 probation is made suspending the imposition of sentence. However,
 4 a board may not deny a license to an applicant who is otherwise
 5 *qualified pursuant to subdivision (b) or (c) of Section 480.*

6 **(b) (1) Nothing in this section shall apply to the licensure of**
 7 **persons pursuant to Chapter 4 (commencing with Section 6000)**
 8 **of Division 3.**

9 *(2) The changes made to this section by the act adding this*
 10 *paragraph do not in any way modify or otherwise affect the existing*
 11 *authority of the following entities in regard to licensure:*

12 *(A) The State Athletic Commission.*

13 *(B) The Bureau for Private Postsecondary Education.*

14 **(c) Except as provided in subdivision (b), this section controls**
 15 **over and supersedes the** ~~deletion~~ **of conviction contained within**
 16 **individual practice acts under this code.**

17 **SEC. 2. Section 480 of the Business and Professions Code is**
 18 **amended to read:**

19 **480. (a) ~~(1)~~ Notwithstanding any other provision of this code,**
 20 **a board may deny a license regulated by this code on the grounds**
 21 **that the applicant has been convicted of a crime or has been subject**
 22 **to formal discipline only if either of the following conditions are**
 23 **met:**

24 **(A)**

25 **(1) The applicant has been convicted of a crime for which the**
 26 **applicant is presently incarcerated or for which the conviction**
 27 **occurred within the preceding** ~~seven~~ **years. However, the**
 28 **preceding** ~~five-year~~ **seven-year** ~~limitation shall not apply to a~~
 29 **conviction for a violent felony, as defined in Section 667.5**
 30 **of the Penal Code.**

31 **The board may deny a license pursuant to this subparagraph only**
 32 **if the crime is directly and adversely** ~~adversely~~ **related to the**
 33 **qualifications, functions, or duties of** ~~business~~ **business or profession**
 34 **for which application is made.**

35 **(B)**

36 **(2) The applicant has been subjected to formal discipline by a**
 37 **licensing board within the preceding** ~~years~~ **years based on**
 38 **professional misconduct that have been cause for discipline**
 39 **before the board for which the present application is made and that**
 40 **is directly and adversely** ~~adversely~~ **related to the** ~~qualifications,~~

1 functions, or duties of the business or profession for which the
 2 present application is made. However, prior disciplinary action by
 3 a licensing board within the preceding ~~one~~ *two* years shall not
 4 be the basis for denial of a license if the basis for that disciplinary
 5 action was a conviction that has been dismissed pursuant to Section
 6 1203.4, 1203.4a, or 1203.41 of the Penal Code or a comparable
 7 dismissal or expungement.

8 ~~(2) Denial of a license includes denial of an unrestricted license~~
 9 ~~by issuance of a restricted or probationary license.~~

10 (b) Notwithstanding any other provision of this code, a person
 11 shall not be denied a license on the basis that he or she has been
 12 convicted of a crime, or on the basis of acts underlying a conviction
 13 for a crime, if he or she has obtained ~~a certificate~~ *proof* of rehabilitation
 14 under Chapter 3.5 (commencing with Section 4852.01) of Title 6
 15 of Part 3 of the Penal Code, has been granted clemency or a pardon
 16 by a state or federal executive ~~and has showing~~ *provided*
 17 *evidence* of rehabilitation pursuant to Section 482.

18 (c) Notwithstanding any other provision of this code, a person
 19 shall not be denied a license on the basis of any conviction, or on
 20 the basis of the acts underlying the conviction, that has been
 21 dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the
 22 Penal Code, or a comparable dismissal or expungement.
 23 applicant who has a conviction that has been dismissed pursuant
 24 to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the Penal Code
 25 shall provide proof of the dismissal if ~~it is not~~ *it is not* on the
 26 report furnished by the Department of Justice.

27 (d) Notwithstanding any other provision of this code, a board
 28 shall not deny a license on the basis of an arrest that resulted in a
 29 disposition other than a conviction, including an arrest that resulted
 30 in an infraction, citation, or a juvenile adjudication.

31 (e) A board may deny a license ~~regulated by this~~ *regulated by this* code on the
 32 ground that the applicant knowingly made a false statement of fact
 33 that is required to ~~be included~~ *be included* in the application for the license. A
 34 board shall not deny a license based solely on an applicant's failure
 35 to disclose a fact that would not have been cause for denial of the
 36 license had it been disclosed.

37 (f) A board shall follow the following procedures in requesting
 38 or acting on an applicant's criminal history information:

1 (1) A board shall not require an applicant for licensure to
2 disclose any information or documentation regarding the
3 applicant's criminal history.

4 (2) If a board decides to ~~deny~~ an application based solely or in
5 part on the applicant's conviction history, the board shall notify
6 the applicant in writing of all of the following:

7 (A) *The denial or disqualification of licensure.*

8 (B) Any existing procedure the board has for the applicant to
9 challenge the decision or to request reconsideration.

10 (C) That the applicant has the right to appeal the board's
11 decision.

12 (D) The processes for the applicant to request a copy of his or
13 her complete conviction history and question the accuracy or
14 completeness of the record pursuant to Sections 11122 to 11127
15 of the Penal Code.

16 (g) (1) For a minimum of three years, each board under this
17 code shall retain application forms and other documents submitted
18 by an applicant, any notice ~~provided~~ *provided* applicant, all other
19 communications received from and provided to an applicant, and
20 criminal history reports of an applicant.

21 (2) Each board under this code shall retain the number of
22 applications received for each license and the number of
23 applications requiring inquiries regarding criminal history. In
24 addition, each licensing authority shall retain all ~~with~~ *with* the follo
25 information:

26 (A) The number of applicants with a criminal record who
27 ~~received~~ *received* notice of denial or disqualification of licensure.

28 (B) The number of applicants with a criminal record who
29 provided evidence of ~~mitig~~ *mitig* or rehabilitation.

30 (C) The number of applicants with a criminal record who
31 ~~appealed an~~ *appealed an* denial or disqualification of licensure.

32 (D) The *final* disposition and demographic information,
33 including, but not limited to, ~~voluntarily provided~~ *voluntarily provided* information on
34 race or gender, of any applicant described in subparagraph (A),
35 (B), or (C).

36 (3) (A) Each board under this code shall annually make
37 available to the public through the board's Internet Web site and
38 through a report submitted to the appropriate ~~committees~~ *committees*
39 of the Legislature ~~the~~ *the* identified information collected pursuant to

1 this subdivision. Each board shall ensure confidentiality of the
2 individual applicants.

3 (B) A report pursuant to subparagraph (A) shall be submitted
4 in compliance with Section 9795 of the Government Code.

5 (h) "Conviction" as used in this section shall have the same
6 meaning as defined in Section 7.5.

7 ~~(i) This section supersedes any contradictory provision in a~~
8 ~~licensing act under this code or initiative act referred to in Division~~
9 ~~2 (commencing with Section 500) that authorizes license denial~~
10 ~~based on a criminal conviction, arrest, or the acts underlying an~~
11 ~~arrest or conviction.~~

12 (i) The changes made to this section by the act adding this
13 subdivision do not in any way modify or otherwise affect the
14 existing authority of the following entities in regard to licensure:

15 (1) The State Athletic Commission.

16 (2) The Bureau for Private Postsecondary Education.

17 SEC. 3. Section 481 of the Business and Professions Code is
18 amended to read:

19 481. (a) Each board under this code shall develop criteria to
20 aid it, when considering the denial, suspension, or revocation of
21 a license, to determine whether a crime is ~~directly and adversely~~
22 substantially related to the qualifications, functions, or duties of
23 the business or profession it regulates.

24 (b) ~~Criteria for determining whether a crime is directly and~~
25 ~~adversely~~ substantially related to the qualifications, functions, or
26 duties of the business or profession a board regulates shall include
27 all of the following:

28 (1) The nature and gravity of the offense.

29 (2) The number of years elapsed since the date of the offense.

30 (3) The nature and duties of the profession in which the applicant
31 seeks licensure or in which the licensee is licensed.

32 (c) A board shall not deny a license based in whole or in part
33 on a conviction without considering evidence of rehabilitation.

34 (d) Each board shall post on its Internet Web site a summary of
35 the criteria used to consider whether a crime is considered to be
36 ~~directly and adversely~~ substantially related to the qualifications,
37 functions, or duties of the business or profession it regulates
38 consistent with this section.

1 (e) The changes made to this section by the act adding this
 2 subdivision do not in any way modify or otherwise affect the
 3 existing authority of the following entities in regard to licensure:

- 4 (1) The State Athletic Commission.
 - 5 (2) The Bureau for Private Postsecondary Education.
- 6 ~~SEC. 4. Section 481.5 is added to the Business and Professions~~
 7 ~~Code, to read:~~
 8 ~~481.5. (a) Probationary terms or restrictions placed on a license~~
 9 ~~by a board shall be limited to two years or less. Any additional~~
 10 ~~conditions may be imposed only if the board determines that there~~
 11 ~~is clear and convincing evidence that additional conditions are~~
 12 ~~necessary to address a risk shown by clear and con~~——~~vincing~~
 13 ~~evidence.~~

14 ~~(b) Each board under this code shall develop criteria to aid it~~
 15 ~~when considering the imposition of probationary conditions or~~
 16 ~~restrictions to determine what conditions may be imposed to~~——
 17 ~~address a risk shown by clear and convincing evidence.~~

18 ~~(c) (1) A licensee or registrant whose license or registration~~——
 19 ~~has been placed on probation may petition the board for a change~~
 20 ~~to the probation, including~~——~~modification or termination of~~
 21 ~~probation, one year from the effectiv e date of the decision. The~~
 22 ~~board shall issue its decision on the petition within 90 days of~~——
 23 ~~submission of the petition. The petition shall be deemed granted~~
 24 ~~by operation of law if the board does not file a decision denying~~
 25 ~~the petition within 90 days of submission of the petition.~~

26 ~~(2) The one-year time period to petition for~~——~~modification or~~
 27 ~~termination of penalty shall control over longer time periods under~~
 28 ~~a licensing act under this code or initiative act referred to in~~——
 29 ~~Division 2 (commencing with Section 500).~~

30 ~~SEC. 5.~~
 31 SEC. 4. Section 482 of the Business and Professions Code is
 32 amended to read:

33 482. (a) Each board under this code shall develop criteria to
 34 evaluate the rehabilitation of a person when doing either of the
 35 following:

- 36 (1) Considering the denial of a license by the board under
 37 Section 480.
- 38 (2) Considering suspension or revocation of a license under
 39 Section 490.

1 (b) Each board shall ~~find~~ consider that an applicant or licensee
2 has made a showing of rehabilitation if ~~any~~ either of the following
3 are met:

4 (1) The applicant or licensee has completed the criminal
5 sentence at issue without a violation of parole or probation.

6 ~~(2) (A) The applicant or licensee documents that he or she has~~
7 ~~worked in a related field continuously for at least one year prior~~
8 ~~to licensure or successfully completed a course of training in a~~
9 ~~related field, unless the board finds a public record of an official~~
10 ~~finding that the applicant committed professional misconduct in~~
11 ~~the course of that work.~~

12 ~~(B) Work in a related field may include, but is not limited to,~~
13 ~~work performed without compensation and work performed while~~
14 ~~incarcerated.~~

15 ~~(C) "Related field," for purposes of this paragraph, means a~~
16 ~~field of employment whose duties are substantially similar to the~~
17 ~~field regulated by the board.~~

18 ~~(3)~~

19 (2) The applicant or licensee has satisfied criteria for
20 rehabilitation developed by the board.

21 (c) The changes made to this section by the act adding this
22 subdivision do not in any way modify or otherwise affect the
23 existing authority of the following entities in regard to licensure:

24 (1) The State Athletic Commission.

25 (2) The Bureau for Private Postsecondary Education.

26 ~~SEC. 6.~~

27 ~~SEC. 5. Section 488 of the Business and Professions Code is~~
28 ~~amended to read:~~

29 488. Except as otherwise provided by law, following a hearing
30 requested by an applicant pursuant to subdivision (b) of Section
31 485, the board may take any of the following actions:

32 (a) Grant the license effective upon completion of all licensing
33 requirements by the applicant.

34 ~~(b) Grant the license effective upon completion of all licensing~~
35 ~~requirements by the applicant, grant the license and immediately~~
36 ~~issue a public reproof pursuant to Section 495, immediately revoke~~
37 ~~the license, stay the revocation, and impose probationary conditions~~
38 ~~on the license, which may include suspension.~~

39 ~~(e)~~

40 (b) Deny the license.

1 ~~(d)~~
 2 (c) Take other action in relation to denying or granting the
 3 license as the board in its discretion may deem proper.
 4 (d) The changes made to this section by the act adding this
 5 subdivision do not in any way modify or otherwise affect the
 6 existing authority of the following entities in regard to licensure:
 7 (1) The State Athletic Commission.
 8 (2) The Bureau for Private Postsecondary Education.
 9 ~~SEC. 7. Section 490 of the Business and Professions Code is—~~
 10 ~~amended to read:~~
 11 ~~490. (a) (1) In addition to any other action that a board is—~~
 12 ~~permitted to take against a licensee, a board may suspend or revoke~~
 13 ~~a license on the ground that the licensee has been convicted of a~~
 14 ~~crime for which the applicant is presently incarcerated or for which~~
 15 ~~the conviction occurred within the preceding five years. However,~~
 16 ~~the preceding five year limitation shall not apply to a conviction~~
 17 ~~for a violent felony, as defined in Section 667.5 of the Penal Code.~~
 18 ~~(2) The board may suspend or revoke a license pursuant to this~~
 19 ~~subdivision only if the crime is directly and adversely related to—~~
 20 ~~the qualifications, functions, or duties of the business or profession~~
 21 ~~for which application is made.~~
 22 ~~(b) Notwithstanding any other provision of law, a board may~~
 23 ~~exercise any authority to discipline a licensee for conviction of a~~
 24 ~~crime that is independent of the authority granted under subdivision~~
 25 ~~(a) only if both of the following are met:~~
 26 ~~(1) The crime is directly and adversely related to the—~~
 27 ~~qualifications, functions, or duties of the business or profession~~
 28 ~~for which the licensee's license was issued.~~
 29 ~~(2) The licensee was convicted of the crime within the preceding~~
 30 ~~five years or is presently incarcerated for the crime. However, the~~
 31 ~~preceding five year limitation shall not apply to a conviction for~~
 32 ~~a violent felony, as defined in Section 667.5 of the Penal Code.~~
 33 ~~(c) Notwithstanding any other provision of this code, a board~~
 34 ~~shall not suspend or revoke a license on the basis of a conviction,~~
 35 ~~or of the acts underlying a conviction, where that conviction has~~
 36 ~~been dismissed pursuant to Section 1203.4, 1203.4a, 1203.41, or~~
 37 ~~1203.42 of the Penal Code or a comparable dismissal or—~~
 38 ~~expungement.~~
 39 ~~(d) Notwithstanding any other provision of this code, a board~~
 40 ~~shall not suspend or revoke a license on the basis of an arrest that~~

1 ~~resulted in a disposition other than a conviction, including an arrest~~
2 ~~that resulted in an infraction, citation, or juvenile adjudication.~~

3 ~~(e) The board shall use the following procedures in requesting~~
4 ~~or acting on a licensee’s criminal history information:~~

5 ~~(1) A board shall not require a licensee to disclose any~~
6 ~~information or documentation regarding the licensee’s criminal~~
7 ~~history.~~

8 ~~(2) If a board chooses to file an accusation against a licensee~~
9 ~~based solely or in part on the licensee’s conviction history, the~~
10 ~~board shall notify the licensee in writing of the processes for the~~
11 ~~licensee to request a copy of the licensee’s complete conviction~~
12 ~~history and question the accuracy or completeness of his or her~~
13 ~~criminal record pursuant to Sections 11122 to 11127, inclusive,~~
14 ~~of the Penal Code.~~

15 ~~(f) (1) For a minimum of three years, each board under this~~
16 ~~code shall retain all documents submitted by a licensee, notices~~
17 ~~provided to a licensee, all other communications received from or~~
18 ~~provided to a licensee, and criminal history reports of a licensee.~~

19 ~~(2) Each board under this code shall retain all of the following~~
20 ~~information:~~

21 ~~(A) The number of licensees with a criminal record who received~~
22 ~~notice of potential revocation or suspension of their license or who~~
23 ~~had their license suspended or revoked.~~

24 ~~(B) The number of licensees with a criminal record who~~
25 ~~provided evidence of mitigation or rehabilitation.~~

26 ~~(C) The number of licensees with a criminal record who~~
27 ~~appealed any suspension or revocation of a license.~~

28 ~~(D) The final disposition and demographic information,~~
29 ~~including, but not limited to, voluntarily provided information on~~
30 ~~race or gender, of any applicant described in subparagraph (A),~~
31 ~~(B), or (C).~~

32 ~~(3) (A) Each board under this code shall annually make~~
33 ~~available to the public through the board’s Internet Web site and~~
34 ~~through a report submitted to the appropriate policy committees~~
35 ~~of the Legislature deidentified information collected pursuant to~~
36 ~~this subdivision. Each board shall ensure the confidentiality of the~~
37 ~~individual licensees.~~

38 ~~(B) A report pursuant to subparagraph (A) shall be submitted~~
39 ~~in compliance with Section 9795 of the Government Code.~~

1 ~~(g) (1) This section supersedes any contradictory provision in~~
2 ~~a licensing act under this code or initiative act referred to in~~
3 ~~Division 2 (commencing with Section 500) that authorizes action~~
4 ~~based on a criminal conviction, arrest, or the acts underlying an~~
5 ~~arrest or conviction.~~

6 ~~(2) This section shall not prohibit any agency from taking~~
7 ~~disciplinary action against a licensee for professional misconduct~~
8 ~~in the course and scope of the licensee’s profession that is based~~
9 ~~on evidence that is independent of an arrest.~~

10 ~~SEC. 8. Section 492 of the Business and Professions Code is~~
11 ~~amended to read:~~

12 ~~492. (a) Notwithstanding any other provision of law, successful~~
13 ~~completion of any diversion program under the Penal Code,~~
14 ~~successful completion by a licensee or applicant of any~~
15 ~~nonstatutory diversion program, deferred entry of judgment, or~~
16 ~~successful completion of an alcohol and drug problem assessment~~
17 ~~program under Article 5 (commencing with Section 23249.50) of~~
18 ~~Chapter 12 of Division 11 of the Vehicle Code, shall prohibit any~~
19 ~~board from taking disciplinary action against a licensee or from~~
20 ~~denying a license for professional misconduct.~~

21 ~~(b) This section shall not prohibit any agency established under~~
22 ~~Division 2 (commencing with Section 500) of this code, or any~~
23 ~~initiative act referred to in that division, from taking disciplinary~~
24 ~~action against a licensee for professional misconduct in the course~~
25 ~~and scope of the profession, which is based on evidence that is~~
26 ~~independent of an arrest.~~

27 ~~SEC. 9.~~

28 ~~SEC. 6. Section 493 of the Business and Professions Code is~~
29 ~~amended to read:~~

30 ~~493. (a) Notwithstanding any other provision of law, in a~~
31 ~~proceeding conducted by a board within the department pursuant~~
32 ~~to law to deny an application for a license or to suspend or revoke~~
33 ~~a license or otherwise take disciplinary action against a person~~
34 ~~who holds a license, upon the ground that the applicant or the~~
35 ~~licensee has been convicted of a crime ~~directly and adversely~~~~
36 ~~substantially related to the qualifications, functions, and duties of~~
37 ~~the licensee in question, the record of conviction of the crime shall~~
38 ~~be conclusive evidence of the fact that the conviction occurred,~~
39 ~~but only of that fact.~~

1 (b) (1) Criteria for determining whether a crime is ~~directly and~~
2 ~~adversely~~ substantially related to the qualifications, functions, or
3 duties of the business or profession the board regulates shall include
4 all of the following:

- 5 (A) The nature and gravity of the offense.
 - 6 (B) The number of years elapsed since the date of the offense.
 - 7 (C) The nature and duties of the profession.
- 8 (2) A board shall not categorically bar an applicant based solely
9 on the type of conviction without considering evidence of
10 rehabilitation.

11 (c) As used in this section, "license" includes "certificate,"
12 "permit," "authority," and "registration."

13 (d) The changes made to this section by the act adding this
14 subdivision do not in any way modify or otherwise affect the
15 existing authority of the following entities in regard to licensure:

- 16 (1) The State Athletic Commission.
- 17 (2) The Bureau for Private Postsecondary Education.

18 ~~SEC. 10.~~

19 SEC. 7. Section 11345.2 of the Business and Professions Code
20 is amended to read:

21 11345.2. (a) An individual shall not act as a controlling person
22 for a registrant if any of the following apply:

23 (1) The individual has entered a plea of guilty or no contest to,
24 or been convicted of, a felony. If the individual's felony conviction
25 has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41
26 of the Penal Code, the bureau may allow the individual to act as
27 a controlling person.

28 (2) The individual has had a license or certificate to act as an
29 appraiser or to engage in activities related to the transfer of real
30 property refused, denied, canceled, or revoked in this state or any
31 other state.

32 (b) Any individual who acts as a controlling person of an
33 appraisal management company and who enters a plea of guilty
34 or no contest to, or is convicted of, a felony, or who has a license
35 or certificate as an appraiser refused, denied, canceled, or revoked
36 in any other state shall report that fact or cause that fact to be
37 reported to the office, in writing, within 10 days of the date he or
38 she has knowledge of that fact.

O

AGENDA ITEM D

Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature

**2018 Sunset Review Report –
see tabbed section in back**



AGENDA ITEM D-1

New Legislative Issues for Inclusion in the Report

- a. License Suspension for Unsatisfied
Final Judgments
- b. C-10 (Electrician) and C-7 (Low Voltage Systems)
Contractor Fee
- c. Arborist Certification





1. License Suspension for Unsatisfied Final Judgments

Subsection (b) of BPC 7071.17 provides that contractors shall notify CSLB of any unsatisfied final construction-related judgment within 90 days of the judgment date. If the unsatisfied judgment is not resolved, the contractor's license is automatically suspended and remains suspended until the judgment is resolved.

However, BPC 7071.17 requires amendment to clarify that a person named as an individual, as opposed to being named as a licensee, in a construction-related judgment may not appear as personnel of record on an active license until the judgment is satisfied.

2. C-10 (Electrician) and C-7 (Low Voltage Systems) Contractor Fee

There is a discretionary fee in BPC Section 7137, which provides that CSLB "may charge a fee not to exceed twenty dollars (\$20)" to C-7 and C-10 electrical contractors to enforce electrician certification requirements. However, CSLB does not currently charge this fee. There are over 30,500 active electrical contractors who, if they use employees in the manner described in Labor Code Section 108.2, must ensure that their electricians are certified. Based on current resources, only one CSLB staff person is dedicated to enforce this certification requirement, which is not sufficient. Rather than set this fee by regulation, which can take two years, CSLB proposes to make the change in statute and begin collecting it, if the legislation is successful. The proposed change to BPC section 7137 would replace the word "may charge a fee" with "shall charge a \$20 fee" so that CSLB has the resources necessary to enforce the electrician certification requirement.

3. Arborist Certification

CSLB has had multiple phone meetings with the Division of Occupational Safety and Health (DOSH) leadership regarding a legislative proposal to develop an arborist employee safety certification requirement. The requirement would apply to licensed contractors and their employees who work on trees over 14 feet. The licensee will be required to demonstrate to CSLB that his or her employees have completed an arborist tree safety certification program, which will be developed and administered by DOSH. CSLB and DOSH are currently discussing drafting a possible joint legislative proposal. This issue will be presented to the legislature as a "new issue" in CSLB's Sunset Review Report.

For further information about this issue, please see Licensing Committee meeting agenda item "D."

AGENDA ITEM E

Review, Discussion, and Possible Action on Proposed 2019-21 Legislative Strategic Plan Objectives

**2019-21 Strategic Plan Objectives –
see tabbed section in back**



AGENDA ITEM F

Adjournment



AUGUST 3, 2018
SACRAMENTO, CALIFORNIA



AGENDA ITEM A

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

LICENSING COMMITTEE MEMBERS:

FRANK SCHETTER, CHAIR

DAVID DE LA TORRE

JOAN HANCOCK

MICHAEL LAYTON

NANCY SPRINGER

Committee Chair Frank Schetter will review the scheduled Committee actions and make appropriate announcements.



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

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

BOARD AND COMMITTEE MEETING PROCEDURES

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

- (1) If, during a Board 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, Discussion, and Possible Action Regarding Development of a New Remodeling and Home Improvement License Classification





CONTRACTORS STATE LICENSE BOARD

Remodel/Home Improvement Contractor

There is a growing market demand in California for remodeling/home improvement contractors who perform construction work on residential properties without regularly performing framing or rough carpentry. Under the current statutory scheme, a “B” General Building contractor may perform this work; however, applicants attempting to qualify for a “B” General Building license with experience in multiple trades and limited or no framing or rough carpentry do not meet the minimum qualifications for this classification.

The Foundation for Fair Contracting and the National Association of the Remodeling Industry have corresponded with the Board to request consideration of a license classification for home improvement contractors. A letter from the Foundation for Fair Contracting follows.

A new non-structural remodeling/home improvement license classification, with defined limits, such as a monetary dollar amount and the exclusion of self-performing any life-safety trades without the appropriate specialty classification, would provide a licensure option for a significant segment of the construction industry. This would offer a pathway to licensure for skilled tradesmen to contract and perform these services, thereby removing a barrier to licensure and furthering CSLB’s consumer protection goals by bringing individuals out of the underground economy.

Staff Recommendation: Direct staff to meet with industry stakeholders to develop a proposal regarding a new remodeling and home improvement license classification to present to the full Board for review and consideration.



VIA EMAIL dfogt@cslb.ca.gov

July 16, 2018

David Fogt, Executive Office and Registrar of Contractors
Department of Consumer Affairs
Contractors State License Board
9821 Business Park Drive
Sacramento, CA 95821

RE: AGENDA ITEMS - CSLB BOARD MEETING - SEPTEMBER 20, 2018

Dear Mr. Fogt:

The Foundation for Fair Contracting (FFC) formally requests that the California Contractors State License Board (CSLB) place the following item on the agenda for the next meeting scheduled on September 20, 2018:

- Reintroduction and consideration of a recognized classification for “Home Improvement Contractors”

Establishment of a recognized classification for “Home Improvement Contractors” is necessary due to the following:

- The Harvard Joint Center for Housing and Studies recently projected that home renovations will be in the range of \$340 billion for the coming fiscal year with much of this work being performed within the State of California.
- It has been established that many that perform home improvement contracts are doing so in a manner often described as under the radar and within the “Underground Economy” framework.
- These types of home improvement contracts are most often in violation of the current statute as defined within the Business and Professions Code Section 7048.
- As these types of contracts are often agreed to orally and completed as cash transactions, there are few options to protect the industry and enforce this growing noncompliant activity.

FOUNDATION FOR FAIR CONTRACTING
3807 Pasadena Avenue, Suite 150 – Sacramento, CA 95821
(916) 487-7871 – Fax (916) 487-0306
www.ffccalifornia.com

David Fogt, Executive Office and Registrar of Contractors
Department of Consumer Affairs
Contractors State License Board
July 16, 2018
Page 2

Please place a motion and potential action at the September 20th meeting to include within the 2018-19 Strategic Plan:

- A directive by the Board to Staff to convene a Consensus Industry Stakeholders Group to study a "Home Improvement Contractor" classification.
- A review to reconsider and further define with a scope approach the current statute (Business and Professions Code §7048) that covers a monetary threshold.

FFC works closely with industry stakeholders (including state and local government, insurance industry, and consumer groups, etc.). We are in the field and have first-hand knowledge of the abuses within the home improvement sector. We know that you are also a firm believer in Underground Economy enforcement and appreciate your participation in our stakeholder training conference each year. Additional oversight is necessary to close the gap on violators of the law in this area.

We are available to assist you with these efforts. Please contact me with questions, comments, and/or clarifications.

Sincerely,



Bryan Berthiaume
Executive Director

cc: Michael A. Quiroz, 3rd Wave Technical Services – Email: mike@3rdwave-consulting.com

CSLB Board Members

Marlo Richardson
Johnny Simpson
Linda Clifford
Kevin J. Albanese
Agustin "Augie" Beltran
David De La Torre
David Dias
Susan Granzella
Joan Hancock
Michael A. Layton
Frank Schetter
Nancy Springer

AGENDA ITEM D

Review, Discussion, and Possible Action on Development of an Arborist Health and Safety Certification Program and Specialty “C” License Classification





Background

In August 2017, CSLB staff met with members of the tree care industry regarding license classifications and workers' compensation insurance. Members of the industry expressed concern with the current classification structure, accidents and fatalities in the industry, and prevailing wage rates. Currently, tree service work can be performed by C-27 (Landscaping) and C-61/D-49 (Tree Service) licensees.

Industry representatives also raised issues about inadequate safety training and the misclassification of work performed in order to pay lower workers' compensation insurance premiums. In particular, they expressed concern that the safety aspects of tree service work are not adequately covered by either of the two CSLB license classification that can perform tree service work, as the C-27 is broad, with a limited number of exam questions on this area, and the C-61/D-49, as a limited specialty classification, does not require a trade exam. CSLB completed the last occupational analysis for the C-27 classification in 2015; the next one will be performed in 2020.

Existing Classifications

The scope of the C-27 (Landscaping) classification is defined as follows:

A landscape contractor constructs, maintains, repairs, installs, or subcontracts the development of landscape systems and facilities for public and private gardens and other areas which are designed to aesthetically, architecturally, horticulturally, or functionally improve the grounds within or surrounding a structure or a tract or plot of land. In connection therewith, a landscape contractor prepares and grades plots and areas of land for the installation of any architectural, horticultural and decorative treatment or arrangement.

As of July 10, 2018, there were 11,622 active C-27 licenses. Between July 1, 2017 and July 1, 2018, CSLB received 885 complaints against C-27 contractors, or 7.6 percent.

The C-61/D-49 (Tree Service) classification is defined as follows:

A tree service contractor prunes trees, removes trees, limbs, or stumps (including grinding) and engages in tree or limb guying.

As of July 10, 2018, there were 2,817 active C-61/D-49 licenses. Between July 1, 2017 and July 1, 2018, CSLB received 195 complaints against C-61/D-49 licensees, or 6.9 percent.

Tree Trimming Sting Operation

In June 2017, the Northern Statewide Investigative Fraud Team (SWIFT) scheduled a sting operation targeting tree trimming (C-61/D-49) licensees. Two of the three scheduled licensees appeared at the sting and were issued Stop Orders. One licensee was also referred to the district attorney's office for violations of Labor Code (LC)



§3700.5 and Business and Professions Code (BPC) §7125.4 for failure to have workers' compensation insurance. The other licensee provided evidence of WC insurance after the sting operation, but informed the undercover Enforcement Representative that he was under-reporting the number of his employees.

Workers' Compensation Pilot Program

As part of its effort to address workers' compensation avoidance, the Enforcement division conducted a pilot project in Sacramento County during the first quarter of 2017. Staff identified 107 C-61/D-49 (Tree Service) contractors, 41 of whom (38%) had a WC exemption on file with CSLB. The pilot program determined that 16, or 70% of the tree service contractors employed workers and had filed a false workers' compensation exemption.

Department of Industrial Relations (DIR) Determination Bulletin

DIR staff attended an August 2017 meeting at CSLB and, in October 2017, released a notice regarding the landscape maintenance laborer general prevailing wage determination. The determination excludes tree maintenance from the landscape maintenance laborer craft.

Division of Occupational Safety and Health (Cal/OSHA) Serious Violations

In the two-year period between October 1, 2014 and September 30, 2016, Cal/OSHA investigated nearly 70 accidents involving tree work, including trimming or removal services. Nearly three out of four of these accidents (74%) resulted in a worker hospitalization, and 12 of the accidents involved the death of a worker.

Board Action

At the April 2018 Board meeting, the Board directed staff to meet with representatives from California Occupational Safety and Health (CAL/OSHA) to develop an arborist certification program and pursue a possible separate license for tree service and, in the interim, hold informational meetings with various stakeholders.

Discussions with Cal/OSHA and Stakeholders

On May 9, 2018, CSLB staff held a conference call with the Chief of CAL/OSHA, Juliann Sum, and staff to discuss the need for an additional safety certification. Cal/OSHA agreed to work with CSLB on this issue but suggested that CSLB first pursue legislation to grant CSLB the authority to require the certification.

In May and June 2018, CSLB met with various stakeholders and continued discussions with Ms. Sum. From these conversations, it was determined that the most important task is to provide training to employees who perform tree work. CAL/OSHA agreed to develop a training curriculum and provide it to all CSLB licensees who perform tree work over 14 feet. Additionally, CAL/OSHA will work with CSLB on a joint legislative proposal that codifies the training requirement, and provides CSLB the authority to request training records and discipline licensees who fail to properly train employees or provide safety equipment.



Once the arborist safety certification is implemented, CSLB staff plans to hold additional stakeholder meetings to pursue possible development of a “C” specialty contractor classification for tree service work.

Draft Joint Legislative Proposal

CSLB has had multiple phone meetings with the Division of Occupational Safety and Health (DOSH) leadership regarding a legislative proposal to develop an arborist employee safety certification requirement. The requirement would apply to licensed contractors who work on trees over 14 feet and use employees. The licensee will be required to demonstrate to CSLB that his or her employees have completed an arborist tree safety certification program, which will be developed and administered by DOSH. CSLB and DOSH are currently drafting the joint legislative proposal, which will be presented to the legislature as a “new issue” in CSLB’s Sunset Review for consideration as a 2019 legislative bill.

Staff Recommendation: That the Licensing Committee refer to the Legislative Committee development of a legislative proposal to require a mandatory arborist safety training certificate for licensees who use employees to work on trees over 14 feet.

AGENDA ITEM E

Update and Discussion on Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature

**2018 Sunset Review Report –
see tabbed section in back**



AGENDA ITEM E-1

New Licensing Issue for Inclusion in the Report: CSLB's Use of Criminal History Information in Licensing





Background

The Sunset Review questionnaire for the 2018 report includes the following two questions in the Licensing portion related to criminal history information:

Question 21: How many licenses or registrations has the board denied over the past four years based on criminal history that is determined to be substantially related to the qualifications, functions, or duties of the profession, pursuant to BPC § 480? Please provide a breakdown of each instance of denial and the acts the board determined were substantially related.

Question 22(a): What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant? Has the board denied any licenses over the last four years based on the applicant's failure to disclose information on the application, including failure to self-disclose criminal history? If so, how many times and for what types of crimes (please be specific)?

Under the provisions of the Business & Professions Code that allow for denial of an application based on a prior conviction, boards and bureaus under the Department of Consumer Affairs have discretion to determine which types of convictions will result in a denial.

The Legislature is reviewing this use in more detail in response to concerns raised by different stakeholders. There is concern that the criminal background check process may create an unfair barrier to entry into licensed professions and that the background check process makes it difficult for prior offenders to gain employment.

The Little Hoover Commission also raised this issue in their 2016 report *Jobs for Californians: Strategies to Ease Occupational Licensing Barriers*. The report noted that licensing requirements prevent some Californians from working, particularly harder-to-employ groups, such as former offenders.

AGENDA ITEM F

Review, Discussion, and Possible Action on Proposed 2019-21 Licensing Strategic Plan Objectives

**2019-21 Strategic Plan Objectives –
see tabbed section in back**



AGENDA ITEM G

Adjournment



AUGUST 3, 2018
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:

JOAN HANCOCK, CHAIR

DAVID DE LA TORRE

MICHAEL LAYTON

FRANK SCHETTER

NANCY SPRINGER

Committee Chair Joan Hancock will review the scheduled Committee actions and make appropriate announcements.



AGENDA ITEM B

Public Comment Session - Items Not on the Agenda

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

BOARD AND COMMITTEE MEETING PROCEDURES

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

- (1) If, during a Board 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 Preparation of CSLB's 2018 Sunset Review Report Before the California State Legislature

**2018 Sunset Review Report –
see tabbed section in back**



AGENDA ITEM C-1

New Public Affairs Issue for Inclusion in the Report: Natural Disaster Response





Protecting California's Disaster Survivors

For the past quarter-century, if not longer, and in its role as a consumer protection agency, CSLB has made it a high priority to quickly respond to natural disasters to help protect those whose homes, businesses, and/or property were damaged or destroyed.

Over the past year, California has suffered an unprecedented number of devastating wildfires. At least 50 different wildfires and resulting mudslides led to the deaths of 69 people, the destruction of approximately 11,000 structures, and damage to more than 1,750 structures.

While most of these fires took place last fall, over the past few weeks, as the new fire season gets underway, at least two people have died and more than 200 structures have been destroyed by wildfires in Lake, Napa, San Diego, Santa Barbara, Siskiyou, and Yolo Counties.

Last year's wildfires and mudslides prompted one of the largest coordinated disaster responses in CSLB's almost 90-year history. CSLB's effort was multi-pronged, with contributions from each division and unit.

That commitment included staffing more than two dozen Local Assistance Centers (LAC), established by the Governor's Office of Emergency Services, or Disaster Relief Centers (DRC), established by the Federal Emergency Management Agency (FEMA), in 20 different counties. The centers, which were open from one day to one month, provided an under-one-roof location for wildfire survivors to get services and information.

CSLB's role at these centers is to help ensure the survivors are not victimized by unlicensed or unscrupulous contractors who might try to take advantage of them during the weeks and months after the disaster as they go through the rebuilding process.

Responding to this unprecedented number of wildfires has placed a significant workload strain on CSLB, especially in the Enforcement division, as employees from that unit volunteered to fill most of the LAC staffing hours. This has made it challenging to remain on top of other consumer protection responsibilities, particularly the investigation of complaints. Statewide Investigative Fraud Team (SWIFT) investigators have also concentrated a number of sweeps and stings in fire areas, narrowing its ability to conduct proactive operations in other parts of the state.

Public Affairs staff have also served a critical role in the disaster response, delaying other projects, including the production of some newly updated publications.

As the fire season has extended to nearly year-round, it's likely that CSLB management will continue to face the challenge of balancing the desire to serve and protect natural disaster survivors with other equally important responsibilities.

AGENDA ITEM D

Review, Discussion, and Possible Action on Proposed 2019-21 Public Affairs Strategic Plan Objectives

**2019-21 Strategic Plan Objectives –
see tabbed section in back**



AGENDA ITEM E

Adjournment





CONTRACTORS STATE LICENSE BOARD

2018 CSLB Sunset Review

Each year, the Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committee jointly hold Sunset Review Oversight Hearings to review the boards and bureaus under the Department of Consumer Affairs (DCA).

The sunset review process provides an opportunity for DCA, the Legislature, boards and bureaus, interested parties, and other stakeholders to discuss the performance of the boards and bureaus and make recommendations for improvements.

In 2018, CSLB is one of 10 DCA boards and bureaus scheduled for Sunset Review. In preparation for its hearing, CSLB is developing a comprehensive report detailing its work since the last sunset review in 2014, and identifying new issues. The report is due to the Legislature December 1, 2018.

At the June 2018 Board meeting, the Board authorized a two-person Board member advisory committee, comprised of Chair Marlo Richardson and Past Chair Kevin Albanese, to review and develop the sunset review report. Prior to the December 1, 2018 deadline, the advisory committee will present the report to the full Board for review, discussion, and formal approval.

The documents that follow include: 1) the 2018 Sunset Review Report template with questions from the Legislature; 2) the background paper drafted by the Legislature following CSLB's 2015 oversight hearing that identifies issues, background, and recommendations that must be addressed in the 2018 report; and 3) the 2014 Sunset Review Report prepared by the Board and submitted to the Legislature.

Committee Action: Each committee is being provided a copy of the report template for review and discussion. Committee input will be provided to the advisory committee for development of the report.

[BOARD NAME]
BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM
As of [date]

Section 1
Background and Description of the Board and Regulated Profession

Provide a short explanation of the history and function of the board.¹ Describe the occupations/profession that are licensed and/or regulated by the board (Practice Acts vs. Title Acts).

1. Describe the make-up and functions of each of the board’s committees (cf., Section 12, Attachment B).

Table 1a. Attendance			
[Enter board member name]			
Date Appointed:		[Enter date appointed]	
Meeting Type	Meeting Date	Meeting Location	Attended?
Meeting 1	[Enter Date]	[Enter Location]	[Y/N]
Meeting 2	[Enter Date]	[Enter Location]	[Y/N]
Meeting 3	[Enter Date]	[Enter Location]	[Y/N]
Meeting 4	[Enter Date]	[Enter Location]	[Y/N]

Table 1b. Board/Committee Member Roster					
Member Name (Include Vacancies)	Date First Appointed	Date Re-appointed	Date Term Expires	Appointing Authority	Type (public or professional)

2. In the past four years, was the board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?
3. Describe any major changes to the board since the last Sunset Review, including, but not limited to:
 - Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning)
 - All legislation sponsored by the board and affecting the board since the last sunset review.

¹ The term “board” in this document refers to a board, bureau, commission, committee, department, division, program, or agency, as applicable. Please change the term “board” throughout this document to appropriately refer to the entity being reviewed.

- All regulation changes approved by the board the last sunset review. Include the status of each regulatory change approved by the board.
4. Describe any major studies conducted by the board (cf. Section 12, Attachment C).
 5. List the status of all national associations to which the board belongs.
 - Does the board’s membership include voting privileges?
 - List committees, workshops, working groups, task forces, etc., on which board participates.
 - How many meetings did board representative(s) attend? When and where?
 - If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?

**Section 2
Performance Measures and Customer Satisfaction Surveys**

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website
7. Provide results for each question in the board’s customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

**Section 3
Fiscal and Staff**

Fiscal Issues

8. Is the board’s fund continuously appropriated? If yes, please cite the statute outlining this continuous appropriation.
9. Describe the board’s current reserve level, spending, and if a statutory reserve level exists.
10. Describe if/when a deficit is projected to occur and if/when fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

Table 2. Fund Condition						
(Dollars in Thousands)	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Beginning Balance						
Revenues and Transfers						
Total Revenue	\$	\$	\$	\$	\$	\$
Budget Authority						
Expenditures						
Loans to General Fund						
Accrued Interest, Loans to General Fund						
Loans Repaid From General Fund						
Fund Balance	\$	\$	\$	\$	\$	\$

Months in Reserve						
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11. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?
12. Describe the amounts and percentages of expenditures by program component. Use *Table 3. Expenditures by Program Component* to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

Table 3. Expenditures by Program Component									(list dollars in thousands)
	FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	
Enforcement									
Examination									
Licensing									
Administration *									
DCA Pro Rata									
Diversion (if applicable)									
TOTALS	\$	\$	\$	\$	\$	\$	\$	\$	

*Administration includes costs for executive staff, board, administrative support, and fiscal services.

13. Describe the amount the board has contributed to the BreZE program. What are the anticipated BreZE costs the board has received from DCA?
14. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the board.

Table 4. Fee Schedule and Revenue								(list revenue dollars in thousands)
Fee	Current Fee Amount	Statutory Limit	FY 2014/15 Revenue	FY 2015/16 Revenue	FY 2016/17 Revenue	FY 2017/18 Revenue	% of Total Revenue	

15. Describe Budget Change Proposals (BCPs) submitted by the board in the past four fiscal years.

Table 5. Budget Change Proposals (BCPs)								
BCP ID #	Fiscal Year	Description of Purpose of BCP	Personnel Services				OE&E	
			# Staff Requested (include classification)	# Staff Approved (include classification)	\$ Requested	\$ Approved	\$ Requested	\$ Approved

Staffing Issues

16. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.

17. Describe the board’s staff development efforts and how much is spent annually on staff development (cf., Section 12, Attachment D).

Section 4 Licensing Program

18. What are the board’s performance targets/expectations for its licensing² program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

19. Describe any increase or decrease in the board’s average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?

20. How many licenses or registrations does the board issue each year? How many renewals does the board issue each year?

21. How many licenses or registrations has the board denied over the past four years based on criminal history that is determined to be substantially related to the qualifications, functions, or duties of the profession, pursuant to BPC § 480? Please provide a breakdown of each instance of denial and the acts the board determined were substantially related.

² The term “license” in this document includes a license certificate or registration.

Table 6. Licensee Population					
		FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
[Enter License Type]	Active				
	Delinquent				
	Retired				
	Out of State				
	Out of Country				
[Enter License Type]	Active				
	Delinquent				
	Retired				
	Out of State				
	Out of Country				
[Enter License Type]	Active				
	Delinquent				
	Retired				
	Out of State				
	Out of Country				
[Enter License Type]	Active				
	Delinquent				
	Retired				
	Out of State				
	Out of Country				

Note: 'Out of State' and 'Out of Country' are two mutually exclusive categories. A licensee should not be counted in both.

Table 7a. Licensing Data by Type											
Application Type	Received	Approved	Closed	Issued	Pending Applications			Cycle Times			
					Total (Close of FY)	Outside Board control*	Within Board control*	Complete Apps	Incomplete Apps	combined, IF unable to separate out	
FY 2015/16	(Exam)					-	-	-	-	-	-
	(License)					-	-	-	-	-	-
	(Renewal)			n/a		-	-	-	-	-	-
FY 2016/17	(Exam)										
	(License)										
	(Renewal)			n/a							
FY 2017/18	(Exam)										
	(License)										
	(Renewal)			n/a							

* Optional. List if tracked by the board.

Table 7b. Total Licensing Data				
		FY 2015/16	FY 2016/17	FY 2017/18
Initial Licensing Data:				
Initial License/Initial Exam Applications Received				

Initial License/Initial Exam Applications Approved			
Initial License/Initial Exam Applications Closed			
License Issued			
Initial License/Initial Exam Pending Application Data:			
Pending Applications (total at close of FY)			
Pending Applications (outside of board control)*			
Pending Applications (within the board control)*			
Initial License/Initial Exam Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Application Approval (All - Complete/Incomplete)			
Average Days to Application Approval (incomplete applications)*			
Average Days to Application Approval (complete applications)*			
License Renewal Data:			
License Renewed			
Note: The values in Table 7b are the aggregates of values contained in Table 7a. * Optional. List if tracked by the board.			

22. How does the board verify information provided by the applicant?

- a. What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant? Has the board denied any licenses over the last four years based on the applicant's failure to disclose information on the application, including failure to self-disclose criminal history? If so, how many times and for what types of crimes (please be specific)?
- b. Does the board fingerprint all applicants?
- c. Have all current licensees been fingerprinted? If not, explain.
- d. Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?
- e. Does the board require primary source documentation?

23. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

24. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

- a. Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?
- b. How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?
- c. What regulatory changes has the board made to bring it into conformance with BPC § 35?
- d. How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3, and what has the impact been on board revenues?
- e. How many applications has the board expedited pursuant to BPC § 115.5?

25. Does the board send No Longer Interested notifications to DOJ on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

Examinations

Table 8. Examination Data			
California Examination (include multiple language) if any:			
	License Type		
	Exam Title		
FY 2014/15	# of 1 st Time Candidates		
	Pass %		
FY 2015/16	# of 1 st Time Candidates		
	Pass %		
FY 2016/17	# of 1 st Time Candidates		
	Pass %		
FY 2017/18	# of 1 st time Candidates		
	Pass %		
	Date of Last OA		
	Name of OA Developer		
	Target OA Date		
National Examination (include multiple language) if any:			
	License Type		
	Exam Title		
FY 2014/15	# of 1 st Time Candidates		
	Pass %		
FY 2015/16	# of 1 st Time Candidates		
	Pass %		
FY 2016/17	# of 1 st Time Candidates		
	Pass %		
FY 2017/18	# of 1 st time Candidates		
	Pass %		
	Date of Last OA		
	Name of OA Developer		
	Target OA Date		

26. Describe the examinations required for licensure. Is a national examination used? Is a California specific examination required? Are examinations offered in a language other than English?

27. What are pass rates for first time vs. retakes in the past 4 fiscal years? (Refer to Table 8: Examination Data) Are pass rates collected for examinations offered in a language other than English?

28. Is the board using computer based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?
29. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

School approvals

30. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?
31. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?
32. What are the board's legal requirements regarding approval of international schools?

Continuing Education/Competency Requirements

33. Describe the board's continuing education/competency requirements, if any. Describe any changes made by the board since the last review.
- How does the board verify CE or other competency requirements? Has the Board worked with the Department to receive primary source verification of CE completion through the Department's cloud?
 - Does the board conduct CE audits of licensees? Describe the board's policy on CE audits.
 - What are consequences for failing a CE audit?
 - How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?
 - What is the board's course approval policy?
 - Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?
 - How many applications for CE providers and CE courses were received? How many were approved?
 - Does the board audit CE providers? If so, describe the board's policy and process.
 - Describe the board's effort, if any, to review its CE policy for purpose of moving toward performance based assessments of the licensee's continuing competence.

Section 5 Enforcement Program

34. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?
35. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

Table 9a. Enforcement Statistics			
	FY 2015/16	FY 2016/17	FY 2017/18
COMPLAINT			
Intake			
Received			
Closed			
Referred to INV			
Average Time to Close			
Pending (close of FY)			
Source of Complaint			
Public			
Licensee/Professional Groups			
Governmental Agencies			
Other			
Conviction / Arrest			
CONV Received			
CONV Closed			
Average Time to Close			
CONV Pending (close of FY)			
LICENSE DENIAL			
License Applications Denied			
SOIs Filed			
SOIs Withdrawn			
SOIs Dismissed			
SOIs Declined			
Average Days SOI			
ACCUSATION			
Accusations Filed			
Accusations Withdrawn			
Accusations Dismissed			
Accusations Declined			
Average Days Accusations			
Pending (close of FY)			
DISCIPLINE			
Disciplinary Actions			
Proposed/Default Decisions			
Stipulations			
Average Days to Complete			
AG Cases Initiated			
AG Cases Pending (close of FY)			
Disciplinary Outcomes			
Revocation			
Voluntary Surrender			
Suspension			
Probation with Suspension ¹			
Probation ²			
Probationary License Issued			
Other			
PROBATION			
New Probationers			
Probations Successfully Completed			

Probationers (close of FY)			
Petitions to Revoke Probation			
Probations Revoked			
Probations Modified			
Probations Extended			
Probationers Subject to Drug Testing			
Drug Tests Ordered			
Positive Drug Tests			
Petition for Reinstatement Granted			
DIVERSION			
New Participants			
Successful Completions			
Participants (close of FY)			
Terminations			
Terminations for Public Threat			
Drug Tests Ordered			
Positive Drug Tests			

Table 9b. Enforcement Statistics (continued)			
	FY 2015/16	FY 2016/17	FY 2017/18
INVESTIGATION			
All Investigations			
First Assigned			
Closed			
Average days to close			
Pending (close of FY)			
Desk Investigations			
Closed			
Average days to close			
Pending (close of FY)			
Non-Sworn Investigation			
Closed			
Average days to close			
Pending (close of FY)			
Sworn Investigation			
Closed			
Average days to close			
Pending (close of FY)			
COMPLIANCE ACTION			
ISO & TRO Issued			
PC 23 Orders Requested			
Other Suspension Orders			
Public Letter of Reprimand			
Cease & Desist/Warning			
Referred for Diversion			
Compel Examination			
CITATION AND FINE			
Citations Issued			
Average Days to Complete			
Amount of Fines Assessed			
Reduced, Withdrawn, Dismissed			
Amount Collected			
CRIMINAL ACTION			
Referred for Criminal Prosecution			

Table 10. Enforcement Aging						
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	Cases Closed	Average %
Attorney General Cases (Average %)						
Closed Within:						
0 - 1 Year						
1 - 2 Years						
2 - 3 Years						
3 - 4 Years						
Over 4 Years						
Total Attorney General Cases Closed						
Investigations (Average %)						
Closed Within:						
90 Days						
91 - 180 Days						
181 - 1 Year						
1 - 2 Years						
2 - 3 Years						
Over 3 Years						
Total Investigation Cases Closed						

36. What do overall statistics show as to increases or decreases in disciplinary action since last review?
37. How are cases prioritized? What is the board's compliant prioritization policy? Is it different from DCA's *Complaint Prioritization Guidelines for Health Care Agencies* (August 31, 2009)? If so, explain why.
38. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?
- What is the dollar threshold for settlement reports received by the board?
 - What is the average dollar amount of settlements reported to the board?
39. Describe settlements the board, and Office of the Attorney General on behalf of the board, enter into with licensees.
- What is the number of cases, pre-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
 - What is the number of cases, post-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
 - What is the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing?
40. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?
41. Describe the board's efforts to address unlicensed activity and the underground economy.

Cite and Fine

- 42. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the \$5,000 statutory limit?
- 43. How is cite and fine used? What types of violations are the basis for citation and fine?
- 44. How many informal office conferences, Disciplinary Review Committees reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?
- 45. What are the 5 most common violations for which citations are issued?
- 46. What is average fine pre- and post- appeal?
- 47. Describe the board’s use of Franchise Tax Board intercepts to collect outstanding fines.

Cost Recovery and Restitution

- 48. Describe the board’s efforts to obtain cost recovery. Discuss any changes from the last review.
- 49. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.
- 50. Are there cases for which the board does not seek cost recovery? Why?
- 51. Describe the board’s use of Franchise Tax Board intercepts to collect cost recovery.
- 52. Describe the board’s efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

Table 11. Cost Recovery (list dollars in thousands)				
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Total Enforcement Expenditures				
Potential Cases for Recovery *				
Cases Recovery Ordered				
Amount of Cost Recovery Ordered				
Amount Collected				
* “Potential Cases for Recovery” are those cases in which disciplinary action has been taken based on violation of the license practice act.				

Table 12. Restitution (list dollars in thousands)				
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Amount Ordered				
Amount Collected				

Section 6

Public Information Policies

53. How does the board use the internet to keep the public informed of board activities? Does the board post board meeting materials online? When are they posted? How long do they remain on the board's website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?
54. Does the board webcast its meetings? What is the board's plan to webcast future board and committee meetings? How long to webcast meetings remain available online?
55. Does the board establish an annual meeting calendar, and post it on the board's web site?
56. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions* (May 21, 2010)?
57. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?
58. What methods are used by the board to provide consumer outreach and education?

Section 7

Online Practice Issues

59. Discuss the prevalence of online practice and whether there are issues with unlicensed activity. How does the board regulate online practice? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

Section 8

Workforce Development and Job Creation

60. What actions has the board taken in terms of workforce development?
61. Describe any assessment the board has conducted on the impact of licensing delays.
62. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.
63. Describe any barriers to licensure and/or employment the board believes exist.
64. Provide any workforce development data collected by the board, such as:
 - a. Workforce shortages
 - b. Successful training programs.

Section 9

Current Issues

65. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?

66. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?
67. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.
- Is the board utilizing BreEZe? What Release was the board included in? What is the status of the board's change requests?
 - If the board is not utilizing BreEZe, what is the board's plan for future IT needs? What discussions has the board had with DCA about IT needs and options? What is the board's understanding of Release 3 boards? Is the board currently using a bridge or workaround system?

Section 10 Board Action and Response to Prior Sunset Issues

Include the following:

- Background information concerning the issue as it pertains to the board.
- Short discussion of recommendations made by the Committees during prior sunset review.
- What action the board took in response to the recommendation or findings made under prior sunset review.
- Any recommendations the board has for dealing with the issue, if appropriate.

Section 11 New Issues

This is the opportunity for the board to inform the Committees of solutions to issues identified by the board and by the Committees. Provide a short discussion of each of the outstanding issues, and the board's recommendation for action that could be taken by the board, by DCA or by the Legislature to resolve these issues (i.e., policy direction, budget changes, legislative changes) for each of the following:

- Issues that were raised under prior Sunset Review that have not been addressed.
- New issues that are identified by the board in this report.
- New issues not previously discussed in this report.
- New issues raised by the Committees.

Section 12 Attachments

Please provide the following attachments:

- Board's administrative manual.

- B. Current organizational chart showing relationship of committees to the board and membership of each committee (cf., Section 1, Question 1).
- C. Major studies, if any (cf., Section 1, Question 4).
- D. Year-end organization charts for last four fiscal years. Each chart should include number of staff by classifications assigned to each major program area (licensing, enforcement, administration, etc.) (cf., Section 3, Question 15).

**BACKGROUND PAPER FOR THE
Contractors State License Board
(Joint Oversight Hearing, March 18, 2015, Senate Committee on
Business, Professions and Economic Development and
Assembly Committee on Business and Professions)**

**IDENTIFIED ISSUES, BACKGROUND AND
RECOMMENDATIONS REGARDING THE
CONTRACTORS STATE LICENSE BOARD**

**BRIEF OVERVIEW OF THE
CONTRACTORS STATE LICENSE BOARD**

History and Function of the Contractors State License Board

The Contractors State License Board (CSLB or Board) in the Department of Consumer Affairs (DCA) is responsible for implementation and enforcement of the Contractors State License Law; the laws and regulations related to the licensure, practice and discipline of the construction industry in California. All businesses and individuals who construct or alter, or offer to construct or alter, any building, highway, road, parking facility, railroad, excavation, or other structure in California must be licensed by the Board if the total cost (labor and materials) of one or more contracts on the project is \$500 or more.

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

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

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

The Board licenses approximately 290,000 contractors in 44 license classifications and two certifications. CSLB issues some 15,000 licenses each year, and more than 121,000 licenses are renewed each year. A license may be issued to an individual, partnership, corporation, limited liability

company, or joint venture. All licenses must have a qualifying individual (also referred to as “qualifier”). A qualifying individual is the person listed on CSLB records who satisfies the experience and examination requirements for a license. Depending on the type of license, the qualifying individual must be designated as an owner, responsible managing employee, responsible managing officer, responsible managing manager, responsible managing member, or qualifying partner in the license records. A qualifying individual is required for every classification and on each license issued by CSLB; the same person may serve as the qualifier for more than one classification.

The Board also registers some 9,600 home improvement salespersons (HIS) who are engaged in the sale of home improvement goods and services.

The current CSLB mission statement, as stated in its CSLB Strategic Plan 2013/14, is as follows:

The Contractors State License Board 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 is one of 39 boards, bureaus, committees, and other programs at the Department of Consumer Affairs (DCA).

Board Membership and Committees

Currently, CSLB is governed by 15 members. It has a public majority with ten public members. The ten public members include: one labor representative, one local building official, and one statewide senior citizen organization representative. The five professional members are: one general engineering (A) contractor, two general building (B) contractors, and two specialty (C) contractors.

The Governor appoints eleven members of the Board that require confirmation by the Senate. The Senate Rules Committee and the Assembly Speaker appoint two public members each. The Board as a whole is required to meet at least four times throughout the year, and meets at various locations throughout the state to address work completed by various committees of the Board. Board meetings are open and give the public the opportunity to testify on agenda items and on other issues.

The following table lists all members of the Board, including: background on each member, when appointed, term expiration date, and appointing authority.

Name	Appointment Date	Term Expiration Date	Appointing Authority
<p>David Dias, Chair <i>Labor Member. David Dias, of Napa, was appointed by Governor Edmund G. Brown Jr. in April 2011 and reappointed in June 2012. Mr. Dias has been a business representative for Sheet Metal Workers' Local Union No. 104 since 2005, and previously was an apprentice instructor at Foothill Community College from 1998 to 2005, a field supervisor at Therma Inc. from 1997 to 2005, and a sheet metal worker foreman at RH Tinney from 1990 to 1997, after serving as an apprentice from 1986 to 1990. He is a trustee of the Bay Area Industry Training Fund, a member of the U.S. Green Building Council, and a member of the Joint Committee for Energy and Environmental Policy. Mr. Dias' term continues through June 1, 2016.</i></p>	<p><i>April 2011</i></p>	<p><i>June 1, 2016</i></p>	<p><i>Governor</i></p>

<p>Ed Lang, Vice Chair <i>Public Member – Senior Citizen Organization. Ed Lang, of Rancho Cordova, was appointed by Governor Arnold Schwarzenegger in January 2007, and reappointed in July 2010 and June 2014. Mr. Lang retired as supervisor of the Corporation Collections Unit for the California Franchise Tax Board, where he worked in various positions from 1980 to 2003. Previously, he was an adult education instructor for the Folsom-Cordova Unified School District from 1976 to 1982, and served in the U.S. Air Force from 1960 to 1980. Mr. Lang serves on the Board of Directors for the InnerCity Housing Corporation and HELPS Family Foster Agency, and is a member of the American Association of Retired People. Mr. Lang’s term continues through June 1, 2018.</i></p>	<p>January 2007</p>	<p>June 1, 2018</p>	<p>Governor</p>
<p>Agustin Beltran, Secretary <i>Public Member. Augie Beltran, of Oakdale, was appointed by the Senate Rules Committee in January 2014. Mr. Beltran served in the United States Marine Corps Reserve from 1985-1993. Since beginning his career as a carpenter apprentice, Mr. Beltran has worked in various facets of the construction industry for 25 years. Mr. Beltran has served on several government boards since 1997, including the Lathrop City Council from 2000-2004 and the Delta Protection Commission from 2002-2004. He currently serves as the President and Director of Public and Governmental Relations for the Northern California Carpenters Regional Council. Mr. Beltran’s term continues through June 1, 2017.</i></p>	<p>January 2014</p>	<p>June 1, 2017</p>	<p>Senate Rules Committee</p>
<p>Kevin J. Albanese <i>“B” Contractor Member. Kevin J. Albanese, of San Jose, was appointed by Governor Edmund G. Brown Jr. in July 2013. Since 2004, Mr. Albanese has served as vice president and chief executive officer at Joseph J. Albanese Inc. Prior to his current role, he served in multiple management positions throughout the organization. In addition, Mr. Albanese graduated magna cum laude from the Santa Clara University School of Law, and since 2009, has operated a solo law practice. Mr. Albanese is a longtime member and past President of United Contractors and he also serves as a management Trustee for the Operating Engineers Local 3 Trust Funds. Mr. Albanese’s term continues through June 1, 2017.</i></p>	<p>July 2013</p>	<p>June 1, 2017</p>	<p>Governor</p>
<p>Linda Clifford <i>“A” Contractor Member. Linda Clifford, of Sacramento, was appointed by Governor Edmund G. Brown Jr. in July 2013, and reappointed in June 2014. Ms. Clifford has been chief financial officer at C.C. Myers Inc. since 1986. She also held multiple accounting positions at Continental Heller-Tecon Pacific from 1972-1986. Ms. Clifford is Treasurer and a board member of the California Transportation Foundation, and Secretary and a commissioner at the California Uniform Construction Cost Accounting Commission. Ms. Clifford’s term continues through June 1, 2018.</i></p>	<p>July 2013</p>	<p>June 1, 2018</p>	<p>Governor</p>
<p>Susan Granzella <i>Public Member. Susan Granzella, of Sacramento, was appointed by Governor Edmund G. Brown Jr. in October 2014. Ms. Granzella held several Visa, Inc. positions from 1996 to 2014, including senior director and vice president for technical documentation, and audit and compliance coordination for global development. Ms. Granzella’s term continues through June 1, 2016.</i></p>	<p>October 2014</p>	<p>June 1, 2016</p>	<p>Governor</p>

<p>Joan Hancock <i>“B” Contractor Member. Joan Hancock, of Sacramento, was appointed to CSLB by Governor Arnold Schwarzenegger in November 2007, and reappointed by Governor Edmund G. Brown Jr. in July 2011. Since 1983, Ms. Hancock has owned Her Land Enterprises, a general contracting firm. From 1977 to 1983, she co-owned Hancock & Colyer Construction. Ms. Hancock earned a Juris Doctorate in 1982, and a California State Teaching Credential in 1979. She also is a member of the Sacramento Mediation Center. Ms. Hancock’s term continues through June 1, 2015.</i></p>	<p>November 2007</p>	<p>June 1, 2015</p>	<p>Governor</p>
<p>Pastor Herrera Jr. <i>Public Member. Pastor Herrera, of Los Angeles, was appointed by Governor Arnold Schwarzenegger in July 2010, and reappointed by Governor Edmund G. Brown Jr. in June 2014. Mr. Herrera has been adjunct professor at the California State University, Northridge Department of Family and Consumer Sciences since 2011. He served in multiple positions at the Los Angeles County Department of Consumer Affairs from 1977 to 2010, including director, assistant director, head of staff services, head consumer affairs representative and consumer affairs investigator. He is a member of the University of California, Los Angeles Latino Alumni Association, National Association of Consumer Affairs Administrators, Consumer Federation of California, Los Angeles Financial Credit Union Board of Directors, National Consumers League, and a founding member of the Los Angeles County Hispanic Managers. Mr. Herrera’s term continues through June 1, 2018.</i></p>	<p>July 2010</p>	<p>June 1, 2018</p>	<p>Governor</p>
<p>Robert Lamb II <i>Public Member. Robert Lamb, of Cypress, was appointed by Assembly Speaker Fabian Núñez in May 2006. Mr. Lamb is a certified plumber and pipefitter. He has been a member of the United Association for more than 30 years, has held numerous positions in the construction industry, and has worked on a variety of construction projects. Mr. Lamb was the business manager and financial secretary/treasurer for the Plumbers and Steamfitters U.A. Local 582 in Santa Ana, and was also a representative for the Southern California Pipe Trades District Council 16. Mr. Lamb earned a Bachelor’s degree in Union Leadership and Administration from the National Labor College in Silver Springs, MD. He serves as an international representative for the United Association of Plumbers and Steamfitters. In October 2008, Assembly Speaker Karen Bass reappointed Mr. Lamb, and in 2012 Assembly Speaker John Perez reappointed Mr. Lamb for a term that continues through June 1, 2016.</i></p>	<p>May 2006</p>	<p>June 1, 2016</p>	<p>Assembly</p>
<p>Johnny Simpson <i>Public Member. Mr. Simpson is the business manager/financial secretary of the International Brotherhood of Electrical Workers Local 569, which represents over 3,100 electrical workers in San Diego and Imperial counties. A third generation IBEW wireman, Mr. Simpson graduated from the IBEW California Apprenticeship Program in 1981. He is highly involved in his community and has spent more than 20 years volunteering alongside IBEW 569 members to fix electrical systems in the homes of San Diego’s low income seniors, disabled veterans, and families. He also is a San Diego Electrical Training Center trustee; president of the San Diego County Building and Construction Trades Council; and vice president of the San Diego County Building Trades Family Housing Corporation, which provides affordable housing for low and moderate income working families. Mr. Simpson’s term continues through June 1, 2015</i></p>	<p>February 2015</p>	<p>June 1, 2015</p>	<p>Senate Rules Committee</p>

<p>Paul Schifino <i>"C" Contractor Member. Paul Schifino, of Los Angeles, was originally appointed by Governor Arnold Schwarzenegger in January 2010, and reappointed by Governor Edmund G. Brown Jr. in April 2011. Mr. Schifino is owner and president of both Anvil Steel Corporation and Junior Steel Company. Mr. Schifino was a partner for the law firm of Schifino and Lindon from 1992 to 2006, associate attorney for Strook and Strook and Lavan from 1990 to 1992, and adjunct professor at Georgetown University from 1987 to 1989. He also is a member of the American Institute of Steel Construction (AISC). Mr. Schifino and his wife are both ambassadors of the Weizmann Institute of Science, an international center of scientific research located in Israel. Mr. Schifino's term continues through June 1, 2017.</i></p>	<p>January 2010</p>	<p>June 1, 2017</p>	<p>Governor</p>
<p>Frank Schetter <i>Professional Member – "C" Contractor. Frank Schetter, of Sacramento, was appointed by Governor Edmund G. Brown Jr. in August 2011. Mr. Schetter has been the CEO of Schetter Electric since 2006 and was president from 1983 to 2005. He is currently a governor of the National Electrical Contractors Association and a member of the National Joint Apprenticeship and Training Committee. Mr. Schetter's term continues through June 1, 2015.</i></p>	<p>August 2011</p>	<p>June 1, 2015</p>	<p>Governor</p>
<p>Nancy Springer <i>Public Member – Building Official. Nancy Springer, of Browns Valley, was appointed by Governor Edmund G. Brown Jr. in September 2013. Ms. Springer has served in multiple positions for Butte County since 2007, including building division manager, interim building division manager, and building official assistant. She held multiple positions at Willdan Engineering from 2003 to 2007, including building safety services supervisor, office manager and senior plans examiner. Prior, Ms. Springer was a plans examiner at Linhart Peterson Powers and Associates from 1998 to 2003 and a building inspector for the Sutter County Community Services Department from 1992 to 1998. She was a building inspector for the City of Colusa from 1991 to 1992 and for the City of Palmdale from 1989 to 1991. Ms. Springer was an electrician apprentice at the National Electrical Contractors Association from 1984 to 1987 and an aircraft electrical systems specialist for the U.S. Air Force from 1980 to 1985. Ms. Springer's term continues through June 1, 2017.</i></p>	<p>September 2013</p>	<p>June 1, 2017</p>	<p>Governor</p>
<p>VACANCY – Governor's Appointee, Public Member</p>			
<p>VACANCY – Assembly Speaker's Appointee, Public Member</p>			

CSLB currently has five standing committees that perform various functions:

- **Enforcement Committee** – Purpose is to reduce, eliminate, or prevent unlicensed activity and unprofessional conduct that pose a threat to public health, safety, and welfare.
- **Licensing Committee** – Purpose is to ensure that all applicants and licensees are qualified to provide construction services.
- **Executive Committee** – Purpose is to enhance organizational effectiveness and improve the quality of customer service in all programs.
- **Legislative Committee** – Purpose is to ensure that statutes, regulations, policies, and procedures strengthen and support CSLB operations.

- **Public Affairs Committee** – Purpose is to educate consumers to make informed choices about construction services, and ensure that licensed contractors strengthen their technical management and service skills.

The Registrar of Contractors (Registrar) is appointed by the Board with the approval of the Director of DCA, and serves as the executive officer of the Board. The Registrar carries out all of the administrative duties of the Contractors State License Law, and pursuant to the Business and Professions Code (BPC) § 7091(f), reviews all proposed administrative law judge (ALJ) decisions, and makes all final agency enforcement decisions. The current Registrar, Cindi A. Christenson, was appointed by the Board January 1, 2015.

Fiscal, Fund and Fee Analysis

As a Special Fund agency, CSLB receives no General Fund support, relying solely on fees set by statute and collected from contractors and applicants. Renewal fees constitute the main source of revenue and 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 are valid for four years. According to the Governor’s proposed Budget for fiscal year (FY) 2015/16, the total revenues anticipated by CSLB for FY 2014/15 is \$55,980,000, and for FY 2015/16, \$55,182,000. The total expenditures anticipated for CSLB for FY 2014/15 are \$63,192,000 and for FY 2015/16, \$62,880,000.

The chart below, provided by CSLB, details the past, current, and projected/purposed fund condition for the Board (Dollars in Thousands):

FUND CONDITION	ACTUAL				PROJECTED	
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Adjusted Beginning Balance	21,330	15,250	27,322	28,953	26,257	20,288
Revenues and Transfers	48,437	54,180	55,587	54,992	55,984	55,211
Total Revenue	\$69,767	\$69,430	\$82,909	\$83,945	\$82,241	\$75,499
Budget Authority	57,261	58,593	58,830	61,628	62,256	62,879
Expenditures	54,908	53,490	53,956	57,688	61,953	62,522
Loans to General Fund						
Accrued Interest, Loans to General Fund		737				
Loans Repaid From General Fund		10,000				
Fund Balance	\$14,859	\$26,677	\$28,953	\$26,257	\$20,288	\$12,976
Months in Reserve	3.3	5.9	6.0	5.1	3.9	2.5

In FY 2008/09, the Contractors License Fund (Fund) issued a loan of \$10 million to the California General Fund. In FY 2011/12, the Fund received final repayment, along with \$737,000 in interest. Based on figures calculated on June 30, 2014, CSLB had a reserve of approximately \$26,200,000, which represents approximately five months of operating expenditures.

REVENUE	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	FY 2013-14 Revenue	% OF TOTAL REVENUE
Duplicate License/Certification Fees	117	121	104	108	0.2%
App Exam/License Fees	9,837	10,333	9,966	10218	18.9%
Renewal Fees	35,207	40,072	41,304	39876	73.1%
Delinquency Fees	2,219	2,495	2,857	3102	5.0%
Fines & Penalties	798	930	1141	1491	2.0%
Other	167	135	130	134	0.3%
Interest	92	831	85	64	0.5%
TOTALS	\$48,437	\$54,917	\$55,587	\$54,992	

EXPENDITURES	FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14	
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E
Enforcement	16,853	12,543	17,165	12,261	17,021	12,652	18,673	11,968
Examination	1,938	1,501	1,952	1,417	1,757	1,095	1,880	1,718
Licensing	6,489	1,810	6,238	1,754	6,409	1,688	6,900	1,534
Administration *	3,294	5,587	3,337	4,595	3,484	4,933	3,599	5,443
DCA Pro Rata		5,106		5,227		4,990		6,153
Diversion (if applicable)								
TOTALS	\$28,574	\$26,547	\$28,692	\$25,254	\$28,671	\$25,358	31,052	26,816

CSLB spends approximately 55% of its budget on its enforcement program.

In January 2003, the statutory limits for nearly all application, license, and renewal fees were increased. However, with the exception of the delinquency fee (which increased from a flat \$25 to 50 percent of the variable renewal fees), the fees charged by CSLB remained at 1994 levels until July 2011. At that time, projected fund shortages compelled the Board to increase all fees to the statutory limits (with the exception of the Duplicate License/Certificate Fee). The Board indicates that there are no current plans to increase fees.

The Board's current fee structure and revenue are detailed in the tables below, and are contained in Business and Professions Code (BPC) section 7137 and the California Code of Regulations, Title 16, Division 8, Section 811.

Fee Schedule	Current Fee Amount	Statutory Limit
Original Application Fee	\$300	\$300
Initial License Fee (Active & Inactive)	\$180	\$180
Additional Class	\$75	\$75
Replacing the Qualifier	\$75	\$75
Home Improvement Salesperson (HIS) Registration	\$75	\$75
HIS Renewal	\$75	\$75

Asbestos Certification Application	\$75	\$75
Hazardous Substance Removal Application	\$75	\$75
Reactivate Inactive License	\$360	\$360
Active Renewal (2-year cycle)	\$360	\$360
Inactive Renewal (4-year cycle)	\$180	\$180
Exam Rescheduling Fee	\$60	\$60
Delinquency Fee (Active contractor renewal)	\$80	50% of the renewal fee
Delinquency Fee (Inactive contractor renewal)	\$90	50% of the renewal fee
Delinquency Fee (HIS Renewal)	\$37.50	50% of the renewal fee
Duplicate License/Certificate	\$11	\$25

Staffing Levels

In FY 2001/02, CSLB had 471 authorized positions. In the two subsequent years, CSLB lost 20 percent of its staff (88.5 authorized positions). During fiscal years 2008/09 through 2012/13, CSLB staff levels further declined due to furloughs and hiring freezes, dropping to only 354 available authorized positions for FY 2010/11. From fiscal years 2001/02 to 2014/15, new mandates and programs were implemented including: fingerprinting, Central Valley SWIFT, Subsequent Arrest Unit, and the Economic and Employment Enforcement Coalition (EEEC), for which 21 Budget Change Proposals (BCPs) and Spring Finance Letters (SFLs) were submitted by CSLB in order to reestablish lost positions. Eventually, CSLB received five approved BCPs for 54.0 authorized positions, but then in FY 2011/12 to 2012/13 lost another 33.5 positions. Ultimately, these gains and losses have resulted in CSLB reestablishing only 20.5 of the 88.5 positions lost. To date, CSLB reports that they continue to operate as lean as possible with 68 fewer authorized positions than twelve years ago, a reduction of 15%.

CSLB reports that at any given time during the fiscal year, there are about 40 vacancies that result from retirements, transfers, and promotions, which generate substantial personnel transactions. About half of CSLB's 40 vacancies are deemed by the Board as "hard-to-fill." Almost all are in the Enforcement division and consist of Enforcement Representatives (ER), Peace Officers, and Enforcement Supervisors. Specific classification requirements, extensive criminal background checks for Peace Officers, a lack of viable candidates for remote locations, and a higher cost-of-living index in some geographical locations makes these positions difficult to fill. CSLB is unable to offer a pay differential and must compete against local government agencies that pay considerably more for similar work.

Licensing

Contractor licenses are classified within three basic branches of contracting as defined in the Business and Professions (B&P) Code and in the regulations of the Board. There are two general classifications (Class "A" and Class "B" licenses) and 42 specialty classifications (Class "C" licenses) which are identified as follows:

- Class "A" General Engineering contractor; involved in construction of infrastructure and similar projects requiring specialized engineering knowledge and skill.*
- Class "B" General Building contractor; involved in construction of buildings, housing, commercial, office, etc.*

- Class “C” Specialty contractor; involved in specific trades, such as painters, plumbers, electricians, etc.

The following is a breakdown of the population of licensees regulated by the CSLB for the past four years:

LICENSEE POPULATION		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Contractor License	Active	237,024	230,438	225,217	223,266
	Out-of-State (Active)	7,135	7,020	6,896	6,914
	Out-of-Country (Active)	26	23	21	24
	Delinquent	50,558	65,190	78,658	84,171
Home Improvement Salesperson Certification	Active	8,089	8,661	9,224	9,803
	Out-of-State (Active)	148	130	194	446
	Out-of-Country (Active)	0	0	0	0
	Delinquent	884	2,595	4,275	5,341

From late 2006 to early 2007, application submissions to CSLB dropped as a result of the economic downturn in the construction industry. The Board advises that these declines now seem to be leveling off.

Although staff reductions from furloughs and the Governor’s hiring freeze order would normally increase processing times for applicants and licensees, the slowdown in construction enabled Licensing division staff to remain relatively current. CSLB has used the work slowdown to cross-train staff on other processing functions within the division so that resources can be redirected quickly, as needed, to address workload demands, e.g., rotating application staff to assist in the call center during peak demand hours.

Pursuant to California Code of Regulations section 827, CSLB is required to inform an applicant within 60 days of receipt whether the application is complete or deficient and in need of additional documentation or correction. CSLB states that it currently meets these expectations for all of its various applications. After an applicant is notified that their application is complete, they then complete a Live Scan and schedule a time to take the required examination. There are 46 examinations: 43 trade, two certification and one law and business examination. The Board does not have a hard deadline to fully approve an application; however, an application does become void if it is not acted upon in 18 months.

As shown by the table below, the average processing times for original application approvals was nearly identical for FY 2011/12 and 2012/13 (119 and 117 days, respectively). Increased workloads have somewhat extended processing time for FY 2013/14 to 132 days. Additionally, greater workloads and some staff outages extended average processing time for HIS applications between FY 2011/12 and FY 2013/14 (57 days, to 74 days, to 84 days, respectively).

TOTAL LICENSING DATA	FY 2011 12	FY 2012 13	FY 2013 14
Initial Licensing Data:			
Original Applications Received	17,730	17,114	17,989
Home Improvement Salesperson Applications Received	6,906	7,346	9,522
Total	24,636	24,460	27,511
Initial License/Initial Exam Pending Application Data:			

Pending Original Applications (total at close of FY)	44	704	8,122
Pending Home Improvement Salesperson Applications Received	3	29	4,058
Total	47	733	12,180
Pending Original Applications (outside of board control)*	n/a	n/a	n/a
Pending Home Improvement Salesperson Applications (outside of board control)*	n/a	n/a	n/a
Pending Original Applications (within the board control)*	n/a	n/a	n/a
Pending Home Improvement Salesperson applications	n/a	n/a	n/a
Initial License/Initial Exam Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Original Application Approval (All – Complete/Incomplete)	119	117	131
Average Days to Home Improvement Salesperson Application Approval (All – Complete/Incomplete)	22	64	77
Total (Averaged) Days	71	91	101
Average Days to Original Application Approval (incomplete applications)*	n/a	n/a	n/a
Average Days to Home Improvement Salesperson Application Approval (incomplete applications)*	n/a	n/a	n/a
Average Days to Original Application Approval (complete applications)*	n/a	n/a	n/a
Average Days to Home Improvement Salesperson Application Approval (complete applications)*	n/a	n/a	n/a
License Renewal Data:			
Contractor License Renewed	121,101	121,765	119,971
Home Improvement Salesperson Registration Renewed	1,507	1,673	1,777
TOTAL	122,608	123,438	118,748

As the construction industry begins to recover, and with seasonal fluctuation of applications, the Board believes that processing timelines likely will increase.

All applications for licensure include questions regarding the applicant's prior criminal history and disciplinary actions. Applicant fingerprints are submitted to the California Department of Justice (DOJ) where they are compared to DOJ and Federal Bureau of Investigation (FBI) records to ascertain whether a criminal history exists. Beginning January 1, 2005, all individuals listed as personnel of record on an original application, an application to add a classification to an existing license, an application to replace the qualifier, an application to report new officers, and an application for registration as a home improvement salesperson are required to submit fingerprints to CSLB. This means that all licensee fingerprinting conducted by CSLB has been prospective.

CSLB's Criminal Background Unit (CBU) staff review all criminal convictions to determine if the crime is substantially related to the duties, qualifications, or functions of a contractor, and to assess if the applicant has demonstrated sufficient rehabilitation. CBU begins processing conviction information the same day it is received by conducting a triage and clearance of those applicants with no convictions and those with minor, clearable convictions, provided the applicant was honest on the application. It is interesting to note that applicants who were dishonest on the application but who have minor, clearable convictions and who, had they been honest, would have been cleared can withdraw the false application and submit new fees and a new application on which they accurately disclose their convictions. These withdrawal offers also are processed as part of the triage. For the last few years, the timelines for pulling the conviction records for review were held at less than 30 days and usually processed in as little as one to two weeks.

Additionally, as required by law, CSLB performs a comprehensive field investigation for a minimum of 3 percent of applications to help ensure documentation accuracy of applications. Licensing division staff further evaluates Certification of Work Experience forms submitted with applications for licensure to document the required four years of journey-level work experience. Applicants may submit additional documentation when necessary to support their claimed work experience, such as paycheck stubs, tax documents, building permits, construction inspection reports, etc.

Continuing Education/Competency Requirements (CE)

CSLB does not have a continuing education (CE) or continuing competency requirement. In 2013, the Board adopted a policy opposing the establishment of any such requirement, absent an identified problem within the construction industry that CE would address and because of the significant costs of such a requirement on licensees and CSLB.

Enforcement

CSLB’s enforcement responsibilities include 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.

CSLB receives complaints from members of the public, licensees and professional groups, governmental agencies, and others concerning all aspects of the construction industry. However, the majority of complaints come from owners of residential property involved in remodeling or repair work. In FY 2013/14, CSLB received 18,322 complaints. A steady reduction of incoming complaints during FY 2013/14 can be partially attributed to the economic downturn. The Intake and Mediation Center (IMC) continues to investigate illegal advertising complaints. In FY 2013/14, complaints were at a manageable level.

BPC § 7011.7 sets CSLB’s statutory mandate regarding the length of time in which to complete a complaint investigation. The statutory goal for routine investigations is six months from receipt of the complaint to completion of the investigation. For complaints that involve complex fraud issues or complex contractual arrangements the statutory goal for completing the review and investigation is one year. As shown by the table below, the Enforcement division consistently meets this mandate, averaging 70 days from receipt of a complaint to completed investigation – far less than the statutory goal.

Enforcement Statistics	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
INVESTIGATION				
All Investigations				
First Assigned	21,320	19,239	18,101	18,203
Closed (by type)	22,483	20,366	19,118	18,875
Unlicensed Activity	6,271	5,238	5,254	5,357
Competence/Negligence	4,480	4,023	3,930	4,111
Unprofessional Conduct	6,653	5,597	4,842	4,545
Personal Conduct	731	1,015	1,225	807
Fraud	371	533	553	770
Health & Safety	590	550	526	495
Other/Miscellaneous	3,387	3,410	2,788	2,790

Average days to close	68.1	72.7	76.6	76.4
Pending (close of FY)	3,891	3,901	3,762	3,893
COMPLIANCE ACTION				
ISO & TRO Issued	NDA	NDA	NDA	NDA
PC 23 Orders Requested	NDA	NDA	NDA	NDA
Other Suspension Orders	N/A	N/A	N/A	N/A
Cease & Desist/Warning Letter	2,708	2,065	2,177	1,246
CITATION AND FINE				
Citations Issued	1,671	1,582	1,968	2,203
Average Days to Complete	166.0	164.0	165.0	168.4
Amount of Fines Assessed	\$2,587,011	\$2,688,050	\$3,672,325	\$4,129,925
Reduced, Withdrawn, Dismissed	242	273	390	432
Amount Collected	\$834,709	\$966,344	\$1,165,111	\$1,519,857
CRIMINAL ACTION				
Referred for Criminal Prosecution	1,263	1,192	1,106	1,118

Legislation enacted in 2010 granted CSLB the authority to establish nine additional sworn Peace Officer (PO) positions within the Enforcement division, for a total of 12, who the Board believes possess expertise, skills, knowledge, and abilities that are vital to combat construction-related crimes. POs undergo unique training and education, support CSLB's ability to investigate construction-related elder abuse, fraud, insurance violations, and unlicensed activity. Their training extends beyond Contractors' State License Law and includes a working knowledge of California Penal Code, Labor Code, Health and Safety Code, and Vehicle Code. Additionally, their Peace Officer Standards and Training (POST) Commission academy training includes chain-of-custody issues, expert testimony, dealing with aggressive/angry/argumentative people, and interpreting body language. POs might videotape elder abuse victims, establish the victim's mental capacity, obtain medical records (HIPPA requirements), obtain bank records through search warrant or written authorization, and complete preliminary financial audits, making it easier for district attorneys to file elder abuse charges. Further, CSLB asserts that POs typically have more credibility when testifying at pretrial hearings than their non-sworn counterparts, and can obtain expedited records from courts and the DMV Law Enforcement Counter.

According to the Board, POs work with multiple jurisdictions to perform complex investigations and joint undercover operations, often targeting revoked licensees who continue to illegally contract. When Stop Orders are issued, POs frequently follow up with local law enforcement partners, perform undercover surveillance, and, when appropriate, arrest individuals suspected of illegal activity. They often conduct site inspection and/or compliance checks with local law enforcement and agency partners, such as the California Department of Insurance (CDI) and district attorney investigators. POs participate and lead multi-jurisdictional criminal investigation task forces. When a natural disaster occurs, CSLB POs are among the first responders who, as sworn officers, can access disaster areas.

Once investigations are complete, a case may possibly be referred to CSLB's arbitration program. For eight consecutive years, the Arbitration Mediation Conciliation Center (AMCC) has administered the CSLB arbitration program. Under BPC § 7085(b), disputes over contracts worth \$12,500 or less shall be referred to CSLB's Mandatory Arbitration Program (MARB); under BPC § 7085(a), disputes over contracts worth more than \$12,500 but less than \$50,000 may be referred to CSLB's Voluntary Arbitration Program (VARB) with the concurrence of both the complainant and the contractor.

During 2013, 313 complaints were referred to the arbitration program and 288 awards were rendered, resulting in \$1,254,767 in restitution ordered for financially injured persons. Forty-five licenses were revoked for failure to comply with an arbitration award. In 2014, CSLB renewed its contract with AMCC to conduct its arbitration hearings through November 30, 2015. AMCC hears approximately 400-700 CSLB cases per year and, since the program's inception, AMCC has heard more than 6,300 CSLB arbitration proceedings and rendered individual monetary decisions of up to \$50,000. The Board's Consumer Services Representative and Enforcement Representatives refer eligible cases to AMCC and then close them (for purposes of statistical tracking). Thereafter, AMCC gathers information about the dispute, sets a hearing date, and assigns an arbitrator to hear the case at a relatively informal hearing (which is frequently conducted by the parties themselves without the assistance of counsel). CSLB may pay for the services of one expert witness to testify at the hearing; the parties may pay for additional experts to testify. Following submission of the case, the arbitrator has 30 days in which to issue his or her decision. The entire process averages 47 days.

According to the Board, during the last four years, AMCC has implemented several program improvements:

- Coordinated parties for a hearing within 10 days of receipt for a military claimant being deployed;*
- Assigned Saturday arbitration dates for parties unable to participate in weekday hearings;*
- Coordinated multiple party disputes among complainants, prime, and sub-contractors;*
- Arranged for unique hearing sites to comply with ADA requirements;*
- Implemented video conferencing protocols;*
- Conducted statewide joint CSLB/arbitrator trainings; and*
- Created additional handouts to parties to assist in hearing preparation.*

For more serious crimes, cases can be referred to the Office of the Attorney General (AG). Once a CSLB investigator completes an investigative report recommending an accusation (the written notice of charges) in a given case, and that recommendation is approved by CSLB upper management, the file is transferred to the licensing section of the Attorney General's Office, where it is assigned to a deputy attorney general (DAG). The DAG reviews the investigative file and determines whether it is sufficient to prove a disciplinary violation. If so, the DAG prepares the accusation and returns it to Enforcement's Case Management Unit (CMU), an internal support unit that tracks and processes all of CSLB legal actions. CMU reviews the accusation and, if it is accurate, signs the accusation (or in CSLB terminology, "files" the accusation), and serves it on the respondent.

The accusation filing triggers the adjudication process governed by the Administrative Procedure Act (APA) of the Government Code, which is designed to ensure that an accused licensee is afforded procedural due process rights before his or her property right (the license) is taken from him or her. According to case law interpreting the APA, the agency is the moving party that must meet the burden

of proof regarding a disciplinary violation with evidence that is “clear and convincing to a reasonable certainty.”

When the accusation is filed, the respondent receives notices and information about his or her right to appeal. The respondent may file a notice of defense (NOD). If a NOD is filed and received by CMU, the DAG is notified and secures a hearing date from the Office of Administrative Hearings (OAH).

Thereafter, the parties may engage in limited discovery and, barring settlement, will present their respective cases at a public evidentiary hearing presided over by an ALJ from OAH. At the hearing, the AG represents CSLB and the respondent contractor may be represented by counsel of his or her choice (paid for by the respondent). Each party has the right to examine and cross-examine witnesses, present documentary evidence, and present oral argument. Following submission of the evidence, the ALJ prepares a written proposed decision, including findings of fact, conclusions of law, and recommended discipline. At CSLB’s request, the ALJ also may recommend that the licensee pay “investigative cost recovery” to reimburse the board for the investigative and enforcement costs incurred up to the first day of the evidentiary hearing. The ALJ’s ruling is a “proposed decision” that is forwarded to the CSLB Registrar who makes the final agency decision to adopt, nonadopt, or modify the decision.

Often, an accusation may result in a stipulated agreement before the hearing occurs. In these instances, the license is typically revoked, but stayed with conditions, wherein the licensee may still operate under probationary status. Revocation of the license may be disclosed to the public. The license probationary period can be from two years to five years, and is overseen by a “probation monitor” for compliance with the terms and conditions of the probation. If the terms and conditions are not being met, CMU will submit a request to the AG to re-impose revocation.

In other cases, referrals may be sent to district attorneys. Enforcement staff has continued to strengthen relationships with district attorneys and identified specific consumer protection prosecutors throughout the state with which to partner on various criminal investigations. While the majority of criminal investigations involve unlicensed contractors who have financially injured consumers and/or continued to operate illegally despite receiving administrative citations, other criminal investigations target especially egregious offenders, both licensed and unlicensed. Enforcement has identified DAs in counties across the state who, 1) specialize in elder abuse cases, 2) have special funding from the California Department of Insurance (CDI) to prosecute workers’ compensation insurance fraud cases, and 3) who prosecute complex criminal cases that involve service and repair contractors or specialty contractors that, often, operate their businesses throughout the state.

Pursuant to B&P Code section 7123, conviction of a construction-related crime or a crime substantially related to the qualifications, functions, and duties of a contractor is cause for disciplinary action against a licensee, with the conviction record itself serving as the conclusive evidence. Therefore, when a licensee faces pending criminal prosecution, or immediately following conviction of a substantially-related crime, CSLB may refer a parallel disciplinary action to revoke a license.

Underground Economy Enforcement Efforts

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

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

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

CSLB's Statewide Investigative Fraud Team (SWIFT) investigators participate in specialized task forces that have been established to address the underground economy.

It is estimated that California loses anywhere from \$60 to \$140 billion a year from the underground economy, a significant portion of which is attributable to the construction industry. Since no one state agency has the resources or the information to tackle this enforcement problem alone, state agencies with overlapping jurisdictions in the areas of labor law enforcement have joined forces to make a concerted and consistent dent in California's underground economy. CSLB is a partner in the Labor Enforcement Task Force (LETf).

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

The Joint Enforcement Strike Force (JESF) is a coalition of California government enforcement agencies that work together and in partnership with local and federal agencies to fight the underground economy. JESF works to restore economic stability and improve working conditions and consumer and worker protection in the state. JESF goals are to:

- *Eliminate unfair business competition;*
- *Protect workers by ensuring that they receive all compensation, benefits, and worker protections they are entitled to by law relating to their employment;*
- *Protect consumers by ensuring that all businesses are properly licensed and that they adhere to the state's consumer protection regulations;*
- *Reduce the burden on law-abiding citizens and businesses by ensuring that all businesses and individuals comply with California licensing, regulatory, and payroll tax laws; and*
- *Reduce the tax gap by increasing voluntary compliance with the state's payroll tax laws to maximize the state's General and Special Fund revenues.*

CSLB also addresses the underground economy through receipt of Lead Referral forms. These referrals relate to active job sites, and are submitted by consumers, public agencies, other contractors, subcontractors, and employees. SWIFT investigators visit the job site and take appropriate action, which may include the issuance of a Notice to Appear, a Stop Order, an administrative citation, and/or an accusation.

Public Information and Outreach

CSLB maintains a “Board Meetings” page on its website that publicizes agenda and background materials for all Committee and full Board meetings. Agendas are posted to the website at least 10 days prior to the meeting. In addition, the Board’s website section includes archive video of all meeting webcasts. All posted meeting materials are kept online and meeting minutes are posted after approval by the Board at its next quarterly meeting and remain available online indefinitely. CSLB maintains an extensive “Newsroom” page, which includes links to all news releases, consumer alerts, industry bulletins, and licensee newsletters. The newsroom page also includes CSLB-produced videos.

Additionally, CSLB’s complaint disclosure policy is consistent with DCA’s Recommended Minimum Standards for Consumer Complaint Disclosure. CSLB posts accusation and disciplinary actions. The Board maintains a website (www.cslb.ca.gov) and a toll-free number (800.321.CSLB) for use by the public to obtain general license information regarding a contractor and license status and a list of past and pending legal actions against the licensee are also available. “Pending legal actions” are reported only when investigative staff has substantiated a complaint and legal action has been requested. “Past legal actions” include citations previously issued against a licensee and any disciplinary action in which probation, suspension, or revocation resulted. Information concerning an arbitration decision is not made public unless the licensee fails to comply with the arbitration award. Failure to comply results, first, in suspension of the license, then, if such failure continues for 90 days, revocation of the license. CSLB reports civil judgments against a contractor when suspension is pending or has occurred.

Once CSLB determines that a probable violation of law has occurred, which, if proven, would present a risk of harm to the public and for which suspension or revocation of the contractor’s license would be appropriate, the date, nature, and status of the complaint is publicly disclosed. A disclaimer stating that the complaint is, at this time, only an allegation accompanies this disclosure.

Licensee citations are disclosed to the public from date of issuance and for five years from the date of compliance.

Accusations that result in suspension or stayed revocation of the contractor’s license are disclosed from the date the accusation is filed and for seven years after the accusation has been settled and includes the terms and conditions of probation. All revocations that are not stayed are publicly disclosed indefinitely from the effective date of the revocation.

(For more detailed information regarding the responsibilities, operation, and functions of CSLB please refer to CSLB’s Sunset Review Report, November 2014, available on the Board’s website.)

PRIOR SUNSET REVIEW: CHANGES AND IMPROVEMENTS

CSLB was last reviewed by the Senate Business, Professions and Economic Development (BPED) Committee four years ago. During the previous Sunset Review, the BPED made thirteen final recommendations regarding CSLB. The following are actions which CSLB took since the last Sunset Review to address these issues. For those which were not addressed and which may still be of concern to the Committee, they are addressed and more fully discussed under “Current Sunset Review Issues.”

In November 24, the Board submitted its required Sunset Review Report to the Committees. In this report, CSLB described actions that have been taken since the Board’s prior review to address the recommendations of the BPED Committee. The following are some of the more important programmatic and operational changes and enhancements which CSLB has taken and other important policy decisions or regulatory changes it has adopted, as well as some highlighted accomplishments:

Veterans Assistance – *CSLB offers a Veterans Application Assistance Program for troops transitioning from military service to civilian employment. In many cases, veterans possess transferable skills that help meet minimum experience and training requirements for state contractor licensure. This program offers priority services to veteran applicants by evaluating transferable military experience and training, as well as education.*

Workers’ Compensation Recertification – *To prevent under-reporting employees when securing workers’ compensation insurance, CSLB implemented legislation requiring that, at the time of renewal (every two years), an active licensee with an exemption from workers’ compensation insurance either recertify the exemption or provide a current and valid Certificate of Workers’ Compensation Insurance or Certificate of Self-Insurance (AB 397, Monning, Chapter 546, Statutes of 2011).*

Complaint Disclosure of Partnering Government Agencies – *In September 2013, CSLB established a program to disclose on its website any disciplinary action against contractors by partner state agencies. CSLB’s website now flags such licensees and includes an advisory statement and an electronic link to the partner agency’s website. This disclosure provides an accessible means for awarding authorities and prime contractors to determine if a contractor is a responsible and/or responsive bidder for public works projects.*

Staff launched the disclosure project with the Department of Industrial Relations’ Division of Labor Standards Enforcement (DLSE) and Caltrans. DLSE issues Civil Wage and Penalty Assessments (CWPAs) for Labor Code violations, and Caltrans issues Stop Notices for violations that include non-payment for labor, services, equipment, or materials used at public work projects.

Workers’ Compensation Insurance Suspension Program – *In 2011, the CSLB Enforcement division’s Intake and Mediation Center (IMC) began to notify Licensing division staff when a complaint was received against a licensee who had an exemption from workers’ compensation (WC) insurance on file but acknowledged employing workers.*

In such cases, the Licensing division cancels the contractor’s WC exemption and informs him/her that CSLB will suspend the license without further notice if proof of a valid workers’ compensation policy is not submitted within 30 days. The contractor may file a second exemption, but is informed that doing so will subject the exemption to verification by CSLB and partnering agencies, such as the Employment Development Department (EDD) and Division of Labor Standards Enforcement (DLSE).

Unsafe Digging Program – In July 2013, CSLB Enforcement staff met with Pacific Gas & Electric Company representatives to discuss a partnership to prevent contractors from striking gas lines and jeopardizing public safety. Almost all such strikes that were referred to CSLB resulted from contractor negligence (failing to call in advance to have the gas lines properly marked). The program involves a coordinated outreach effort and a commitment by PG&E to file complaints against contractors that fail to call the 811 Dig Alert service before excavating. In FY 2013-14, 78 complaints were filed, resulting in increased contractor education and compliance. PG&E reported no additional gas line strikes after a complaint was filed against a contractor.

Underground Economy Program – In September 2013, CSLB’s IMC implemented a program to take timely disciplinary action against contractors found during the mediation process to be participating in the underground economy. Two Enforcement Representatives (ERs) were hired to issue administrative citations for illegal contracting in the areas of workers’ compensation insurance, building permits, and illegal advertising, demonstrating CSLB’s responsiveness to illegal activity trends. In its first year, this program resulted in 30 workers’ compensation insurance citations, 27 building permit citations, and 31 citations for illegal advertising.

Mandatory Settlement Conferences – During 2013, CSLB’s Enforcement division significantly lowered the expense of Attorney General representation by utilizing mandatory settlement conferences (MSCs) to resolve appealed administrative citations without incurring the cost of a formal hearing. In 2013, 199 citations were settled through this process. With appeal hearings averaging \$5,000, MSCs saved CSLB \$995,000 in legal expenses.

Permit Compliance – To increase building permit compliance, CSLB developed a complaint form with input from building officials, industry groups, and other partner agencies. Anyone with knowledge of a construction site that lacks a building permit can use the online form to file a complaint with CSLB. The complaint process primarily is intended to be educational, since the complaints require no evidence that the work was completed. In response to a complaint, CSLB informs the contractor, via letter, about the requirement to obtain a building permit. With sufficient evidence of failure to obtain a permit, CSLB takes appropriate disciplinary action against the license.

Elder Abuse – In August 2011, CSLB placed a “65 and older” voluntary check box on the general complaint form to help protect elderly consumers. When the box is marked, CSLB staff looks for potential elder abuse. Since adding the box, about five percent of complaints received by CSLB (2,333 complaints against licensees and 499 complaints against non licensees) involved a consumer that volunteered they were aged 65 or older. From August 2011 through January 2014, the complaint information led to 107 licensee and 50 non-licensee criminal prosecution referrals to district attorney offices for violation of California Penal Code Section 368(d) (financial elder abuse).

Public Works Unit – CSLB’s Public Works Investigative Unit, established in August 2010, has developed effective partnerships with labor compliance organizations and other state agencies, including DLSE, Caltrans, and EDD. The board has since expanded the Public Works Unit from one full-time investigator to three, and developed innovative protocols, such as public disclosure of Stop Orders issued by Caltrans and final DLSE Civil Wage and Penalty Assessments. CSLB aims to add new resources and expand the program in order to investigate and file formal disciplinary action to revoke the license of contractors who cause significant financial harm to employees.

District Attorney Office Partnership for License and WC Violations – In 2011, CSLB’s Statewide Investigative Fraud Team (SWIFT) began partnering with state and local government agencies in 19 different counties, including the California Department of Insurance, building officials, and district attorney investigators, to enforce workers’ compensation insurance and license requirements during undercover sting operations and sweeps of active construction sites.

Application Instruction – In 2012, CSLB’s Public Affairs and Licensing division staff developed an instructional video about how to properly complete the CSLB license application. The online product is divided into chapters and provides a step-by-step tutorial that explains the required information for each section of the application form. The video is designed to help applicants avoid common mistakes that result in the application being rejected or returned as incomplete.

Custom Examination Software Upgraded – In July 2014, CSLB’s Sacramento Test Center successfully launched SCORE 1.5, an upgrade to its custom test development and administration software, which was created in-house by CSLB’s Information Technology division. (SCORE is the acronym for Statewide Contractors Official Regulatory Examination.) The software upgrade coincides with the implementation of touch-screen computers, a new function that candidates have welcomed. Shorter instructions allow candidates to begin their examinations sooner and the ease of the touchscreens, compared to the mouse, allows them to move through and complete the examinations more quickly. The SCORE upgrade also makes it easier to administer civil service examinations at CSLB test centers, helping to maximize state testing facilities and resources.

Consumer Education – CSLB’s Public Affairs Office continues to expand its Senior Scam Stopper program seminars, which are conducted in conjunction with legislators and provide information to senior citizens from a variety of state and local government agencies. From January 1 to September 30, 2014, CSLB conducted 69 seminars.

State Agency Recognition Award – CSLB’s Administrative division received a state award for its emphasis on buying from small businesses and disabled veteran business enterprises (SB/DVBE) in fiscal year 2012-2013. CSLB’s Business Services Unit was presented with a bronze State Agency Recognition Award (SARA). The SARA ceremony honors state departments for outstanding achievements in SB/DVBE advocacy and practices.

New Website Design and Navigation – CSLB recently launched a new website after in-house re-design and rebuilding of the site’s nearly 1,700 pages by the Public Affairs Office and Information Technology division. The new site uses the most current state design template and technology, optimized for computers, tablets, and smart phones. CSLB is among the first state agencies to adopt the new technology and template.

CURRENT SUNSET REVIEW ISSUES

The following are unresolved issues pertaining to CSLB, or those which were not previously addressed by CSLB, and other areas of concern for the Committee to consider along with background information concerning the particular issue. There are also recommendations the Committee staff have made regarding particular issues or problem areas which need to be addressed. The Board and other interested parties, including the professions, have been provided with this Background Paper and can respond to the issues presented and the recommendations of staff.

BOARD ADMINISTRATION ISSUES

ISSUE # 1: (LACK OF STAFFING.) Does the Board have what it needs to do its job?

Background: *The previous fiscal crisis in the state and State Budget shortfalls caused CSLB to reduce its staffing resources and operating expenses, and, thus, resulted in what the Board calls a reduced ability to regulate the construction industry in California.*

Despite the Board's strategies to rotate its staff, the construction industry will begin to recover and according to the Board, processing timelines will likely increase. With a rebound in the economy, more violations may increase consumer complaints, more Californians may apply for licensure, and more unlicensed contractors will seek to take advantage of unsuspecting consumers. CSLB is concerned that it may not have the flexibility to redirect staff resources, as each unit's workload will grow with a bounce back in the industry.

The Board believes that staffing and budget reduction numbers will truly become an issue, making it limited in its capability to protect consumers.

Staff Recommendation: *CSLB should inform the Committees of the effects of possible staff constraints including current staffing levels and how vacancies are impacting the program.*

ISSUE # 2: (BreEZe.) CSLB staff states that it is working with the BreEZe project staff to prepare for the Phase 3 release. However, it is unclear how smooth the transition will be and how BreEZe will affect CLSB's current operations, namely its internal electronic database.

Background: *The BreEZe Project will provide DCA boards, bureaus, and committees with a new enterprise-wide enforcement and licensing system. The implementation will happen in three phases, of which CSLB is in Phase Three. BreEZe will replace the existing outdated legacy systems and multiple "work around" systems with an integrated solution based on updated technology.*

CSLB states that staff continues to work with the BreEZe project staff to prepare for Release 3 implementation. CSLB staff is participating in discussions involving functions that will directly impact CSLB operations and will participate in development of CSLB's detailed configuration requirements. To that end, CSLB's IT staff continues to help DCA by assisting other boards and bureaus with Data Validation and Acceptance Testing. CSLB provided its testing center for training DCA Release 1 staff on the BreEZe system. CSLB actively participates and provides input in BreEZe Executive Steering Committee meetings, BreEZe Change Control Board meetings, and other critical meetings pertaining to BreEZe.

While CSLB is not scheduled for active participation until preparations for release Phase Three begin, CSLB has chosen to be proactive in its efforts to support the project by contributing the aforementioned staff resources. Additionally, CSLB holds seats on the BreEZe Change Control Board and the Executive Steering Committees, which allows the Board to keep abreast of the project's progress and to identify further opportunities to provide support.

Unlike many other Boards and Bureaus under DCA, it is important to note that CSLB has its own internal electronic database, one element of the BreEZe program. CSLB's electronic database, IWAS (Imaging and Workflow Automation System), is used to scan, route, retrieve and print various documents used by Licensing division staff in the processing of applications. Enforcement division staff also has the ability to retrieve, and print documents for use in their analysis and processing of cases. All paper coming into the Board is scanned into IWAS and staff work off of the electronic copy.

While the Board is working closely with DCA to prepare for BreEZe's impact, it would be helpful to more fully understand how technological efficiencies can be achieved

Staff Recommendation: *The Board should provide the Committee an update on BreEZE, including whether the original cost projections for the project can be sustained by the Board with its current revenues.*

ISSUE # 3: (PRO RATA.) CSLB has historically paid sums of money to DCA for administrative services but has many services in-house, leading to the question of whether or not the Board is paying DCA for duplicative services.

Background: *Through its various divisions, DCA provides centralized administrative services to all boards and bureaus in the department. Most of these services are funded through a pro rata calculation that is based on "position counts" and charged to each board and bureau.*

The chart below shows the DCA Pro Rata for the last fiscal year charged to the Board.

Pro Rata Charges		Description	FY 13/14 Costs	%
424.03	OIS - Pro Rata (includes BreEZE)	To support the Office of Information Services (OIS), mainly the new BreEZE system	1,497,996	24%
427.00	Indirect Distributed Admin Costs	To support DCA Proper (Administrative Services)	4,087,408	66%
427.30	DOI - Pro Rata	To support Division of Investigation (DOI)	256,042	4%
427.34	Public Affairs Office - Pro Rata	To support Public Affairs Office	151,282	2%
427.35	PCSD - Pro Rata	To support Consumer and Communications Relations	159,901	3%
			6,152,629	100%

Basically, 66% of the DCA Pro Rata charges is to support Administrative Services which consists of, but is not limited to, the Executive Office, Equal Employment Opportunity Office, Internal Audits, Legal Affairs, Legislative & Regulatory Review, Office of Professional Examination Services, SOLID Training Services, Information Security, and the Office of Administrative Services [which consists of Fiscal Operations (Budgets, Accounting, Cashiering), Business Services Office, and Office of Human

Resources]. Costs for these services are distributed to each DCA entity based on their authorized position count, including blanket.

Then, 24% is to fund IT support which is mainly the new BreEZE system (\$920K a year) that CSLB isn't a part of as yet. Costs are distributed based on service center usage to the following: BreEZe, telecom, PC Support, LAN/WAN, and Web services.

The Board should advise the Committees about the bases upon which pro rata is calculated, and how it is determined how the pro rata charged will be paid from among the one of the two funds under the Board's jurisdiction. Since the Board has its own infrastructure and many services in house (enforcement unit, HR staff, IWAS, etc.), CSLB should additionally inform the Committees of the types of services that are funded by the pro rata it pays to the DCA.

Staff Recommendation: *CSLB should advise the Committees about the bases upon which pro rata is calculated, and how it is determined how the pro rata charged will be paid from its funds under the Board's jurisdiction. Does DCA duplicate services already provided and maintained by the Board? The Board should also discuss whether it could achieve cost savings by dealing with more of its own in-house services than paying pro rata to DCA.*

ISSUE # 4: (INCONSISTENT BUDGET NUMBERS.) In comparison to the Governor's Proposed Budget for 2015/2016, CSLB's numbers do not match the Governor's projected revenue and expenditures figures.

Background: *In the Governor's proposed Budget for fiscal year (FY) 2015/2016, the total revenues anticipated by CSLB for FY 2014/2015 is \$55,980,000, and for FY 2015/2016, \$55,182,000. The total expenditures anticipated for CSLB for FY 2014/2015 are \$63,192,000 and for FY 2015/2016, \$62,880,000.*

Despite these numbers, CSLB's Fund Condition chart does not match these numbers. The table anticipates the FY 2014/2015 revenue \$55,984,000 and for FY 2015/2016 to be \$55,211,000. The total expenditures anticipated for FY 2014/2015 \$61,953,000 and for FY 2015/2016 to be \$62,522,000. This chart aforementioned is displayed above in the Fiscal, Fund and Fee Analysis section of the paper.

Staff Recommendation: *CSLB should inform the Committees why the figures between the Governor's Budget and CSLB's fund condition chart are not the same.*

ISSUE # 5: (HOME IMPROVEMENT CONTRACT LAW.) Despite the implementation of SB 30 in 2004, CSLB reports that the Home Improvement Contract Law remains unclear to both contractors and consumers.

Background: *In CSLB's Sunset Review Report, the Board highlights that BPC §§ 71150-71168 establish requirements specific to the home improvement industry. CSLB's Enforcement Monitor, in his third report issued in 2003, recommended three broad changes to home improvement contract law:*

- 1) *Revise and simplify the contract's elements.*
- 2) *Amend BPC § 7159 to clarify the law governing HICs and ensure the most important consumer information is disclosed properly.*
- 3) *Resolve the current practical problems of service and repair contracts.*

Legislation was enacted in 2004 (SB 30 – Figueroa, Chapter 566) that intended to implement these recommendations. The B&P committee analysis of that bill stated:

“In addition to consumer complaints that HICs are complex, unreadable, and of little help, contractors find the required disclosures in such contracts redundant and burdensome, and the legal liabilities unclear.”

Despite the implementation of this bill, the Board reports that SB 30 did not achieve the goals it was designed to accomplish. It would be helpful for the Committees to hear the Board’s thoughts on simplifying forms and notices that will help both consumers and contractors better comply with the law.

Staff Recommendation: *The Board should report to the Committees on the implementation of SB 30 (2004) and provide recommendations that simplify language while at the same time ensuring vital consumer information is disclosed properly.*

LICENSING ISSUES

ISSUE # 6: (PROOF OF LICENSURE.) CSLB has raised concerns that BPC § 7031 facilitates “unjust enrichment” to public agencies, prime contractors, and/or commercial/industrial project owners.

Background: *Existing law requires that a contractor must be a “duly licensed contractor at all times” while working on a contracted project in order to receive compensation (BPC § 7031). The CSLB indicates that the courts have interpreted the provisions of BPC § 7031 to deny all compensation to contractors who are in violation of the licensing requirements even though the failure to comply occurred during a brief period during which work was performed.*

CSLB claims that the application of this statute in this manner may facilitate “unjust enrichment” to public agencies, prime contractors, and/or commercial/industrial project owners, an unacceptable outcome within the spirit of the law. The Board sponsored legislation in 2013, SB 263 (Monning), seeking to modify BPC § 7031. Prior to its amendment, this bill would have provided that a contractor may pursue payment for any work on the contract while duly licensed, but preclude payment for work performed in a classification in which the contractor was not licensed, or was under license suspension, or under an expired or inactive license when the work was performed. The amendments to BPC § 7031 were removed in part because of the Senate Judiciary Committee’s concerns about weakening the existing consumer protection provided by this section.

It is also important to note that in MW Erectors, Inc. v Niederhauser Ornamental and Metal Works Co., Inc., et al. the California Supreme Court held, in relevant part: “The words ‘at all times’ convey the Legislature’s obvious intent to impose a stiff all-or-nothing penalty for unlicensed work by specifying that a contractor is barred from all recovery for such an ‘act or contract’ if unlicensed at any time while performing it.” (Refer MW Erectors, Inc. v Niederhauser Ornamental and Metal Works Co., Inc., et al., Supreme Court of California, 30 Cal.Rptr.3d 755 (2005)]

CSLB has raised concerns that this statute represents a distortion in the marketplace and hurts business. Additionally, the Board states that neither individual consumers without the financial wherewithal to hire attorneys nor consumers who most often need CSLB's help utilize this provision of the law.

Staff Recommendation: *CSLB should discuss with the Committees the potential impact that the current approaches to BPC § 7031 has upon licensees. The CSLB should also advise the Committees of past efforts to resolve these issues and suggest possible solutions to this issue.*

ISSUE # 7: (FINGERPRINTING.) According to current law, any individual after January 1, 2005 must submit a fingerprint when applying for a license. Fingerprinting provides valuable information to the Board about past criminal convictions that may be substantially related to the contractor's classification. However, without retroactive fingerprinting, this leaves a large proportion of the existing licensees unscreened.

Background: *Beginning January 1, 2005, all individuals listed as personnel of record on an original application, an application to add a classification to an existing license, an application to replace the qualifier, an application to report new officers, and an application for registration as a home improvement salesperson are required to submit fingerprints to the Board. The fingerprints are submitted to the California Department of Justice (DOJ) where they are compared to the records of the DOJ and the Federal Bureau of Investigation (FBI) to determine whether a criminal history exists.*

CSLB staff in the Criminal Background Unit (CBU) review all criminal convictions to determine whether the crime is substantially related to the duties, qualifications, or functions of a contractor and to determine whether the applicant has demonstrated sufficient rehabilitation. CBU begins processing the conviction information on the same day that it is received by conducting a triage and clearance of all those applicants with no convictions and those with minor, clearable convictions, provided the applicant was honest on the application. Applicants who were not honest on the application but who have minor, clearable convictions and who, had they been honest on the application, would have been cleared are given the opportunity to withdraw the false application and submit new fees and application on which they accurately disclose their convictions. These withdrawal offers are also processed as part of the triage. CSLB indicates that for the last few years, the timelines for pulling the conviction records for review were held at less than 30 days, usually as low as one to two weeks.

For FY 2013/14, CSLB received 8,418 subsequent arrest and/or conviction notices, of which 1,282 were licensee felony arrest notices; of these, 416 complaints were opened and 249 were referred for further action, most of which resulted in legal action to suspend or revoke the license.

The number of subsequent arrest and conviction records received for licensed personnel has grown dramatically since fingerprinting was implemented in 2005. Further, only 46.9 percent of personnel associated with a license (approximately 195,000) had been fingerprinted as of February 2015. As more personnel associated with contractor licenses submit fingerprints, this workload is expected to grow significantly. Despite five CSLB BCPs that were approved since FY 2001/02, CSLB has implemented new mandates and programs, leaving the Board with 68 fewer authorized positions than in FY 2001/02.

To date, all of CSLB fingerprinting of licensees has been prospective; focusing upon new applicants or upon those who are added as personnel of record to an existing license. Up to this point, the law has

not required those persons who were issued licenses prior to the fingerprint requirement to submit fingerprint images to CSLB for criminal history background checks.

In 2009, Senator Negrete McLeod carried SB 389 to require various licensing programs under the DCA to ensure that all licensees are fingerprinted to obtain criminal history background checks, as well as notices of any future convictions. That bill would have required a number of boards, including CSLB, to obtain fingerprints from those licensees who had not previously been fingerprinted. SB 389 met serious opposition from a number of contractor associations, and ultimately failed passage in the Assembly Public Safety Committee.

At that time, based upon its experience fingerprinting new licensees and changes in personnel listed on the license, CSLB estimated that if all existing licensees were fingerprinted approximately 17% of those existing licensees would be found to have some type of criminal record that would be noted in the DOJ and FBI background check. It is likely that a number of those convictions would not be substantially related to the practice of contracting, and others would be so old they would not be relevant for current licensing purposes. However, it is still true that a number of those criminal records would involve convictions that are relevant to the activities for which the contractor holds the license. And without fingerprinting those individuals, it is unlikely that there would be any other way for the Board to be notified of those criminal convictions. Similar to Issue 5, retroactive fingerprinting would provide a preemptive and proactive approach to screen contractors practicing in our state.

Since protection of the public is the foremost priority of CSLB, it necessarily follows that it is essential for the Board to be informed of the criminal convictions of existing licensees.

Staff Recommendation: CSLB should develop a plan and make recommendations to the Committees on an appropriate way to establish a fingerprint requirement for all existing licensees of the Board, so that the Board will receive criminal record information and subsequent arrest information from the DOJ and FBI.

ISSUE # 8: (EVIDENCE OF FINANCIAL SOLVENCY.) Since the Board does not verify the \$2,500 requirement in capital required for licensure, it may not be accomplishing some of its goals. How will the Board require contractors to prove their financial solvency?

Background: BPC § 7067.5 requires that all applicants, and all licensees at renewal, demonstrate, as evidence of financial solvency, that his or her operating capital exceeds \$2500. This requirement is never verified and provides no consumer protection. With this elimination, the increase in the surety bond could make up for this deletion.

Staff Recommendation: CSLB should inform the Board on how it will continue to financially protect consumers by deleting this capital elimination.

ISSUE # 9: (SURETY BOND.) Since a consumer can make a claim against a contractor's surety bond, CSLB highlights that a bond increase of \$2,500 would provide greater consumer protection than the existing \$2,500 capital requirement.

Background: BPC § 7071.6 requires that an applicant or licensee have on file at all times proof of a \$12,500 contractor bond.

The surety bond requirement was last increased in 2007, when it was raised from \$10,000. Prior to that, in 2004, it was increased from \$7,500 to \$10,000. A bond increase of \$2,500 would provide greater consumer protection than the existing \$2,500 capital requirement since a consumer can make a claim against a contractor's surety bond.

In any case in which further financial information would assist the registrar in an investigation, the registrar may obtain such information or may require any licensee or applicant under investigation pursuant to this chapter to provide such additional financial information as the registrar may deem necessary.

The financial information required by the registrar shall be confidential and not a public record, but, where relevant, shall be admissible as evidence in any administrative hearing or judicial action or proceeding.

The registrar may destroy any financial information which has been on file for a period of at least three years.

Staff Recommendation: *CSLB should report to the Board on the necessity of this increase and how this increase would affect the number of cases referred to the arbitration process.*

ENFORCEMENT ISSUES

ISSUE # 10: (USE OF PEACE OFFICERS IN ENFORCEMENT EFFORTS.) The Director is able to designate certain CSLB enforcement staff as peace officers as part of the Board's enforcement efforts and advises the Committees that these officers take part in multi-jurisdiction investigations. Are all of the cross agency investigations these CSLB peace officers take part in necessary and appropriate? Have CSLB peace officers gone too far in bringing outside agencies to CSLB efforts to enforce unlicensed activity?

Background: *As outlined previously, the Board has Peace Officer (PO) positions within its enforcement division. Penal Code Section 830.3 was amended in 2010 (SB 1254, Leno, Chapter 643, Statutes of 2010) to increase the number of individuals who are eligible to be designated POs. The law provides that:*

*Persons employed by the Contractors State License Board designated by the Director of Consumer Affairs pursuant to Section 7011.5 of the Business and Professions Code, **provided that the primary duty of these persons shall be the enforcement of the law as that duty is set forth in Section 7011.5, and in Chapter 9 (commencing with Section 7000) of Division 3, of that code.** The Director of Consumer Affairs may designate as peace officers not more than 12 persons who shall at the time of their designation be assigned to the special investigations unit of the board. Notwithstanding any other provision of law, the persons designated pursuant to this subdivision shall not carry firearms.*

CSLB states that these individuals' expertise, skills, knowledge, and abilities are, vital to combat construction-related crimes. According to CSLB, POs work with multiple jurisdictions to perform complex investigations and joint undercover operations, often targeting revoked licensees who

continue to illegally contract as well as “participate and lead multi-jurisdictional criminal investigation task forces.”

The CSLB website features press releases issued between 2010 and 2013 highlighting some of the outcomes of undercover sting operations that the Board undertakes regularly as a means of taking action against unlicensed activity. CSLB stated in press releases that the Board and its partners in law enforcement “are serious about enforcing our state’s consumer protection laws”, adding that “unlicensed, illegal activity that puts homeowners at risk and puts those who follow state laws at a competitive disadvantage will not be tolerated.”

Multiple press releases note individuals who were detained by U.S. Immigration and Customs Enforcement (ICE) during these sting operations which are designed to identify underground construction business. It appears over 40 individuals were detained by ICE as a result of the Board’s efforts. In a memo dated August 20, 2013, the CSLB Enforcement Division chief advised all CSLB staff of a DCA policy “that staff is not to invite ICE to any enforcement operations. Going forward SWIFT staff should not invite ICE agents to participate in any stings or sweeps. In addition, ICE should never be used in conjunction with any operation involving the Department of Industrial Relations.”

It is unclear why CSLB peace officers would include a federal agency focused on immigration status as part of its efforts to ensure that California consumers receive services by a licensed contractor, and it is further unclear whether the Board ever authorized this type of collaboration and what the goals of these targeted efforts are. It is troubling to think that the CSLB would somehow use its statutory mission of consumer protection and its enforcement efforts against unlicensed contracting activity to profile certain populations and alert federal agencies of supposed illegal activity that is vastly beyond the Board’s scope.

Staff Recommendation: *The Committees need to understand whether the Board was aware of and/or approved the actions of enforcement POs involved in cross agency stings involving ICE. The Board needs to advise the Committees whether ICE is still a partner organization for stings and whether Board POs ever alert ICE as to their sting efforts. The Board needs to provide any documentation in the form of memos, communication to staff and CSLB policies on how undercover operations are to be coordinated and conducted. The Committees need to evaluate whether CSLB should have the ability to designate peace officers as part of its enforcement efforts or whether consumers, the public and the Board would be better served by following the practice of almost every other DCA board that employs board-specific investigative staff who work with the DCA Division of Investigation when they are in need of, and when situations warrant, true peace officer involvement.*

ISSUE # 11: (LICENSEE IDENTIFICATION.) CSLB may share a licensee’s social security number with the Franchise Tax Board to see whether there are any outstanding tax liabilities. However, the Board is not allowed to share it with any other state agencies, agencies like EDD that may be of use in its enforcement efforts.

Background: *Recently, DCA notified CSLB that the Board does not have statutory authority to share its licensees’ social security numbers (SSN) with other state agencies. However, CSLB believes that the sharing of this information is critical for the Board’s enforcement program.*

Under BPC § 30, CSLB can share a licensee's application number to confirm whether there are any outstanding tax liabilities. If so, the Registrar can suspend a license for tax liabilities that are unresolved. Nevertheless, a licensee's social security number also plays an important role in enforcement purposes. The Board uses a SSN to target its enforcement actions. For instance, the Board will receive a tip that a licensee may not be fully compliant with all requirements (payroll withholding, workers' compensation, etc). Since EDD is the clearinghouse for leads, the Board then tells them that they suspect a licensee is not fully compliant. EDD reviews their records using their Automated Collection Enhancement System (ACES) database and makes a determination whether or not that person appears to be compliant, based on all the data they have on file. The database has information from the State Compensation Insurance Fund, so their review includes worker's compensation policies. They have many licensees that claim an exemption from worker's compensation, but many more that obtain only the minimum policy from State Fund and do not report their employees. For enforcement actions, through EDD, the Board has an 80% hit rate, meaning they found a significant violation on 80% of those Joint Enforcement Strike Force or Labor Enforcement Task Force activities.

CSLB states that this barrier will epiphenomenally create an increase in worker's compensation funds. If the Board is not allowed to double check worker's compensation policies through EDD, employees who are injured on the job but who are not insured by their employer can file a claim for payment from the Uninsured Employees Benefit Trust Fund (within the Division of Industrial Relations). This Fund is funded by an assessment on all worker's compensation policies sold in CA. CSLB believes that if more employers go without coverage, it could increase costs to the Fund, resulting in higher assessment on policies sold and hurting honest actors.

It would be helpful for the Board to inform the Committees as to how this restriction undermines consumer protection, cuts state revenue, and undercuts CSLB's ability to go after dishonest contractors.

Staff Recommendation: CSLB should advise the Committees of what improvements it believes are necessary to allow the Board to achieve its goals.

ISSUE # 12: (EMPLOYEE MISCLASSIFICATION.) Dishonest contractors misclassify employees as a means of evading taxes, which in turn cuts millions in state revenue and deprives workers of benefits. How does the Board plan on cracking down on these bad actors?

Background: *Since the last Sunset Review of CSLB by the Committees, dishonest contractors are using innovative ways more than ever to evade taxes. Specifically, dishonest contracting companies will purposefully misclassify employees. In 2014, McClatchy DC, a national media newspaper, investigated the construction industry and the issues that face it. The investigative report reconfirms the misclassification problem in California and how it cuts millions of dollars in tax revenue needed to pay for critical social service programs. To avoid taxes, companies will label their workers as "1099", "pays own taxes", or "paid cash" in the withholding tax column of payroll documents. Treating workers as independent contractors leaves workers without workers compensation insurance and diminishes tax revenue for the state. California State Labor Commissioner Julie Su underscores that misclassification is "part of undermining our economy – illegally cutting costs and creating an unlevel playing field. Employers are trying to find other ways to classify working people to increase profit."*

Moreover, misclassification can save an employer anywhere from 30% to 50% on payroll costs, the same as an employer who pays in cash. This practice allows a company to underbid for state and federal contracts and make a substantial profit. As mentioned, this situation cuts state funded social programs and denies the state its deserved revenue. McClatchy DC further writes that “law-abiding businesses are forced to pay higher taxes and expenses while being at a disadvantage in competing for jobs.”

To further complicate this issue, dishonest contractors will misidentify employee trades to pay lower rates and will modify hours to avoid paying workers a full week’s pay. Clearly, this issue is having epiphenomenal effects affecting government funds and jeopardizing all areas of the construction industry.

In no way does this issue attempt to suggest that all construction companies that label workers under these categories are avoiding taxes. However, these categories are the most vulnerable to misclassification and have the highest potential for abuse. While this issue is difficult to uncover, it would be beneficial for the Committees to hear how the Board is attempting to combat this conundrum.

Staff Recommendation: *CSLB should report to the Committees on how it intends to focus its efforts and enforcement activities to combat the practice of misclassification.*

ISSUE # 13: (ENFORCEMENT PRIORITIES.) Historically, the Board has focused much of its enforcement on unlicensed activities as compared to licensed activities. How does the Board balance its enforcement efforts between Licensed Contractors and Unlicensed Contractors and ensure both groups are complying with the law?

Background: *Since the last Sunset Report, the Board has made great strides in improving its enforcement unit and regulating contractors. The Intake and Mediation Center (IMC) has proven to save a significant amount of money for consumers and settles close to 30% of complaints received. If IMC believes the case to be more severe or complex, the case can be referred to the Attorney General’s (AG) Office or the local district attorney. This entire process allows for the Board to take formal disciplinary actions against existing licensees (i.e., license revocations, license suspensions, and probationary licenses issued) and seeks to protect the consumers. While the numbers are lower for FY 2013-2014, this decrease number is strongly attributed to the economic slowdown.*

To combat unlicensed activity, the Board developed the Statewide Investigative Fraud Team (SWIFT). This team seeks to identify and shut down unlicensed operators in the construction industry by setting up stings throughout the state. Between July 2013 to October 2014, SWIFT performed 414 sting and sweep days, which resulted in over 2000 legal actions. Specifically, 930 suspects received notice to appear citations for contracting without a license, illegal advertising, and workers compensation insurance violations. The number of convictions and arrests are unknown. The Board preemptively tackles persons who hold themselves out to be legitimate contractors. SWIFT investigators mostly use craigslist to locate suspected illegal contractors in areas. They invited suspects to the home to submit bids for jobs that sometimes include tree removal, a cement patio, an ornamental fence, painting, and tile work for floors and countertops. Nevertheless, while those who follow the Board believe that its enforcement actions are better than in the past, the Board has focused much of its attention and resources on the problems of unlicensed contracting.

At times the Board has been criticized for being too focused on unlicensed practitioners and not taking disciplinary action on its own licensees who violate the law. At this point, it seems the Board is taking a “reactive” stance when it comes to violations committed by existing licensees. In the Sunset Review Report, the Board insinuates that disciplinary action is taken after it “hears about contractors who are arrested and/or convicted through enforcement partners in local government, as well as other licensees and consumers.” Local news stations have produced several investigative reports demonstrating how some existing licensees depart from accepted trade standards (BPC § 7109) and/or abandon a contract (BPC § 7107). It is also important to note that four of the five common violations for which citations are issued relate to licensed contractors.

Clearly, this enforcement issue demonstrates an inherent tension within the Board to regulate both licensed and unlicensed contractors. Taking enforcement actions against licensed contractors who violate the law and against unlicensed contractors who disregard the licensing law requires a balancing of priorities and resources. It would be helpful for the Committees for CSLB to discuss its enforcement priorities, how it balances enforcement actions against licensed and unlicensed contractors, and what preemptive measures are being taken to prevent common violations.

Staff Recommendation: *CSLB should discuss with the Committees its priorities in enforcement, and how in protecting the public, it balances enforcement action against licensed contractors and unlicensed contractors. CSLB should also explain why it seems proactive on unlicensed contractors and reactive towards existing licensees.*

ISSUE # 14: (CONCERNS ABOUT UNDERGROUND INFRASTRUCTURE.) **Despite the implementation of one-call centers, most contractors do not call these centers prior to excavating. How does CSLB plan on requiring contractors to call these centers beforehand?**

Background: *Since the natural gas pipeline explosion in San Bruno, California, there has been a heightened awareness of our state’s underground infrastructure. Gas leaks and excavation damage reports have made regular appearances in Bay Area television news programs and the pages of the San Francisco Chronicle and the San Jose Mercury News. However, gas pipeline accidents are not the only concern when excavating. Unsafe excavation near underground electric lines can injure workers, cut telecommunications fiber can knock out 911 services, and ruptured water lines can impact water quality and lead to sinkholes. Even when not injurious, damage to underground facilities, which are often located under streets, can be expensive and cause service outages.*

To help mitigate the issue of hitting underground facilities, utilities organized one-call centers. Notably, California has two one-call centers—Underground Service Alert—North (USA North) and South (DigAlert)—that provide this service. Excavators are able to dial 811 and be routed to their nearest call center. The call centers will then alert the utilities with underground facilities in the area, and within 48 hours the utilities mark the location of their facilities in the proposed excavation area (usually in paint, if on pavement), aiding excavators in avoiding those buried pipes and conduits.

Despite this resource, there is no guarantee that excavators will use the call centers. To further complicate matters, there is no guarantee that utilities will even correctly mark their underground facilities and ensure safe excavation practices even if the facilities are correctly marked.

This issue has become very prevalent in the contractor's profession since the last Sunset Report. PG&E reported that in 2012 contractors and homeowners damaged PG&E facilities 1,750 times, and of those over 1,000 occurred when the excavator did not call the one-call center beforehand.

CSLB can currently take disciplinary action against licensees under BPC § 7110, which provides that willful or deliberate disregard of several specified statutes, including Article 2, commencing with section 4216 of the Government Code. Between 2011 and 2013, CSLB received 13 complaints. However, in 2014 they received 100 complaints. Clearly, this rising number of incidents demonstrates the need for CSLB to educate contractors about one call centers and excavation safety.

CSLB should inform the Committees on what the Board is doing to educate contractors on underground infrastructure.

Staff Recommendation: The Board should report to the Committees on how it plans to educate existing and future licensees on underground infrastructure. How does CSLB plan on enforcing this and requiring contractors to call one-call centers?

ISSUE # 15: (ARBITRATION). The practice in CSLB's arbitration program is, and always has been, to not award attorney fees. However, CSLB has learned that, increasingly, when a contractor prevails in arbitration and receives a monetary award, the contractor will use that award as a basis to pursue a civil action to recover attorney fees associated with his/her arbitration defense. This negatively affects the arbitration program, as CSLB staff now must warn consumers that if they do not prevail in arbitration, they could lose a significant amount of money in attorney fees if the contractor takes them to court. What are some recommendations that the Board believes would best mitigate this issue?

Background: The Contractors State License Board's (CSLB's) Arbitration Program is governed by BPC §§ 7085-7085.9. The program provides an alternative dispute resolution process, the purpose of which is to resolve consumer complaints equitably and efficiently.

Many disputes between consumers and contractors can be resolved efficiently and satisfactorily through arbitration. Arbitration is usually defined as an informal process in which two or more persons agree to let an impartial third person or panel make a final decision in a dispute between them. Because of the many advantages arbitration can offer, the CSLB offers arbitration for the resolution of disputes that meet certain criteria. The CSLB will pay for the hearing, the arbitrator, and the services of one board-appointed expert witness per complaint. Only contractors with clear disciplinary records can qualify for participation in arbitration. Complaints involving deceptive or fraudulent practices will continue to be investigated by the CSLB.

For a case to qualify for voluntary arbitration under BPC § 7085, each of the following apply:

- The dispute must involve damages greater than \$12,500 and less than \$50,000;*
- The contractor must possess a license that was in good standing at the time of the alleged violation;*
- The contractor must not have a record of prior violations;*
- The contractor must not currently have a pending disciplinary action;*
- The parties must not have previously agreed to private arbitration of the dispute, either in their contract or otherwise.*

Depending on the type of defect, the complaint must be filed within either four or ten years after the alleged wrongful act or omission causing the dispute occurred, or within the duration of any written warranty for which breach is alleged. The four-year time period applies to disputes involving patent (obvious) defects and the ten-year time period applies to disputes involving latent (hidden) structural defects. (BPC § 7091).

"Voluntary" and "binding" are key terms used in reference to the arbitration program. Participation in the CSLB's arbitration program is voluntary for both parties. Therefore, if either party chooses not to participate, the dispute will not be arbitrated but will instead be investigated by the CSLB. However, if both parties agree to arbitration, they are agreeing to binding arbitration. In other words, both the consumer and contractor must comply with the decision of the arbitrator. In binding arbitration, parties who refuse to comply may be taken to court and have a judgment entered against them. In addition, licensed contractors who fail to comply with an award that is issued against them may have their licenses suspended or revoked.

CSLB was made aware, by Senator Darrell Steinberg's office, about difficulties in the program related to attorney's fees, which require statutory modification to remedy. The practice in CSLB's arbitration program is, and always has been, to not award attorney fees. However, CSLB has learned that, increasingly, when a contractor prevails in arbitration and receives a monetary award, the contractor will use that award as a basis to pursue a civil action to recover attorney fees associated with his/her arbitration defense. This negatively affects the arbitration program, as CSLB staff now must warn consumers that if they do not prevail in arbitration they could lose a significant amount of money in attorney fees if the contractor takes them to court.

After discussing proposed changes with Senator Steinberg's staff, CSLB agreed to sponsor AB 993 to address this issue. AB 993 was held in the Senate Judiciary Committee review. For CSLB, the most significant element of AB 993 was the addition of language to BPC § 7085.5 (r)(3):

"A party that submits a dispute to arbitration pursuant to this section waives any right to recover attorney's fees, or to challenge an arbitrator's award of attorney's fees, in a civil action regarding the dispute."

It is important to note that CSLB outlines in the Sunset Review Report various edits to the Assembly Judiciary Committee's proposed language for BPC §§ 7085-7085.9. CSLB should report to the Committees on how the two versions compare and the reasoning behind the Board's proposed language.

Staff Recommendation: *CSLB should discuss with the Committees the potential impact that the current approaches to BPC §§ 7085-7085.9 has upon consumers. The CSLB should also advise the Committees of past efforts to resolve these issues and suggest possible solutions to this issue.*

**CONTINUED REGULATION OF THE PROFESSION BY THE
CURRENT MEMBERS OF CSLB**

ISSUE # 16: (CONTINUED REGULATION BY CSLB.) Should the licensing and regulation of contractors be continued and be regulated by the current Board membership?

Background: *The health, safety and welfare of consumers are protected by a well-regulated contractor profession. CSLB has shown over the years a strong commitment to improve the Board's overall efficiency and effectiveness and has worked cooperatively with the Legislature and this Committee to bring about necessary changes. While the Board needs to review some of its enforcement practices to ensure they are appropriate, legal and warranted, CSLB should be continued with a four-year extension of its sunset date so that the Committee may review once again if the issues and recommendations in this Paper and others of the Committee have been addressed.*

Staff Recommendation: *Recommend that contractors continue to be regulated by the current CSLB members in order to protect the interests of the public and be reviewed once again in four years.*

CONTRACTORS STATE LICENSE BOARD

SUNSET REVIEW

NOVEMBER 2014





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STATE OF CALIFORNIA

Governor Edmund G. Brown Jr.

November 1, 2014

The Honorable Ted Lieu, Chair
Senate Business, Professions and Economic Development Committee
State Capitol
Sacramento, CA 95814

The Honorable Susan Bonilla, Chair
Assembly Business, Professions and Consumer Protection Committee
State Capitol
Sacramento, CA 95814

Dear Senator Lieu and Assembly Member Bonilla:

The Contractors State License Board (CSLB) is pleased to submit its Sunset Review Report to the Legislature. The previous CSLB sunset review was conducted in 2011. SB 543 (Steinberg, Chapter 449, Statutes of 2011) extended CSLB's sunset date from January 1, 2012 to January 1, 2016.

CSLB has continued to maximize resources while providing a high level of consumer protection, as evidenced by the following highlights and accomplishments.

Veterans Assistance

CSLB offers a Veterans Application Assistance Program for troops transitioning from military service to civilian employment. In many cases, veterans possess transferable skills that help meet minimum experience and training requirements for state contractor licensure. This program offers priority services to veteran applicants by evaluating transferable military experience and training, as well as education.

Workers' Compensation Recertification

To prevent under-reporting employees when securing workers' compensation insurance, CSLB implemented legislation requiring that, at the time of renewal (generally every two years), an active licensee with an exemption from workers' compensation insurance either recertify the exemption or provide a current and valid Certificate of Workers' Compensation Insurance or Certificate of Self-Insurance (AB 397, Monning, Chapter 546, Statutes of 2011).

Complaint Disclosure of Partnering Government Agencies

In September 2013, CSLB established a program to disclose on its website any disciplinary action against contractors by partner state agencies. CSLB's website now flags such licensees and includes an advisory statement and an electronic link to the partner agency's website. This disclosure provides an accessible means for awarding authorities and prime contractors to determine if a contractor is a responsible and/or responsive bidder for public works projects.

Staff launched the disclosure project with the Department of Industrial Relations' Division of Labor Standards Enforcement (DLSE) and Caltrans. DLSE issues Civil Wage and Penalty Assessments (CWPA's) for Labor Code violations, and Caltrans issues Stop Notices for violations that include non-payment for labor, services, equipment, or materials used at public work projects.

Workers' Compensation Insurance Suspension Program

In 2011, the CSLB Enforcement division's Intake and Mediation Center (IMC) began to notify Licensing division staff when a complaint was received against a licensee who had an exemption from workers' compensation (WC) insurance on file but acknowledged employing workers.

In such cases, Licensing cancels the contractor's WC exemption and informs him/her that CSLB will suspend the license without further notice if proof of a valid workers' compensation policy is not submitted within 30 days. The contractor may file a second exemption, but is informed that doing so will subject the exemption to verification by CSLB and partnering agencies, such as the Employment Development Department (EDD) and Division of Labor Standards Enforcement (DLSE).

Enforcement Data	FY 2011-12	FY 2012-13	FY 2013-14
WC Exemption Cancellations	371	472	288
New WC Policies Obtained	136	174	123

Unsafe Digging Program

In July 2013, CSLB Enforcement staff met with Pacific Gas & Electric Company representatives to discuss a partnership to prevent contractors from striking gas lines and jeopardizing public safety. Almost all such strikes result from contractor negligence (failing to call in advance to have the gas lines properly marked). The program involves a coordinated outreach effort and a commitment by PG&E to file complaints against contractors that fail to call the 811 Dig Alert service before excavating. In FY 2013-14, 78 complaints were filed, resulting in increased contractor education and compliance. PG&E reported no additional gas line strikes after a complaint was filed against a contractor.

Underground Economy Program

In September 2013, CSLB's IMC implemented a program to take timely disciplinary action against contractors found during the mediation process to be participating in the underground economy. Two Enforcement Representatives (ERs) were hired to issue administrative citations for illegal contracting in the areas of workers' compensation insurance, building permits, unsafe digging, and illegal advertising, demonstrating CSLB's responsiveness to illegal activity trends. In its first year, this program resulted in 30 workers' compensation insurance citations, 27 building permit citations, and 31 citations for illegal advertising.

Mandatory Settlement Conferences

During 2013, CSLB's Enforcement division significantly lowered the expense of Attorney General representation by utilizing mandatory settlement conferences (MSCs) to resolve appealed administrative citations without incurring the cost of a formal hearing. In 2013, 199 citations were settled through this process. With appeal hearings averaging \$5,000, MSCs saved CSLB \$995,000 in legal expenses.

Permit Compliance

To increase building permit compliance, CSLB developed a complaint form with input from building officials, industry groups, and other partner agencies. Anyone with knowledge of a construction site that lacks a building permit can use the online form to file a complaint with CSLB. The complaint process primarily is intended to be educational, since the complaints require no evidence that the work was completed. In response to a complaint, CSLB informs the

contractor, via letter, about the requirement to obtain a building permit. With sufficient evidence of failure to obtain a permit, CSLB takes appropriate disciplinary action against the license.

Elder Abuse

In August 2011, CSLB placed a “65 and older” voluntary check box on the general complaint form to help protect elderly consumers. When the box is marked, CSLB staff looks for potential elder abuse. Since adding the box, about five percent of complaints received by CSLB (2,333 complaints against licensees and 499 complaints against non-licensees) involved a consumer that volunteered they were aged 65 or older. From August 2011 through January 2014, the complaint information led to 107 licensee and 50 non-licensee criminal prosecution referrals to district attorney offices for violation of California Penal Code section 368(d) (financial elder abuse).

Public Works Unit

CSLB’s Public Works Investigative Unit, established in August 2010, has developed effective partnerships with labor compliance organizations and other state agencies, including DLSE, Caltrans, and EDD. The board has since expanded the Public Works Unit from one full-time investigator to three, and developed innovative protocols, such as public disclosure of Stop Orders issued by Caltrans and final DLSE Civil Wage and Penalty Assessments. CSLB aims to add new resources and expand the program in order to investigate and file formal disciplinary action to revoke the license of contractors who cause significant financial harm to employees.

District Attorney Office Partnership for License and WC Violations

In 2011, CSLB’s Statewide Investigative Fraud Team (SWIFT) began partnering with state and local government agencies in 19 different counties, including the California Department of Insurance, building officials, and district attorney investigators, to enforce workers’ compensation insurance and license requirements during undercover sting operations and sweeps of active construction sites.

Application Instruction

In 2012, CSLB’s Public Affairs and Licensing division staff developed an instructional video about how to properly complete the CSLB license application. The online product is divided into chapters and provides a step-by-step tutorial that explains the required information for each section of the application form. The video is designed to help applicants avoid common mistakes that result in the application being rejected or returned as incomplete.

Custom Examination Software Upgraded

In July 2014, CSLB’s Sacramento Test Center successfully launched SCORE 1.5, an upgrade to its custom test development and administration software, which was created in-house by CSLB’s Information Technology division. (SCORE is the acronym for Statewide Contractors Official Regulatory Examination.) The software upgrade coincides with the implementation of touch-screen computers, a new function that candidates have welcomed. Shorter instructions allow candidates to begin their examinations sooner and the ease of the touchscreens, compared to the mouse, allows them to move through and complete the examinations more quickly. The SCORE upgrade also makes it easier to administer civil service examinations at CSLB test centers, helping to maximize state testing facilities and resources.

Consumer Education

CSLB’s Public Affairs Office continues to expand its Senior Scam StopperSM program seminars, which are conducted in conjunction with legislators and provide information to senior citizens from a variety of state and local government agencies. From January 1 to September 30, 2014, CSLB conducted 69 seminars.

State Agency Recognition Award

CSLB's Administrative division received a state award for its emphasis on buying from small businesses and disabled veteran business enterprises (SB/DVBE) in fiscal year 2012-2013. CSLB's Business Services Unit was presented with a bronze State Agency Recognition Award (SARA). The SARA ceremony honors state departments for outstanding achievements in SB/DVBE advocacy and practices.

New Website Design and Navigation

CSLB recently launched a new website after in-house re-design and rebuilding of the site's nearly 1,700 pages by the Public Affairs Office and Information Technology division. The new site uses the most current state design template and technology, optimized for computers, tablets, and smart phones. CSLB is among the first state agencies to adopt the new technology and template.

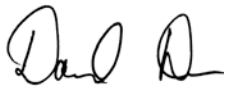
Beyond highlighting select CSLB achievements, I want to note that CSLB anticipates resource challenges related to implementation of the Department of Consumer Affairs' (DCA) new online enterprise licensing system, BreEZe. Specifically, the system's rigorous schedule and associated design, data verification, user acceptance testing, training, and implementation may pose initial bottlenecks in the Licensing and Enforcement divisions. CSLB may experience processing delays until staff is fully acquainted with system functionality; however, CSLB will ensure that staff receives all necessary training. CSLB's Information Technology division currently is working with DCA to prepare for BreEZe's impact, and will create a resource and communication plan to ensure a smooth transition.

CSLB urges the Legislature and Administration to support efforts to modernize and streamline laws and regulations related to contracting in California to help ease complicated requirements for contractors and confusing language that prevents consumers from making informed choices.

Also, restoration of Enforcement division resources that were reduced during lean budget years is vital for CSLB to continue addressing demands, making progress in the fight against the underground economy, and improving programs and services for contractors and consumers.

The Contractors State License Board looks forward to working with the Legislature, the Administration, and other interested parties as we complete the sunset review process.

Respectfully,



David Dias, Chair
Contractors State License Board



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SECTION 1: BACKGROUND AND DESCRIPTION OF THE BOARD AND REGULATED PROFESSION

Provide a short explanation of the history and function of the board.¹ Describe the occupations/professions that are licensed and/or regulated by the board (Practice Acts vs. Title Acts).

DESCRIPTION OF THE BOARD AND PROFESSION

The California Contractors State License Board (CSLB) was first established in 1929 by the Legislature as the Contractors License Bureau, under the Department of Professional and Vocational Standards. It was designed 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.

The legal and regulatory role of CSLB has changed since its inception. Initially, applicants were not issued specific license classifications. Instead, they simply were issued a license that indicated the type of construction work that would be performed, without examination or experience requirements.

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 to affect the classification of contractors *"in a manner consistent with established usage and procedure as found in the construction business, and... limit[ing] the field and scope of operations of a licensed contractor to those in which he or she is classified and qualified to engage..."*

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 43 license classifications and two certifications under which members of the construction industry practice their trades and crafts. As of July 2014, there were approximately 290,000 licensed contractors (both active and inactive) in California.

¹ The term "board" in this document refers to a board, bureau, commission, committee, department, division, program, or agency, as applicable. Please change the term "board" throughout this document to appropriately refer to the entity being reviewed.

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

CSLB's responsibility to enforce California's Contractors' State License Law includes investigating complaints against licensed and unlicensed contractors; issuing citations and suspending or revoking licenses; seeking administrative, criminal, and civil sanctions against violators; and informing consumers, contractors, and the industry about CSLB actions.

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 www.cslb.ca.gov and 800-321-CLSB (2752).

BOARD COMPOSITION

The Board consists of 15 members: Ten members represent the public (including one labor representative, one local building official, and one statewide senior citizen organization representative); and contractors are represented by:

- One "A" General Engineering;
- Two "B" General Building; and
- Two "C" Specialty contractors.

The Governor appoints 11 Board members that require Senate confirmation. The Assembly Speaker and the Senate Rules Committee each appoint two public members.

1. Describe the make-up and functions of each of the Board's committees (cf., Section 12, Attachment B).

CSLB currently has five standing committees that perform various functions.

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

CSLB BOARD MEMBERS

Table 1a – Attendance

KEVIN J. ALBANESE		Date Appointed: July 12, 2013	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	9/6/13	Sacramento	Y
Licensing Committee Meeting	10/21/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Board Meeting	4/23-24/14	San Diego	N
Board Meeting	6/6-7/14	Newport Beach	N
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Licensing Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

Table 1a – Attendance

AGUSTIN "AUGIE" BELTRAN		Date Appointed: January 8, 2014	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	2/19/14	Burlingame	Y
Legislative Committee Meeting	4/16/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Executive Committee Meeting	7/30/14	Fairfield	Y
Legislative Committee Meeting	9/11/14	Sacramento	N
Board Meeting	9/23/14	Monterey	Y

Table 1a – Attendance

LINDA CLIFFORD		Date Appointed: July 12, 2013; Reappointed June 5, 2014	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	9/6/13	Sacramento	Y
Enforcement Committee Meeting	10/21/13	Sacramento	Y
Legislative Committee Meeting	11/18/13	Sacramento	N
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Enforcement Committee Meeting	4/1/14	Sacramento	N
Legislative Committee Meeting	4/16/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	N
Board Meeting	6/6-7/14	Newport Beach	Y
Licensing Committee Meeting	8/18/14	Sacramento	Y
Legislative Committee Meeting	9/11/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

DAVID DIAS		Date Appointed: March 1, 2011; Reappointed June 7, 2012	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Licensing Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	Y
Board Meeting	12/6/11	Sacramento	Y
Licensing Committee Meeting	1/18/12	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Licensing Committee Meeting	8/28/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Enforcement Committee Meeting	10/24/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Enforcement Committee Meeting	3/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Executive Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Executive Committee Meeting	7/30/14	Fairfield	Y
Board Meeting	9/23/14	Monterey	Y

Table 1a – Attendance

SUSAN GRANZELLA		Date Appointed: October 13, 2014	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	N/A	N/A	N/A

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

JOAN HANCOCK		Date Appointed: November 14, 2007; Reappointed July 29, 2011	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	Y
Legislative Committee Meeting	10/20/10	Sacramento	Y
Board Meeting	11/9/10	Riverside	Y
Licensing Committee Meeting	1/20/11	Sacramento	Y
Board Meeting	2/1/11	San Francisco	Y
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Public Affairs Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	Y
Executive Committee Meeting	11/3/11	Sacramento	Y
Board Meeting	12/6/11	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Public Affairs Committee Meeting	3/28/12	Sacramento	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Public Affairs Committee Meeting	10/24/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Executive Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Executive Committee Meeting	7/30/14	Fairfield	Y
Public Affairs Committee Meeting	8/18/14	Sacramento	Y
Legislative Committee Meeting	9/11/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

PASTOR HERRERA JR.		Date Appointed: July 15, 2010; Reappointed August 18, 2011 & June 5, 2014	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	Y
Public Affairs Committee Meeting	10/20/10	Sacramento	Y
Board Meeting	11/9/10	Riverside	Y
Public Affairs Committee Meeting	1/20/11	Sacramento	Y
Board Meeting	2/1/11	San Francisco	N
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Enforcement Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	Y
Board Meeting	12/6/11	Sacramento	N
Enforcement Committee Meeting	1/18/12	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Public Affairs Committee Meeting	3/28/12	Sacramento	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Enforcement Committee Meeting	8/28/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	N
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Enforcement Committee Meeting	3/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Legislative Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Legislative Committee Meeting	4/16/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Public Affairs Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

ROBERT J. LAMB II		Date Appointed: May 9, 2006; Reappointed May 11, 2012	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	N
Executive Committee Meeting	10/14/10	Norwalk	Y
Public Affairs Committee Meeting	10/20/10	Sacramento	Y
Board Meeting	11/9/10	Riverside	N
Executive Committee Meeting	1/12/11	Valencia	Y
Public Affairs Committee Meeting	1/20/11	Sacramento	N
Board Meeting	2/1/11	San Francisco	Y
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Board Meeting	9/16/11	Norwalk	Y
Executive Committee Meeting	11/3/11	Sacramento	Y
Board Meeting	12/6/11	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Public Affairs Committee Meeting	10/24/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	N
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	N
Board Meeting	9/6/13	Sacramento	Y
Enforcement Committee Meeting	10/21/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Enforcement Committee Meeting	4/3/14	Sacramento	N
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Public Affairs Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	N

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

ED LANG		Date Appointed: January 22, 2007; Reappointed June 2, 2011 & June 5, 2014	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	Y
Enforcement Committee Meeting	10/12/10	Fresno	Y
Licensing Committee Meeting	10/20/10	Sacramento	Y
Board Meeting	11/9/10	Riverside	Y
Enforcement Committee Meeting	1/12/11	Valencia	Y
Licensing Committee Meeting	1/20/11	Sacramento	Y
Board Meeting	2/1/11	San Francisco	Y
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Enforcement Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	Y
Board Meeting	12/6/11	Sacramento	Y
Enforcement Committee Meeting	1/18/12	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Licensing Committee Meeting	3/28/12	Sacramento	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Licensing Committee Meeting	8/28/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Enforcement Committee Meeting	10/24/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Enforcement Committee Meeting	3/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Enforcement Committee Meeting	10/21/13	Sacramento	Y
Executive Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Enforcement Committee Meeting	4/3/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Executive Committee Meeting	7/30/14	Fairfield	Y
Public Affairs Committee Meeting	8/18/14	Sacramento	N
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

JOHN O’ROURKE		Date Appointed: June 1, 2011	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	6/7/11	Newport Beach	N
Enforcement Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	N
Board Meeting	12/6/11	Sacramento	Y
Licensing Committee Meeting	1/18/12	Sacramento	N
Board Meeting	2/7/12	San Jose	N
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Licensing Committee Meeting	8/28/12	Sacramento	N
Board Meeting	9/11/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	N
Board Meeting	2/26/13	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	N
Board Meeting	6/6-7/14	Newport Beach	Y
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Licensing Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	N

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

BRUCE RUST		Date Appointed: April 2, 2008; Reappointed May 11, 2012	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	Y
Enforcement Committee Meeting	10/12/10	Fresno	Y
Licensing Committee Meeting	10/20/10	Sacramento	Y
Board Meeting	11/9/10	Riverside	Y
Enforcement Committee Meeting	1/12/11	Valencia	Y
Licensing Committee Meeting	1/20/11	Sacramento	Y
Board Meeting	2/1/11	San Francisco	Y
Board Meeting	4/13-14/11	Monterey	N
Board Meeting	6/7/11	Newport Beach	N
Licensing Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	Y
Board Meeting	12/6/11	Sacramento	Y
Licensing Committee Meeting	1/18/12	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Board Meeting	4/17-18/12	Monterey	N
Board Meeting	6/5/12	Newport Beach	N
Board Meeting	7/25/12	Sacramento	Y
Licensing Committee Meeting	8/28/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	N
Board Meeting	2/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	N
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Enforcement Committee Meeting	10/21/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Enforcement Committee Meeting	4/3/14	Sacramento	N
Board Meeting	4/23-24/14	San Diego	N
Board Meeting	6/6-7/14	Newport Beach	N
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Licensing Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	N

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

FRANK SCHETTER		Date Appointed: August 19, 2011	
Meeting Type	Meeting Date	Meeting Location	Attended?
Enforcement Committee Meeting	8/23/11	Sacramento	Y
Board Meeting	9/16/11	Norwalk	N
Board Meeting	12/6/11	Sacramento	Y
Licensing Committee Meeting	1/18/12	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	N
Licensing Committee Meeting	8/28/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Enforcement Committee Meeting	10/24/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Enforcement Committee Meeting	3/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	N
Licensing Committee Meeting	10/21/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Enforcement Committee Meeting	4/3/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	N
Enforcement Committee Meeting	8/18/14	Sacramento	Y
Licensing Committee Meeting	8/18/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

PAUL SCHIFINO		Date Appointed: January 9, 2010; Reappointed July 15, 2013	
Meeting Type	Meeting Date	Meeting Location	Attended?
Board Meeting	8/26/10	Sacramento	Y
Licensing Committee Meeting	10/20/10	Sacramento	Y
Executive Committee Meeting	10/24/10	Norwalk	Y
Board Meeting	11/9/10	Riverside	Y
Executive Committee Meeting	1/12/11	Valencia	Y
Licensing Committee Meeting	1/20/11	Sacramento	N
Board Meeting	2/1/11	San Francisco	N
Board Meeting	4/13-14/11	Monterey	Y
Board Meeting	6/7/11	Newport Beach	Y
Board meeting	9/16/11	Norwalk	Y
Legislative Committee Meeting	11/3/11	Sacramento	N
Board Meeting	12/6/11	Sacramento	Y
Board Meeting	2/7/12	San Jose	Y
Legislative Committee Meeting	3/28/12	Sacramento	Y
Board Meeting	4/17-18/12	Monterey	Y
Board Meeting	6/5/12	Newport Beach	Y
Board Meeting	7/25/12	Sacramento	Y
Board Meeting	9/11/12	Sacramento	Y
Board Meeting	12/11/12	Norwalk	Y
Board Meeting	2/26/13	Sacramento	Y
Board Meeting	4/23-24/13	San Diego	Y
Board Meeting	6/11/13	Irvine	Y
Board Meeting	9/6/13	Sacramento	Y
Executive Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Legislative Committee Meeting	4/16/14	Sacramento	Y
Board Meeting	4/23-24/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Legislative Committee Meeting	9/11/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	Y

CSLB BOARD MEMBERS (CONTINUED)

Table 1a – Attendance

NANCY SPRINGER		Date Appointed: September 25, 2013	
Meeting Type	Meeting Date	Meeting Location	Attended?
Legislative Committee Meeting	11/18/13	Sacramento	Y
Board Meeting	12/10/13	Norwalk	Y
Board Meeting	2/19/14	Burlingame	Y
Legislative Committee Meeting	4/16/14	Sacramento	Y
Board Meeting	4/22-23/14	San Diego	Y
Board Meeting	6/6-7/14	Newport Beach	Y
Public Affairs Committee Meeting	8/18/14	Sacramento	N
Legislative Committee Meeting	9/11/14	Sacramento	Y
Board Meeting	9/23/14	Monterey	N

Table 1b – Board/Committee Member Roster (Includes Vacancies)

Board/Committee Member	First Appointed	Date Re-appointed	Date Term Expires	Appointing Authority	Type (Public or Professional)
Kevin J. Albanese	07/12/2013		06/01/2017	Governor	Professional – “B”
Agustin Beltran	01/08/2014		06/01/2017	Senate	Public
Linda Clifford	07/12/2013	06/5/2014	06/01/2014	Governor	Professional – “A”
David Dias	03/01/2011	06/07/2012	06/01/2016	Governor	Public – Laborer
Susan Granzella	10/13/2014		06/01/2016	Governor	Public
Joan Hancock	11/14/2007	07/29/2011	06/01/2015	Governor	Professional – “B”
Pastor Herrera Jr.	07/15/2010	08/18/2011 & 06/05/2014	06/01/2014	Governor	Public
Robert Lamb	05/09/2006	05/11/2012	06/01/2016	Assembly	Public
Ed Lang	01/22/2007	06/02/2011 & 06/05/2014	06/01/2014	Governor	Public – Senior Citizen
John O’Rourke	06/01/2011		06/01/2015	Senate	Public
Bruce Rust	04/02/2008	05/11/2012	06/01/2016	Assembly	Public
Frank Schetter	08/19/2011		06/01/2015	Governor	Professional – “C”
Paul Schifino	01/09/2010	07/15/2013	06/01/2017	Governor	Professional – “C”
Nancy Springer	09/25/2013		06/01/2017	Governor	Public – Building Official
Vacant – (last held by Louise Kirkbride)			06/01/2016	Governor	Public

2. In the past four years, was the Board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?

No, CSLB has had a quorum at all times.

3. Describe any major changes to the Board since the last Sunset Review, including:

- **Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning)**

CSLB annually undergoes a strategic planning process. The four most recent strategic plans are attached. Following are some of the board's key achievements during the past four years:

- Creation of a Veterans Application Assistance Program
- Implementation of workers' compensation recertification upon license renewal
- Complaint disclosure of partnering government agencies
- Workers' compensation insurance suspension pilot program
- Unsafe digging pilot program
- Underground economy program
- Mandatory settlement conferences
- Permit compliance program
- Increased focus on identifying and addressing elder abuse
- Creation of a Public Works Unit within the Enforcement division
- District attorney partnership for license and workers' compensation violations
- Creation of a license application instructional video
- CSLB custom examination software upgrade
- Expanded consumer outreach
- State Agency Recognition Award
- New CSLB website

2011-2014 LEGISLATION

- **All legislation sponsored by the board and affecting the board since the last sunset review.**

CSLB-sponsored legislation is indicated with an asterisk ().*

2011 Legislation

AB 397 (Monning, Chapter 546, Statutes of 2011)* required CSLB licensees with workers' compensation exemption certifications on file to recertify that exemption at the time of license renewal or provide proof of a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance. It also allows for the retroactive renewal of licenses, under certain circumstances, that neglected to make the required recertification at the time of renewal.

AB 878 (Berryhill, Chapter 686, Statutes of 2011)* required a workers' compensation insurer to notify CSLB if it cancels the workers' compensation policy of a CSLB licensee, if the insurer has completed a premium audit or investigation, or if the licensee engaged in material misrepresentation that results in financial harm to the insurer and has not reimbursed the insurer.

AB 1091 (Morrell, Chapter 168, Statutes of 2011)* amended existing law to clarify the requirement for a licensee to notify CSLB if a responsible managing officer, employee, member, or manager disassociates from the license.

AB 1307 (Skinner, Chapter 734, Statutes of 2011) authorized the CSLB Registrar to refuse to issue, reinstate, reactivate, or renew a license, or to suspend a license, if a licensee or applicant owes any outstanding final liabilities assessed by the State Board of Equalization.

SB 293 (Padilla, Chapter 700, Statutes of 2011) adjusted the rights and time periods that govern payment and claims for payment among owners, contractors, and subcontractors by narrowing the time period during which contractors must pay subcontractors, reducing the time in which a subcontractor may make claims against a contractor on a public works project for nonpayment, exempting laborers from preliminary notification requirements and any deadline to enforce a claim for private works of improvement, and prohibiting a public entity from retaining more than 5 percent of a contract price until final completion and acceptance of a project.

SB 541 (Price, Chapter 339, Statutes of 2011)* authorized the boards within the Department of Consumer Affairs to enter into an agreement with an expert consultant to provide enforcement and examination assistance, without having to complete the formal contracting process, and required each board to establish policies and procedures for the selection and use of these consultants.

SB 543 (Steinberg, Chapter 448, Statutes of 2011) extended CSLB's sunset date for four years until January 1, 2016.

SB 944 (Committee on Business, Professions and Economic Development)* made a variety of changes that deleted obsolete dates and references in existing law, and specified that blank application forms be provided by CSLB, rather than the Department of Consumer Affairs.

2012 Legislation

AB 1588 (Atkins, Chapter 742, Statutes of 2012) waived fees or continuing education requirements for a licensee whose license expires while on active duty in the armed forces or California National Guard.

AB 1794 (Williams, Chapter 811, Statutes of 2012) authorized the Employment Development Department (EDD) to provide new employee information filed by employers to members of the Joint Enforcement Strike Force (which includes CSLB) to aid in prosecuting tax withholding and workers' compensation insurance violations.

AB 1904 (Block, Chapter 399, Statutes of 2012) allowed for the issuance of temporary professional licenses to spouses of those serving in the military.

AB 2219 (Knight, Chapter 389, Statutes of 2012) indefinitely extended the requirement that all C-39 Roofing contractors obtain workers' compensation insurance coverage, even if they certify that they have no employees. The bill also extended, indefinitely, the requirement that insurers conduct annual audits, and requires that these audits be conducted in person to verify the accuracy of the reported number of employees.

AB 2237 (Monning) Chapter 371, Statutes of 2012* provided that anyone who submits or oversees bids for construction, arranges for subcontractor work, and schedules and/or has oversight for a project is, in fact, acting in the capacity of a contractor and must be state-licensed.

AB 2554 (Berryhill) Chapter 85, Statutes of 2012* provided all CSLB Enforcement Representatives the authority to issue a Notice to Appear for misdemeanor violations of Contractors' State License Law.

AB 2570 (Hill, Chapter 561, Statutes of 2012) prohibited a licensee from including provisions in settlements of civil disputes that prohibit the consumer from contacting, filing a complaint with, or withdrawing a complaint from CSLB (or any other consumer protection program overseen by the Department of Consumer Affairs).

SB 691 (Lieu, Chapter 832, Statutes of 2012) added CSLB to the list of agencies approved to receive workers' compensation insurance information from EDD.

SB 1576 (BPED, Chapter 661, Statutes of 2012) enabled CSLB to take administrative action if a licensee files a false complaint against another licensee.

2013 Legislation

AB 44 (Buchanan, Chapter 258, Statutes of 2013) required a contractor to include the contractor license number of each subcontractor listed in any bid or offer submitted after July 1, 2014, for the construction of any public work.

AB 433 (Gordon, Chapter 377, Statutes of 2013) authorized, until January 1, 2017, licensed plumbing contractors to install residential fire protection systems for single and two-family homes; and authorized the State Fire Marshal to propose, adopt, and administer regulations to ensure fire safety in buildings and structures, and made these regulations subject to certain requirements.

AB 811 (Lowenthal, Chapter 250, Statutes of 2013) required regional notification centers to post on their Internet website information provided by operators and excavators related to violations of specified state laws that govern subsurface excavations.

AB 1236 (Hagman, Chapter 114, Statutes of 2013) authorized a contractor licensed as a limited liability company (LLC) to obtain statutorily required liability insurance from a surplus line insurer.

SB 261 (Monning, Chapter 163, Statutes of 2013)* allowed CSLB to take administrative action for specified violations, which previously were considered misdemeanors, such as misusing or misrepresenting license information and aiding an unlicensed individual in evading the licensing requirements.

SB 262 (Monning, Chapter 180, Statutes of 2013)* provided that failure of a qualifying individual to exercise direct supervision and control of construction operations constitutes grounds for disciplinary action, and shall be punishable as a misdemeanor or imprisonment in a county jail, by a fine of \$3,000-\$5,000, or both.

SB 822 (Business, Professions and Economic Development) Chapter 319, Statutes of 2013 provided that an incomplete renewal application originally submitted on or before the license expiration date shall be returned to the licensee with an explanation, and that the licensee shall have 30 days to correct and resubmit, and shall not be required to pay the renewal delinquency fee.

2014 Legislation

AB 26 (Bonilla, Chapter 864, Statutes of 2014) revised the definition for construction to include post-construction phases and cleanup work at the jobsite, to meet the existing legal requirements to pay prevailing wages on public works construction, alteration, demolition, installation, or repair work performed under contract and paid in whole, or in part, from public funds.

AB 1705 (Williams, Chapter 670, Statutes of 2014) limited the circumstances under which public agencies may withhold more than 5 percent of total payment for time and materials on substantially complex public works projects; specified requirements for projects deemed substantially complex; and extended the date for repealing provisions governing retention proceeds.

AB 1870 (Alejo, Chapter 890, Statutes of 2014) modified existing law relating to the distribution of training funds by the California Apprenticeship Council to Council-approved apprenticeship programs.

AB 1939 (Daly, Chapter 161, Statutes of 2014) authorized a contractor to bring an action to recover from the hiring party, with whom he or she directly contracts, any increased costs, including labor costs, penalties, and legal fees, incurred as a result of any decision by the Department of Industrial Relations, the Labor and Workforce Development Agency, or a court that classifies the work on the project as a public work.

AB 2396 (Bonta, Chapter 737, Statutes of 2014) prohibited a vocational or professional licensing board within the Department of Consumer Affairs from denying a license based solely on a criminal conviction that has been dismissed pursuant to certain provisions of existing law.

SB 315 (Lieu, Chapter 392, Statutes of 2014)* provided CSLB clear statutory authority, when participating in activities of the Joint Enforcement Strike Force, to access business locations where labor is present. This bill further established that unlicensed individuals can only advertise for construction work they can legally perform without a license (projects with a total cost under \$500); and stipulated that contractors with suspended licenses for failure to pay an outstanding civil judgment or outstanding tax liability, yet continue to contract, are considered unlicensed contractors for the purposes of potential CSLB disciplinary action.

• **All regulation changes approved by the Board since the last sunset review. Include the status of each regulatory change approved by the board.**

- Adopted Asbestos Abatement Contractor (California Code of Regulations section 832.22) and Asbestos Classification and Certification Limitations and Examination Requirement (CCR section 833); expected to be effective January 1, 2015.
- Approved Elimination of Outdated Regulatory Language (California Code of Regulations sections 811, 832.05, 832.06, 832.14, 832.35, and 854), effective October 1, 2013.
- Approved Blanket Performance and Payment Bond Regulations (California Code of Regulations Sections 858 – 858.9), effective December 22, 2011.

4. Describe any major studies conducted by the Board (cf. Section 12, Attachment C).

CSLB did not conduct any major studies.

5. List the status of all national associations to which the board belongs.

- **Does the board's membership include voting privileges?**
- **List committees, workshops, working groups, task forces, etc., on which board participates.**
- **How many meetings did board representative(s) attend? When and where?**
- **If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?**

CSLB is a member of the National Association of State Contractors Licensing Agencies (NASLCA), which is dedicated to the mutual assistance of its members in striving for better construction industry regulation to protect the health, welfare, and safety of the general public.

The association's membership consists of state and local contractor licensing agencies, construction firms, construction trade associations, and others associated with the construction industry.

CSLB's Registrar currently serves on the Board of Directors and the NASLCA Resource Committee. Generally, the Registrar requests approval to attend the annual meeting. Unfortunately, CSLB rarely receives approval to attend these meetings, which hinders California's ability to effect national policy and reciprocity. The cost to attend is minimal and the loss of opportunity substantial.

Quarterly Board of Directors meetings and Resource Committee meetings are held via teleconference.

CSLB does not use a national exam.

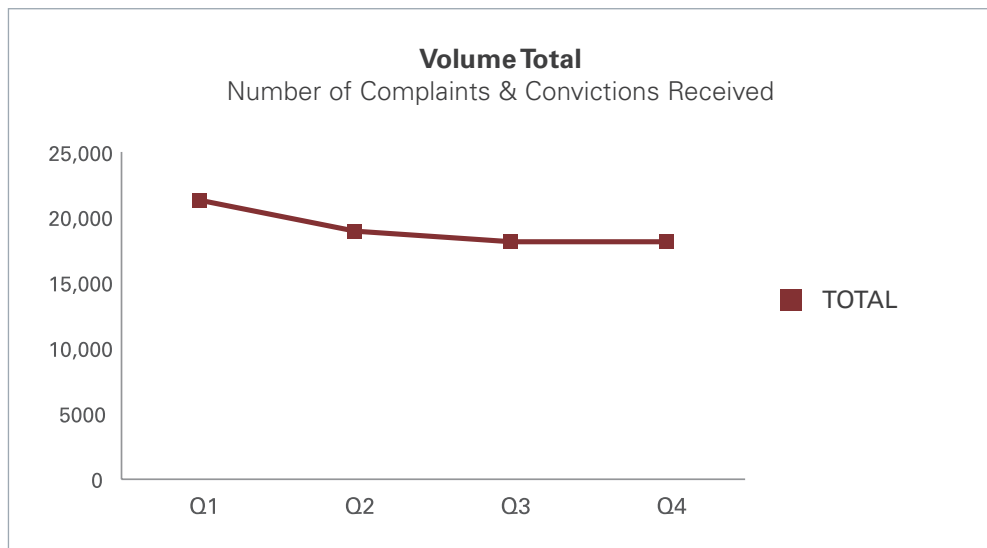
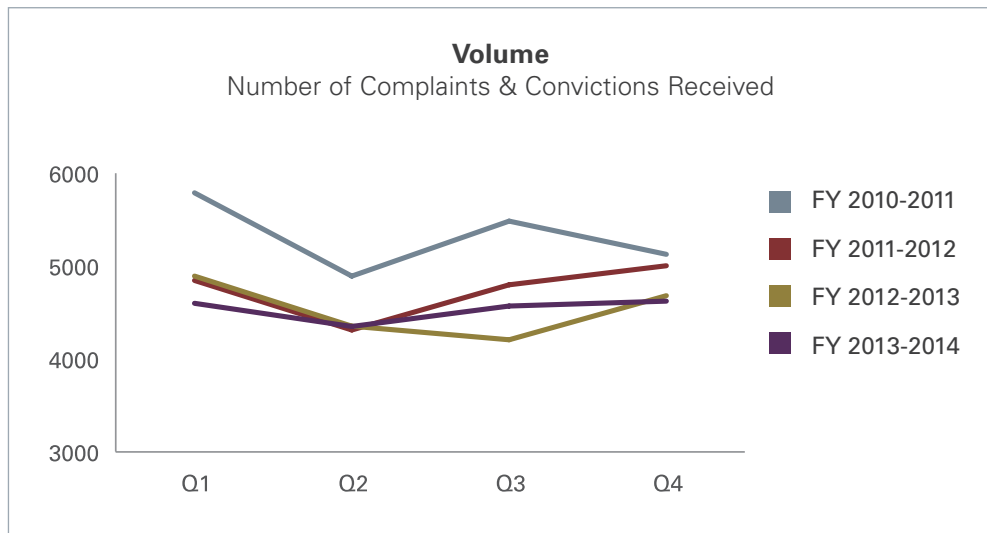


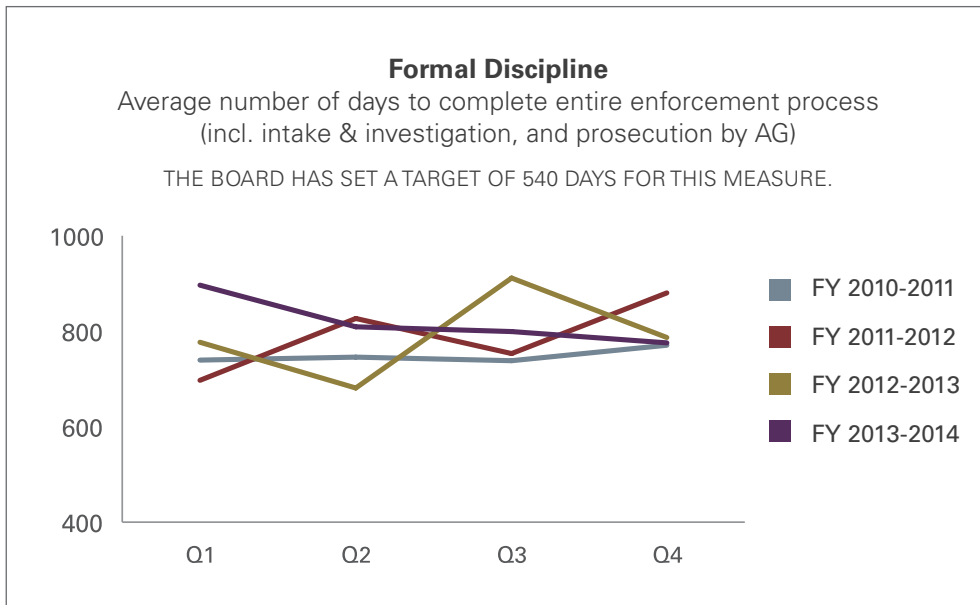
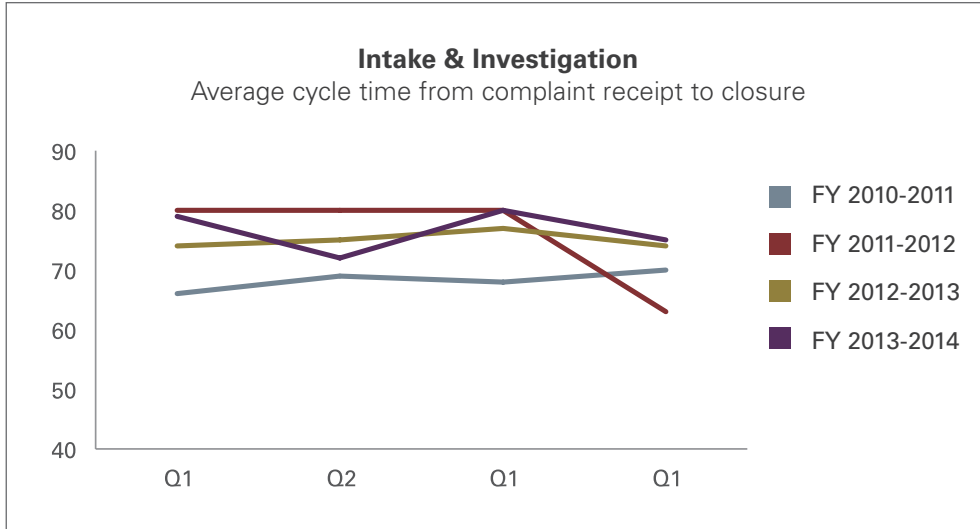


SECTION 2: PERFORMANCE MEASURES AND CUSTOMER SATISFACTION SURVEYS

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website.

Quarterly and annual reports are attached; four summary charts of Enforcement division data follow.





7. Provide results for each question in the board’s customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

CSLB collects and reports customer satisfaction data by calendar year. Eight of the nine questions in the 2013 survey were identical to those used since 1993. CSLB employed the same seven-point agreement scale. From 1993-2009, surveys were sent to 4,800 randomly selected complainants (400 per month). In 2010, CSLB changed the survey format and sampling method by emailing the survey to all consumers with closed complaints who had provided email addresses. In 2013, the total number of complainants who provided email addresses was 4,960, 102 fewer than in 2012. Throughout 2013 and early 2014, surveys were sent out in individual monthly batches.

A total of 1,089 complainants, 22 percent of those surveyed, responded to the questionnaire in 2013. This response rate is 5 percent higher than the response rate for the 2012 survey, and 3 percent lower than the response rate in 2011. Data from the first six months of 2014 is not entirely comparable with annual survey results, because of seasonal differences.

QUESTIONNAIRE STATEMENTS	Percent Agreement by Calendar Year					
	Jan-Jun 2014	2013	2012	2011	2010	2009
1. The CSLB contacted me promptly after I filed my complaint.	81%	77%	81%	80%	78%	75%
2. The procedures for investigating my complaint were clearly explained to me.	74%	72%	75%	73%	69%	69%
3. The CSLB kept me informed of my case’s progress during the investigation.	66%	62%	68%	65%	61%	60%
4. I was treated courteously by the CSLB’s representative(s).	84%	82%	84%	82%	79%	80%
5. My complaint was processed in a timely manner.	66%	60%	66%	67%	61%	58%
6. I understand the outcome of the investigation (whether or not I agree with the action taken).	68%	66%	68%	65%	62%	61%
7. The action taken in my case was appropriate.	59%	53%	56%	50%	46%	50%
8. I am satisfied with the service provided by the CSLB.	62%	57%	60%	57%	51%	53%





SECTION 3: FISCAL AND STAFF

FISCAL ISSUES

8. Describe the board’s current reserve level, spending, and if a statutory reserve level exists.

CSLB maintains an analysis of the Contractors’ License Fund, including reserves, revenue, transfers, and expenditures. CSLB is statutorily authorized to maintain about six months in reserve of its annual authorized expenditures. As of June 30, 2014, CSLB had a reserve of approximately \$26.2 million, which represents approximately five months of operating expenditures.

9. Describe if/when a deficit is projected to occur and if/when fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

CSLB’s long-term fund condition depends on the state of the construction industry and the economy, which can be affected by mortgage rates and other outside influences.

Since 2008, the global recession has been felt throughout California’s construction industry. As a result, CSLB has continued to experience a decrease in the volume of applications—the FY 2013-14 count of original examination applications was down by 35 percent from FY 2008-09, but has slowly increased (1 percent) since FY 2012-13.

Table 2 – Fund Condition (*Dollars in Thousands*)

FUND CONDITION	ACTUAL				PROJECTED	
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Adjusted Beginning Balance	21,330	15,250	27,322	28,953	26,257	20,288
Revenues and Transfers	48,437	54,180	55,587	54,992	55,984	55,211
Total Revenue	\$69,767	\$69,430	\$82,909	\$83,945	\$82,241	\$75,499
Budget Authority	57,261	58,593	58,830	61,628	62,256	62,879
Expenditures	54,908	53,490	53,956	57,688	61,953	62,522
Loans to General Fund						
Accrued Interest, Loans to General Fund		737				
Loans Repaid From General Fund		10,000				
Fund Balance	\$14,859	\$26,677	\$28,953	\$26,257	\$20,288	\$12,976
Months in Reserve	3.3	5.9	6.0	5.1	3.9	2.5

10. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?

In FY 2008-09, the Contractors License Fund issued a loan of \$10 million to the California General Fund. In FY 2011-12, the Fund received final repayment, along with \$737,000 in interest.

11. Describe the amounts and percentages of expenditures by program component. Use Table 3 – Expenditures by Program Component to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

CSLB cautions anyone reviewing expenditures by program component to recognize that the delineations are arbitrary and potentially misleading. All of CSLB’s expenditures could be considered “enforcement” related. Licensing and examinations are preventative enforcement, as is public affairs. Administration expenditures directly and indirectly support the Board’s enforcement component. Different professions require different prioritizations of resources. These figures are provided because they were requested.

The detailed breakdown of expenditures by program component is listed in Table 3.

Table 3 – Expenditures by Program Component (Dollars in Thousands)

EXPENDITURES	FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14	
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E
Enforcement	16,853	12,543	17,165	12,261	17,021	12,652	18,673	11,968
Examination	1,938	1,501	1,952	1,417	1,757	1,095	1,880	1,718
Licensing	6,489	1,810	6,238	1,754	6,409	1,688	6,900	1,534
Administration *	3,294	5,587	3,337	4,595	3,484	4,933	3,599	5,443
DCA Pro Rata		5,106		5,227		4,990		6,153
Diversion (if applicable)								
TOTALS	\$28,574	\$26,547	\$28,692	\$25,254	\$28,671	\$25,358	31,052	26,816

*Administration includes costs for executive staff, board, administrative support, and fiscal services.

12. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the board.

CSLB receives no General Fund support, relying solely on fees set by statute and collected from contractors and applicants. Renewal fees constitute the main source of revenue, and 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 are valid for four years.

In January 2003, the statutory limits for nearly all application, license, and renewal fees were increased. However, with the exception of the delinquency fee (which increased from a flat \$25 to 50 percent of the variable renewal fees), the fees charged by CSLB remained at 1994 levels until July 2011. At that time, projected fund shortages compelled the Board to increase all fees to the statutory limits (with the exception of the Duplicate License/Certificate Fee). There are no current plans to increase fees.

The Board’s current fee structure and revenue are detailed in the tables below, and are contained in Business and Professions Code (BPC) section 7137 and the California Code of Regulations, Title 16, Division 8, Section 811.

FEE SCHEDULE AND REVENUE

Fee Schedule	Current Fee Amount	Statutory Limit
Original Application Fee	\$300	\$300
Initial License Fee (Active & Inactive)	\$180	\$180
Additional Class	\$75	\$75
Replacing the Qualifier	\$75	\$75
Home Improvement Salesperson (HIS) Registration	\$75	\$75
HIS Renewal	\$75	\$75
Asbestos Certification Application	\$75	\$75
Hazardous Substance Removal Application	\$75	\$75
Reactivate Inactive License	\$360	\$360
Active Renewal (2-year cycle)	\$360	\$360
Inactive Renewal (4-year cycle)	\$180	\$180
Exam Rescheduling Fee	\$60	\$60
Delinquency Fee (Active contractor renewal)	\$80	50% of the renewal fee
Delinquency Fee (Inactive contractor renewal)	\$90	50% of the renewal fee
Delinquency Fee (HIS Renewal)	\$37.50	50% of the renewal fee
Duplicate License/Certificate	\$11	\$25

Application, license, and renewal fees constitute nearly all of the Board’s revenue. Table 4 details CSLB’s actual revenue for FY 2010-11 through FY 2013-14.

Table 4 – Revenue *(in thousands)*

REVENUE	FY 2010-11 Revenue	FY 2011-12 Revenue	FY 2012-13 Revenue	FY 2013-14 Revenue	% OF TOTAL REVENUE
Duplicate License/ Certification Fees	117	121	104	108	0.2%
App Exam/License Fees	9,837	10,333	9,966	10218	18.9%
Renewal Fees	35,207	40,072	41,304	39876	73.1%
Delinquency Fees	2,219	2,495	2,857	3102	5.0%
Fines & Penalties	798	930	1141	1491	2.0%
Other	167	135	130	134	0.3%
Interest	92	831	85	64	0.5%
TOTALS	\$48,437	\$54,917	\$55,587	\$54,992	

13. Describe Budget Change Proposals (BCPs) submitted by the board in the past four fiscal years.

In 2005, CSLB joined forces with other state and federal agencies to form the Economic and Employment Enforcement Coalition (EEEC), launched by Governor Arnold Schwarzenegger to combat the underground economy and illegal contractors. As a result, in FY 2010-11, CSLB requested that the previously approved 11 limited-term (Enforcement Representative I) positions be established permanently to continue these efforts.

Since 2005, CSLB has submitted a BCP for position authority to fulfill the legislative mandate that requires fingerprints for new applicants and existing licensees. Initially, CSLB received position authority to process criminal history record checks for new applicants only, but not for the subsequent arrest and convicted licensees workload. This BCP was enacted in the 2014-15 State Budget.

Table 5 details the BCPs CSLB has submitted during the past four fiscal years:

Table 5 – Budget Change Proposals (BCPs)

Budget Change Proposals (BCPs)								
BCP ID #	Fiscal Year	Description of Purpose of BCP	PERSONNEL SERVICES				OE&E	
			# Staff Requested (include classification*)	# Staff Approved (include classification*)	\$ Requested	\$ Approved	\$ Requested	\$ Approved
1110-09	2010/11	EEEC Positions	11 (ERI)	11 (ERI)	918,000	918,000	0	0
1110-11	2010/11	OIS Licensing & Enforcement Support	2 (SPA)	.5 (SPA)	0	0	0	0
1110-10	2010/11	Sub Arrest Unit	8 (ERI & OT)	0	636,000	0	0	0
1110-06	2011/12	OIS Website Support	1 (SSSII)	0	0	0	0	0
1110-05	2011/12	Sub Arrest Unit	7 (ERI & OT)	0	519,000	0	38,000	0
1110-03	2012/13	Sub Arrest Unit	5 (ERI & OT)	0	363,000	0	27,000	0
N/A	2013/14	Sub Arrest Unit	5 (ERI & OT)	0	0	0	0	0
1110-15	2014/15	Sub Arrest Unit	4 (ERI & OT)	4 (ERI & OT)	0	0	0	0

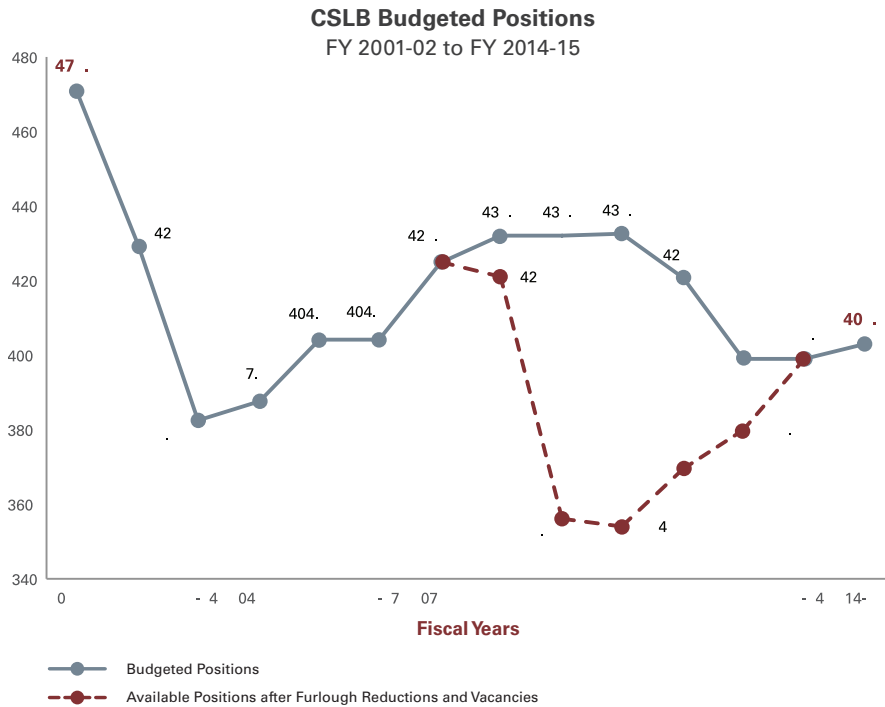
* The acronyms above refer to the following classifications: Enforcement Representative I (ERI), Senior Programming Analyst (SPA), System Software Specialist II (SSSII), and Office Technician (OT)

STAFFING ISSUES

14. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.

CSLB is charged with protecting consumers from unscrupulous construction activity by licensing, regulating, and enforcing California’s contracting laws. CSLB is presently authorized to have 403 staff (PYs) throughout the state, dedicated to accomplishing its mandate.

In FY 2001-02, CSLB had 471 PYs. In the two subsequent years, CSLB lost 20 percent of its staff (88.5 PYs). During fiscal years 2008-09 through 2012-13, CSLB staff levels further declined due to furloughs and hiring freezes, reaching its nadir in FY 2010-11, with 354 available PYs.



From fiscal years 2001-02 to 2014-15, CSLB submitted 13 Budget Change Proposals (BCPs) and Spring Finance Letters (SFLs) to reestablish some of the 88.5 lost positions. Eventually, five CSLB BCPs were approved, which reestablished 30.5 of the 88.5 positions. During that same period, new mandates and programs were implemented: fingerprinting, Central Valley SWIFT, Subsequent Arrest Unit, and EEEEC, for which CSLB submitted 21 BCPs/SFLs and eventually received 22 PYs to help execute these programs. Even with the approved positions through BCPs, CSLB still has 68 fewer PYs than in FY 2001-02.

CSLB VACANCIES

At any given time during the fiscal year, there are about 40 vacancies that result from retirements, transfers, and promotions, which generate substantial personnel transactions. Vacancies can range from Office Assistants to CSLB-specific classifications, such as Enforcement Representatives.

Historically, CSLB has maintained a 10 percent staff vacancy rate, which is in line with a 2008 analysis conducted by the Legislative Analyst’s Office that concluded, “It is reasonable to assume that most departments should be able to maintain all but 5 to 10 percent of their authorized positions filled at any given time.”

CSLB'S HIRING PROCESS

The standard state hiring process for CSLB civil servant positions can be complicated and lengthy, with additional time needed for "hard-to-fill" positions. Staffing and workload issues also can extend these timelines:

- Hiring supervisor notifies CSLB Personnel of upcoming vacancy
- CSLB Personnel staff completes a Request for Personnel Action (RPA) form *(This can take up to 10 business days, depending on whether the recruitment involves a new position allocation, job classification change, or if questions arise between Personnel and the hiring supervisor.)*
- RPA package is forwarded to DCA Position Control, Budget, and Classification & Pay units (in that order) *(The routing process can take up to 10 business days.)*
- Vacant Positions Database (VPOS) job announcement is posted for 10 business days
- DCA has five business days to code Certification List for hiring supervisor after posting closes
- Hiring supervisor reviews applications and selects candidates to interview *(This process can take from three weeks to three months, depending on a variety of situations, including hard-to-recruit positions or if the job announcement is reposted due to a lack of qualified candidates.)*
- Hiring supervisor completes reference check, approximately one to two business days
- Hiring supervisor forwards selected candidate's application to CSLB Personnel; CSLB Personnel submits to DCA's Office of Human Resources (OHR)
- Within two to five business days, OHR issues confirmation for appointment
- CSLB Personnel notifies hiring supervisor
- Additional pre-employment requirements are addressed, such as a criminal background check and/or medical exam *(Results for a criminal background check for non-sworn positions take five business days; sworn positions take 6-9 months; a medical exam takes two weeks.)*
- After all clearances are received, official job offer can be made *(If the appointment involves a lateral transfer, the "losing" department may hold the employee for 30 days.)*

Needless to say, the required hiring steps are time-consuming and become counter-productive. Below are examples of how a position can remain vacant for an extended period of time:

- (1) A position becomes vacant, recruitment ensues, interviews are conducted, a candidate is selected, criminal background is checked, and an offer is made; in the meantime, the candidate has taken a job with another state agency; or
- (2) A negative reference is received before the offer is made.

In both cases, three to four months into the hiring effort, staff is forced to repeat the entire process. (As indicated above, sworn peace officer positions create their own challenge because of the six- to nine-month background and hiring clearances.)

“HARD-TO-FILL” POSITIONS

About half of CSLB’s 40 vacancies are deemed “hard-to-fill.” Almost all are in the Enforcement division and consist of Enforcement Representatives (ER), Peace Officers, and Enforcement Supervisors. Specific classification requirements, extensive criminal background checks for Peace Officers, a lack of viable candidates for remote locations, and a higher cost-of-living index in some geographical locations makes these positions difficult to fill. CSLB is unable to offer a pay differential and must compete against local government agencies that pay considerably more for similar work.

Positions outside of Sacramento can be very difficult to fill. It is hard to find eligible candidates in remote parts of the state where CSLB has one-person offices (i.e., Monterey, Redding, and San Luis Obispo). In most cases, no current hiring lists exist for these regions.

Specific examples of hard-to-fill positions at CSLB:

1. While a CSLB ER investigating workmanship complaints in the Bay Area has a maximum salary of approximately \$60,000 per year, a building inspector in the same area can make \$100,000 per year.
2. When a Peace Officer candidate submits to a background and health examination, the process takes many months. During this time, the candidate can find employment elsewhere, often at a higher salary.
3. An Enforcement Supervisor position in Fresno was vacant for nearly two years because of difficulties establishing a candidate list and finding viable candidates who lived in the region.

4. Positions in CSLB's Information Technology (IT) division are especially difficult to fill. Given competition from private sector companies, some IT positions can take years to fill.
5. Licensing Information Center (call center) positions are considered entry-level and turn over quickly as staff are promoted or move to other agencies.

CAN POSITIONS BE REDIRECTED?

CSLB is often asked if it can redirect vacant positions to staff new programs or handle increased workloads.

CSLB positions are vacated and filled on a daily basis. However, hiring constraints and/or conditions of employment cause these positions to remain vacant for long durations. Though this may suggest that the positions are not essential and can be redirected or eliminated, nothing could be further from the truth. It simply takes longer to find viable candidates for these hard-to-fill positions. Vacancies are budgeted to address the board's essential workload, such as battling the underground economy in the construction industry. Since these vacancies occur daily, most have hiring documents initiated and/or are pending background investigations.

CSLB needs dozens of PYs to return to its previous staffing level and to meet all of its current and future obligations; the board has no vacant positions to redirect to help process workload and meet its current or future operational needs (new citations workloads, public works investigations, etc.).

15. Describe the board's staff development efforts and how much is spent annually on staff development (cf., Section 12, Attachment D).

CSLB employees can receive training, free of cost, through the Department of Consumer Affairs (DCA) SOLID training office. During FY 2012-13, over 330 CSLB employees attended SOLID classroom training sessions. Among the classes SOLID offers are basic to advanced computer courses, the Analyst Certification Training program, contract writing, Interviewing Techniques for Investigators & Inspectors, and Labor Relations for Managers and Supervisors.

To further meet the training needs of employees, CSLB, with the approval of DCA, contracts with outside vendors such as CalHR, the State Personnel Board, CPS HR Consulting, and community colleges to provide training services not offered by SOLID. During FY 2012-13, CSLB spent roughly \$62,000 for employees to attend nearly 60 different types of job-related training sessions conducted by outside vendors throughout the state of California. Some of the training types provided by vendors include, Supervisor Training, Basic Crime Prevention, Cal Green Training,

and Investigative Techniques. For FY 2013-14, through January 2014, CSLB paid approximately \$22,500 for outside vendor training.

As part of CSLB’s innovative and continuous efforts to improve its enforcement program, the Board developed a new Enforcement division training program to keep staff up-to-date in investigative methods, which will help to assure that CSLB provides district attorneys with solid cases and aid in the fullest possible prosecution of those who violate state contracting laws. Based on identified needs and staff input, the training team developed three training modules: Basic Investigative Techniques, Interview Techniques, and Report Writing and Court Testimony.

As part of CSLB’s Strategic Plan, the Enforcement division regularly develops training curriculum for staff that includes basic enforcement procedures, a mentoring program, and specialized training.

In May 2014, CSLB held its first Investigation Academy in Norwalk. Developed in conjunction with the Attorney General’s Office, this five-day Academy provided staff with instruction on investigative techniques, interview techniques, report writing, Business & Professions Code training, and time management skills.

Training and Staff Development	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14*
Training and Staff Development	\$14,657	\$26,182	\$54,315	\$21,845

*Charges only thru Jan. 2014



SECTION 4: LICENSING PROGRAM

16. What are the board’s performance targets/expectations for its licensing² program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

Pursuant to California Code of Regulations section 827, CSLB shall inform an applicant within 60 days of receipt whether the application is complete or deficient and in need of additional documentation or correction. The board currently meets these expectations for all of its various applications.

17. Describe any increase or decrease in the board’s average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?

From late 2006 to early 2007, application submissions to CSLB dropped as a result of the economic downturn in the construction industry. These declines now seem to be leveling off.

Although staff reductions from furloughs and the Governor’s hiring freeze order would normally increase processing times for applicants and licensees, the slowdown in construction enabled Licensing division staff to remain relatively current. CSLB has used the work slowdown to cross-train staff on other processing functions within the division so that resources can be redirected quickly, as needed, to address workload demands, e.g., rotating application staff to assist in the call center during peak demand hours.

As shown in Table 7b, the average processing times for original application approvals was nearly identical for FY 2011-12 and 2012-13 (119 and 117 days, respectively). Increased workloads have somewhat extended processing time for FY 2013-14 to 132 days. Additionally, greater workloads and some staff outages extended average processing time for HIS applications between FY 2011-12 and FY 2013-14 (57 days, to 74 days, to 84 days, respectively).

² The term “license” in this document includes a license certificate or registration.

As the construction industry begins to recover, and with seasonal fluctuation of applications, processing timelines likely will increase. However, the Licensing division may not have the flexibility to redirect staff resources, as each unit’s workload will grow with a rebound in the industry.

18. How many licenses or registrations does the board issue each year? How many renewals does the board issue each year?

Licenses / Registrations Issued Annually

Contractor License + HIS Registrations issued 2010-11: 14,906 + 3,529 = 18,435
 Contractor License + HIS Registrations issued 2011-12: 12,714 + 3,732 = 16,446
 Contractor License + HIS Registrations issued 2012-13: 11,237 + 3,969 = 15,206
 Contractor License + HIS Registrations issued 2013-14: 7,546 + 4,058 = 11,604

Renewals Issued Annually

Contractor License + HIS Registrations renewed 2010-11: 122,769 + 1,466 = 124,235
 Contractor License + HIS Registrations renewed 2011-12: 121,101 + 1,507 = 122,608
 Contractor License + HIS Registrations renewed 2012-13: 121,765 + 1,673 = 123,438
 Contractor License + HIS Registrations renewed 2013-14: 116,971+ 1,177 = 118,148

Table 6 – Licensee Population

LICENSEE POPULATION		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Contractor License	Active	237,024	230,438	225,217	223,266
	Out-of-State (Active)	7,135	7,020	6,896	6,914
	Out-of-Country (Active)	26	23	21	24
	Delinquent	50,558	65,190	78,658	84,171
Home Improvement Salesperson Certification	Active	8,089	8,661	9,224	9,803
	Out-of-State (Active)	148	130	194	446
	Out-of-Country (Active)	0	0	0	0
	Delinquent	884	2,595	4,275	5,341
Total Inactives:		2010-11 – 67,488	2011-12 – 65,190	2012-13 – 66,064	2013-14 – 63,706

**Table 7a – Licensing Data by Type**

LICENSING DATA BY TYPE											
Application Type	Rec'd	Appr'd (Posted)	Closed (Voided)	Issued or Renewed	PENDING APPLICATIONS			CYCLE TIMES			
					Total Pending (Close of FY)	Outside Board control*	Within Board control*	Complete Apps	Incomplete Apps	Combined, IF unable to separate out	
FY 2011-2012	Original Apps Exams	10,495	9,800	3,597	6,668	230	n/a	n/a	n/a	n/a	159 dy.
	Waivers	<u>+ 7,235</u>	<u>+ 6,843</u>	<u>+ 1,181</u>	<u>+ 6,046</u>	<u>+ 8</u>					<u>69 dy.</u>
	Total	17,730	16,643	4,778	12,714	238					119 dy. Avg.
FY 2012-2013	Original Apps Exams	10,104	8,532	3,021	5,482	1,601	n/a	n/a	n/a	n/a	156 dy.
	Waivers	<u>+ 7,010</u>	<u>+ 6,585</u>	<u>+ 1,177</u>	<u>+ 5,755</u>	<u>+ 78</u>					<u>74 dy.</u>
	Total	17,114	15,117	4,198	11,237	1,679					117 dy. Avg.
FY 2013-2014	Original Applications	10,224	6,641	1,638	2,616	5,970	n/a	n/a	n/a	n/a	181 dy.
	Exams	<u>+ 7,765</u>	<u>+ 6,668</u>	<u>+ 683</u>	<u>+ 4,930</u>	<u>+ 2,152</u>					<u>82 dy.</u>
	Waivers	17,989	13,309	2,321	7,546	8,122					132 dy. Avg.
FY 2013-2014	Home Improvement Salesperson (HIS) Registration Application Total	7,346	6,479	3,274	3,969	103	n/a	n/a	n/a	n/a	64 dy. Avg.
	Contractor License & HIS Registration Renewal Total	124,370 <u>+ 1,855</u> 125,225	n/a	n/a	122,174 <u>+ 1,682</u> 123,856	n/a	n/a	n/a	n/a	n/a	12 dy. <u>3 dy.</u> 9 dy. Avg.
	Contractor License & HIS Registration Renewal Total	120,130 <u>+ 2,084</u> 122,214	n/a	n/a	116,971 <u>+ 1,777</u> 118,748	n/a	n/a	n/a	n/a	n/a	11 dy. <u>4 dy.</u> 7 dy. Avg.

Table 7b – Total Licensing Data

TOTAL LICENSING DATA	FY 2011-12	FY 2012-13	FY 2013-14
Initial Licensing Data:			
Original Applications Received	17,730	17,114	17,989
Home Improvement Salesperson Applications Received	6,906	7,346	9,522
Total	24,636	24,460	27,511
Initial License/Initial Exam Pending Application Data:			
Pending Original Applications (total at close of FY)	44	704	8,122
Pending Home Improvement Salesperson Applications Received	3	29	4,058
Total	47	733	12,180
Pending Original Applications (outside of board control)*	n/a	n/a	n/a
Pending Home Improvement Salesperson Applications (outside of board control)*	n/a	n/a	n/a
Pending Original Applications (within the board control)*	n/a	n/a	n/a
Pending Home Improvement Salesperson applications	n/a	n/a	n/a
Initial License/Initial Exam Cycle Time Data (WEIGHTED AVERAGE):			
Average Days to Original Application Approval (All – Complete/Incomplete)	119	117	131
Average Days to Home Improvement Salesperson Application Approval (All – Complete/Incomplete)	22	64	77
Total (Averaged) Days	71	91	101
Average Days to Original Application Approval (incomplete applications)*	n/a	n/a	n/a
Average Days to Home Improvement Salesperson Application Approval (incomplete applications)*	n/a	n/a	n/a
Average Days to Original Application Approval (complete applications)*	n/a	n/a	n/a
Average Days to Home Improvement Salesperson Application Approval (complete applications)*	n/a	n/a	n/a
License Renewal Data:			
Contractor License Renewed	121,101	121,765	119,971
Home Improvement Salesperson Registration Renewed	1,507	1,673	1,777
TOTAL	122,608	123,438	118,748

* Optional. List if tracked by the board.

19. How does the board verify information provided by the applicant?

Licensing division staff evaluates Certification of Work Experience forms submitted with applications for licensure to document the required four years of journey-level work experience. Applicants may submit additional documentation when necessary to support their claimed work experience, such as paycheck stubs, tax documents, building permits, construction inspection reports, etc. Also, as required by law, in addition to a review and verification of all applications for licensure, CSLB performs a comprehensive field investigation for a minimum of 3 percent of applications to help ensure documentation accuracy.

a. What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant?

All applications for licensure include questions regarding the applicant's prior criminal history and disciplinary actions. Applicant fingerprints are submitted to the California Department of Justice (DOJ) where they are compared to DOJ and Federal Bureau of Investigation (FBI) records to ascertain whether a criminal history exists.

CSLB Criminal Background Unit (CBU) staff review all criminal convictions to determine if the crime is substantially related to the duties, qualifications, or functions of a contractor, and to assess if the applicant has demonstrated sufficient rehabilitation. CBU begins processing conviction information the same day it is received by conducting a triage and clearance of those applicants with no convictions and those with minor, clearable convictions, provided the applicant was honest on the application. Applicants who were dishonest on the application but who have minor, clearable convictions and who, had they been honest, would have been cleared can withdraw the false application and submit new fees and a new application on which they accurately disclose their convictions. These withdrawal offers also are processed as part of the triage. For the last few years, the timelines for pulling the conviction records for review were held at less than 30 days and usually processed in as little as one to two weeks.

For fiscal year 2013-14, CSLB received 8,418 subsequent arrest and/or conviction notices, of which 1,282 were licensee felony arrest notices; of these, 416 complaints were opened and 249 were referred for further action, most of which resulted in legal action to suspend or revoke the license.

b. Does the board fingerprint all applicants?

Beginning January 1, 2005, all individuals listed as personnel of record on an original application, an application to add a classification to an existing license, an application to replace the qualifier, an application to report new officers, and an application for registration as a home improvement salesperson are required to submit fingerprints to CSLB.

c. Have all current licensees been fingerprinted? If not, explain.

To date, all licensee fingerprinting conducted by CSLB has been prospective—focusing on new applicants or those who are added as personnel of record to an existing license. Current law does not require those who received licenses

prior to the fingerprint requirement to submit fingerprint images to CSLB for criminal history background checks.

In 2009, Senator Negrete McLeod carried SB 389 to require various licensing programs under DCA to collect fingerprints from all licensees in order to conduct criminal history background checks, as well as notices of any future convictions. The bill would have required a number of boards, including CSLB, to obtain fingerprints from those licensees not previously fingerprinted. SB 389 met serious opposition from a number of contractor associations, and ultimately failed to pass out of the Assembly Public Safety Committee.

At that time, based upon its experience fingerprinting new licensees and changes in personnel listed on the license, CSLB estimated that if all existing licensees were fingerprinted, approximately 17 percent likely would have some type of criminal record in DOJ and FBI files. (This estimate is based on the 17.7 percent of individuals found to have some type of criminal conviction from the approximately 160,000 licensees who have, to date, submitted fingerprints.) It is probable that a number of the convictions would not be substantially related to the practice of contracting, and others would be so old that they would not be relevant for current licensing purposes. However, some of the criminal records could involve convictions relevant to the activities for which the contractor holds the license.

CSLB estimates that it would cost approximately \$4 million over six years to implement this expanded fingerprinting requirement. Not included in this estimate are the increased programming costs or the possible substantial additional workload for the Subsequent Arrest Unit.

CSLB emphasizes that this fingerprinting requirement differs for CSLB and the construction industry as compared to other professions and boards. CSLB licenses businesses as well as individuals, so an arrest or conviction of a qualifier on a license could affect an entire company, which, potentially, could jeopardize pending construction jobs, such as a large-scale public works project, along with the jobs of many construction employees. In addition, the employees of licensees are often the individuals with the most direct contact with consumers; however, these individuals do not appear on the license record and would not be subject to fingerprinting.

Further, the nature of the construction industry means that the existing licensee population is being fingerprinted at a fairly accelerated rate. Also, CSLB regularly hears about contractors who are arrested and/or convicted through enforcement partners in local government, as well as other licensees and consumers.

CSLB opposes a requirement for retroactive licensee fingerprinting, particularly given the difficulty meeting existing requirements and responsibilities in the current budget environment; such a requirement might significantly harm the construction industry. The Board cautions against placing this additional burden on the industry when the economy is still in recovery mode.

d. Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?

The National Association of State Contractors Licensing Agencies (NASCLA) maintains a database relating to disciplinary actions against contractors. CSLB's application units reference the database prior to issuing an original license.

e. Does the board require primary source documentation?

CSLB requires primary source documentation when denying licensure based on a criminal conviction: relevant certified court records.

20. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

CSLB's process for out-of-state and out-of-country applicants is the same as for in-state applicants.

21. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

a. Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?

CSLB identifies and tracks the number of applications submitted by veterans.

The CSLB website has a dedicated link to help military veterans find information about the documentation requirements necessary to use their military experience and/or training to meet licensure qualifications. CSLB grants credit for applicable work experience obtained in the military by applicants upon submission of an acceptable Certification of Work Experience and appropriate supporting documentation, including the DD-214 discharge paperwork. Processing for all applications submitted by veterans is automatically expedited. CSLB also has established a direct email contact for veterans (veteransinfo@cslb.ca.gov) who need one-on-one assistance with the application process.

CSLB grants up to three of the required four years of journey-level experience for completion of educational and degree programs upon submission of certified official transcripts.

b. How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?

Since January 1, 2013, CSLB has received approximately 237 inquiries via the veteran page email address on CSLB’s website. Thirty-six applications have been approved and licenses issued. One renewal fee has been waived.

c. What regulatory changes has the board made to bring it into conformance with BPC § 35?

CSLB offers a Veterans Application Assistance Program for troops who are transitioning from military service to civilian employment. In many cases, veterans possess transferable skills to help meet the minimum experience and training requirements for state contractor licensure. This program offers priority service to veteran applicants, using specially trained technicians who evaluate transferable military experience and training as well as education.

d. How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3 and what has the impact been on board revenues?

One renewal fee has been waived.

e. How many applications has the board expedited pursuant to BPC § 115.5?

CSLB has expedited 38 applications under BPC § 115.5.

22. Does the board send No Longer Interested notifications to DOJ on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

CSLB recently began to send No Longer Interested notifications to DOJ via weekly electronic transmittals. There is no backlog at this time.

EXAMINATIONS

Table 8 presents data by fiscal year for each examination CSLB administers for first time candidates (1st), repeat candidates (repeat), and the combined candidates (total). Each examination is based on an in-house occupational analysis. The table also includes information about the year of the last occupational analysis (Latest OA) and the year of the target occupational analysis (Next OA). The # rows contain the number of candidates who took the examination; the % rows contain the percentage of candidates who passed. The data presented is by application fee number, not necessarily by individual. A candidate may have more than one application fee number, either by adding classifications or by not passing the exam within the 18 months that an application is active. A single candidate's data also may span multiple fiscal years.

Table 8 – Examination Data

EXAMINATIONS															
License Type & Exam Title		FY 2010-2011			FY 2011-2012			FY 2012-2013			FY 2013-2014			Latest OA	Next OA
		1st	repeat	total	1st	repeat	total	1st	repeat	total	1st	repeat	total		
"A" General Engineering	#	669	491	1,160	544	443	987	431	316	747	344	181	525	2014	2019
	%	69	27	51	63	26	46	68	30	52	75	34	61		
"B" General Building	#	5,279	4,593	9,872	4,182	4,381	8,563	3,482	3,914	7,396	2,376	2,413	4,789	2013	2018
	%	60	21	42	59	22	40	59	20	38	64	21	42		
C-2 Insulation & Acoustical	#	72	49	121	56	29	85	52	66	118	57	52	109	2011	2016
	%	61	37	51	59	31	49	44	20	31	63	21	43		
C-4 Boiler, Hot Water	#	33	17	50	27	15	42	19	8	27	23	9	32	2011	2016
	%	85	29	66	74	20	55	84	38	70	74	33	63		
C-5 Framing & Rough Carpentry	#	52	52	104	19	15	34	35	31	66	48	35	83	2013	2018
	%	62	27	44	63	20	44	37	32	35	48	20	36		
C-6 Cabinet, Millwork, and Finish Carpentry	#	243	167	410	178	177	355	189	143	332	207	141	348	2014	2019
	%	69	25	51	67	23	45	67	23	48	69	24	51		
C-7 Low Voltage	#	312	136	448	244	81	325	286	136	422	243	94	337	2011	2016
	%	79	34	66	80	38	70	70	35	59	79	43	69		
C-8 Concrete	#	277	189	466	216	175	390	197	190	387	205	163	368	2010	2015
	%	73	19	51	63	15	41	62	13	38	66	20	46		
C-9 Drywall	#	190	345	535	136	280	416	130	141	271	138	133	271	2010	2015
	%	36	19	25	49	19	29	58	23	39	56	25	41		
C-10 Electrical	#	1,378	1,054	2,432	1,028	853	1,881	791	653	1,444	731	440	1,171	2013	2018
	%	71	24	51	71	22	49	70	23	49	76	27	58		
C-11 Elevator	#	28	18	46	17	17	34	11	5	16	15	9	24	2014	2019
	%	54	50	52	41	47	44	73	60	69	47	44	46		
C-12 Earthwork & Paving	#	85	130	215	79	143	222	68	45	113	77	71	148	2011	2016
	%	40	20	28	54	20	32	65	18	46	61	14	39		

Table 8 – Examination Data

EXAMINATIONS															
License Type & Exam Title		FY 2010-2011			FY 2011-2012			FY 2012-2013			FY 2013-2014			Latest OA	Next OA
		1st	repeat	total	1st	repeat	total	1st	repeat	total	1st	repeat	total		
C-13 Fencing	#	89	79	168	86	58	144	65	43	108	59	40	99	2013	2018
	%	58	23	42	70	22	51	72	28	55	85	15	57		
C-15 Flooring	#	361	357	718	281	277	558	251	163	414	288	203	491	2014	2019
	%	59	19	39	72	22	47	65	19	47	73	22	52		
C-16 Fire Protection	#	161	175	336	101	142	243	72	48	120	56	30	86	2011	2016
	%	50	31	40	50	29	38	57	33	48	57	23	45		
C-17 Glazing	#	163	120	283	121	101	222	137	88	225	139	71	210	2010	2015
	%	65	26	48	66	28	49	75	17	52	68	24	53		
C-20 Warm-Air Heating, Ventilating, and Air Conditioning	#	660	593	1,253	514	396	910	453	295	748	346	144	490	2014	2019
	%	66	28	48	69	28	52	71	33	56	81	26	64		
C-21 Building Moving & Demolition	#	82	59	141	81	38	119	60	52	112	53	34	87	2012	2017
	%	68	34	54	73	26	58	62	27	46	64	38	54		
C-23 Ornamental Metals	#	62	106	168	46	58	104	46	40	86	47	42	89	2014	2019
	%	44	17	27	63	19	38	59	13	37	60	33	47		
C-27 Landscaping	#	682	870	1,552	516	749	1,265	538	522	1,060	490	452	942	2010	2015
	%	52	18	33	57	19	34	63	17	40	69	14	42		
C-28 Lock & Security Equipment	#	33	30	63	30	20	50	30	22	52	22	18	40	2013	2018
	%	52	23	38	63	60	62	47	27	38	64	44	55		
C-29 Masonry	#	122	121	243	92	117	209	70	100	170	79	107	186	2010	2015
	%	43	23	33	53	14	31	40	21	29	43	22	31		
C-31 Traffic Control	#	22	29	51	22	18	40	22	10	32	30	11	41	2010	2015
	%	23	41	33	32	44	38	50	60	53	63	36	56		
C-32 Parking & Highway	#	34	63	97	15	18	33	26	23	49	21	23	44	2010	2015
	%	38	25	30	60	28	42	58	43	51	43	22	32		
C-33 Painting & Decorating	#	787	591	1,378	640	515	1,155	617	414	1,030	591	399	990	2010	2015
	%	66	21	47	69	24	49	67	22	49	73	26	54		
C-34 Pipeline	#	19	38	57	12	5	17	15	8	23	22	3	25	2012	2017
	%	53	26	35	75	40	65	60	38	52	64	33	60		
C-35 Plastering	#	83	84	167	75	71	146	63	44	107	64	53	117	2013	2018
	%	53	24	38	73	11	43	67	16	46	70	21	48		
C-36 Plumbing	#	832	631	1,462	664	542	1,206	554	446	1,000	426	327	753	2014	2019
	%	71	22	50	69	23	48	68	26	49	74	24	52		
C-38 Refrigeration	#	87	65	152	83	55	138	54	59	113	53	22	75	2013	2018
	%	63	23	46	75	22	54	70	29	49	85	14	64		

Table 8 – Examination Data

EXAMINATIONS															
License Type & Exam Title		FY 2010-2011			FY 2011-2012			FY 2012-2013			FY 2013-2014			Latest OA	Next OA
		1st	repeat	total	1st	repeat	total	1st	repeat	total	1st	repeat	total		
C-39 Roofing	#	248	179	427	223	196	419	195	143	338	172	142	314	2010	2015
	%	65	21	46	70	21	47	69	19	48	72	18	48		
C-42 Sanitation	#	41	47	88	19	26	45	24	35	59	28	46	74	2012	2017
	%	59	28	42	47	23	33	25	14	19	39	24	30		
C-43 Sheet Metal	#	55	39	94	41	25	66	46	24	70	45	25	70	2014	2019
	%	67	21	48	71	40	59	74	38	61	69	32	56		
C-45 Signs	#	46	54	100	43	60	103	36	37	73	38	45	83	2012	2017
	%	59	24	40	65	18	38	39	22	30	55	27	40		
C-46 Solar	#	187	194	381	120	112	232	87	62	149	102	42	144	2012	2017
	%	56	21	38	62	20	41	69	21	49	75	33	63		
C-47 General Manufactured Housing	#	12	37	49	15	33	48	11	28	39	8	12	20	2012	2017
	%	25	11	14	20	15	17	27	25	26	25	25	25		
C-50 Reinforcing Steel	#	18	29	47	17	10	27	12	6	18	19	14	33	2012	2017
	%	61	3	26	59	30	48	67	33	56	63	29	48		
C-51 Structural Steel	#	88	57	145	50	44	94	47	40	87	64	42	106	2014	2019
	%	70	19	50	64	30	48	74	25	52	73	24	54		
C-53 Swimming Pool	#	123	173	296	96	94	190	94	62	156	88	51	139	2011	2016
	%	52	17	31	73	24	49	76	27	56	67	24	51		
C-54 Tile	#	357	257	614	255	202	457	242	189	431	264	145	409	2011	2016
	%	67	25	49	67	22	47	69	26	50	74	26	57		
C-55 Water Conditioning	#	16	14	30	15	18	33	13	11	24	15	9	24	2012	2017
	%	50	36	43	67	11	36	62	9	38	60	33	50		
C-57 Well Drilling	#	40	6	46	26	10	36	22	5	27	19	7	26	2012	2017
	%	93	17	83	81	20	64	91	0	74	68	57	65		
C-60 Welding	#	49	55	104	49	44	93	43	31	74	62	43	105	2013	2018
	%	55	13	33	57	34	46	65	26	49	71	26	52		
ASB Asbestos Abatement Certification	#	106	33	139	95	21	116	89	32	121	85	18	103	2010	2015
	%	48	61	51	65	62	65	73	47	66	79	39	72		
HAZ Hazardous Substance Removal	#	100	34	134	86	19	105	67	14	81	74	13	87	2012	2017
	%	73	47	66	77	32	69	81	14	69	84	15	74		
Law Law & Business	#	12,019	8,336	20,355	9,456	5,051	14,507	8,446	4,041	12,488	7,335	3,248	10,583	2010	2015
	%	73	21	52	80	21	59	80	21	61	81	20	62		

23. Describe the examinations required for licensure. Is a national examination used? Is a California-specific examination required?

California is mandated to administer a trade-related and law and business examination as part of the licensure process (Business & Profession Code sections 7065 and 7068).

The National Association of State Contractors Licensing Agencies (NASCLA) has an accreditation program to approve examinations for acceptance in multiple states. There currently is one examination for commercial general building contractors that is NASCLA-accredited and being used by a few states. However, because CSLB does not have a separate license classification for commercial general building contractors this examination is not appropriate for California.

CSLB has exam specialists on staff to ensure that examinations meet psychometric standards for licensure examinations. Occupational analyses are performed every five to seven years for all examinations, testing statistics are compiled at regular intervals, and examination forms are updated frequently.

24. What are pass rates for first time vs. retakes in the past 4 fiscal years? (Refer to Table 8: Examination Data)

Table 8 shows the examination statistics for each examination during the last four years, including the years of the last occupational analyses and the target years for the next occupational analyses. The statistics include the number of examinations administered (#) and the percentage of candidates passing (%). Additionally, the data is presented in separate columns for first-time test takers (1st), repeat test takers (repeat), and the combined groups (total). Each examination is based on an occupational analysis developed in-house by CSLB.

Overwhelmingly, the pass rate for first-time test takers is much higher than that for repeat test takers. This predictable result reflects better preparation on the part of those candidates who pass the first time. Four examinations, however, did not follow this pattern. Three of the four examinations demonstrated that the repeat test taker pass rate was higher or equal to that of the first-time test takers—but only for one fiscal year out of four. The sole examination with this reverse pattern for more than one fiscal year was for C-31 Construction Zone Traffic Control. Very few candidates take this examination, however, and statistics based on small numbers tend to be unstable and unreliable.

Note that the data for Table 8 does not strictly represent individuals. A candidate's data is stored by application fee number. He or she may have more than one application fee number, either by adding classifications to an existing license or not

passing within the 18 months that an application is active. A candidate's data may also span multiple fiscal years.

25. Is the board using computer-based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?

The large volume of contractor examinations and applicants makes it efficient and cost-effective for CSLB to develop and administer its own examinations. Computer-generated examinations are administered daily at eight test centers throughout the state. There are 45 examinations: 42 trade, two certification, and one law and business examination.

In July 2014, CSLB's Sacramento Test Center successfully launched SCORE 1.5, an upgrade to its custom test development and administration software, which was created in-house by CSLB's Information Technology division. SCORE is the acronym for Statewide Contractors Official Regulatory Examination. The software upgrade coincides with the implementation of touch-screen computers, a new function that candidates have welcomed. Shorter instructions allow candidates to begin their examinations sooner and the ease of the touchscreens, compared to the mouse, allows them to move through and complete the examinations more quickly. The SCORE upgrade also makes it easier to administer civil service examinations at CSLB test centers.

26. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

There are no existing statutes that hinder the efficient and effective processing of applications and/or examinations.

SCHOOL APPROVALS

27. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?

CSLB's licensing requirements do not include a mandatory education component, so there is no school approval process.

28. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?

Not applicable; CSLB does not approve licensing schools.

29. What are the board’s legal requirements regarding approval of international schools?

Not applicable; CSLB does not approve international schools.

30. Describe the board’s continuing education/competency requirements, if any. Describe any changes made by the board since the last review.

CONTINUING EDUCATION/COMPETENCY REQUIREMENTS

CSLB does not have a continuing education (CE) or continuing competency requirement. In 2013, the Board adopted a policy opposing the establishment of any such requirement, absent an identified problem within the construction industry that CE would address and because of the significant costs of such a requirement on licensees and CSLB.

- a. How does the board verify CE or other competency requirements?**
- b. Does the board conduct CE audits of licensees? Describe the board’s policy on CE audits.**
- c. What are consequences for failing a CE audit?**
- d. How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?**
- e. What is the board’s course approval policy?**
- f. Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?**
- g. How many applications for CE providers and CE courses were received? How many were approved?**
- h. Does the board audit CE providers? If so, describe the board’s policy and process.**
- i. Describe the board’s effort, if any, to review its CE policy for purpose of moving toward performance based assessments of the licensee’s continuing competence.**

Not applicable.



SECTION 5: ENFORCEMENT PROGRAM

ENFORCEMENT PROGRAM OVERVIEW

CSLB's enforcement responsibilities include 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.

CSLB receives complaints from members of the public, licensees and professional groups, governmental agencies, and others concerning all aspects of the construction industry. However, the majority of complaints come from owners of residential property involved in remodeling or repair work. In FY 2013-14, CSLB received 18,322 complaints. A steady reduction of incoming complaints during FY 2013-14 can be partially attributed to the economic downturn. The Intake and Mediation Center (IMC) continues to investigate illegal advertising complaints. In FY 2013-14, complaints were at a manageable level.

CSLB's enforcement process involves a number of steps through which cases may pass:

1. Complaint receipt, screening, and mediation to attempt resolution without disciplinary action;
2. Complaint investigation;
3. Arbitration of cases meeting certain criteria—again, to achieve resolution without disciplinary action in appropriate cases;
4. Minor cases, with a warning letter or citation and fine by CSLB Enforcement staff;
5. Serious cases, with referral of the completed investigation to the Attorney General's (AG) office for filing of an accusation to suspend or revoke the license, and cases involving criminal violations, with referral of the completed investigations to the local district attorney (DA) for the filing of criminal charges;
6. Misdemeanor Notices to Appear (NTA) issued for unlicensed activity and illegal advertising. The NTA is forward to a district attorney for prosecution;
7. Stop Orders issued to contractors who lack workers' compensation insurance for employees;

8. Evidentiary hearings before an administrative law judge (ALJ) from the Office of Administrative Hearings;
9. Submission of the ALJ's proposed decision to the Registrar of Contractors for final agency decision; and
10. Potential judicial review of the Registrar's decision.

INTAKE AND MEDIATION CENTER (IMC)

During the intake and/or mediation process, CSLB receives complaints about licensed and unlicensed contractors (referred to as the "respondent"), of which licensee workmanship complaints comprise the largest share. Complaints are initially processed by Program Technicians (PT), who encode complaint information into CSLB's computer tracking system, send a contact letter to the parties involved, establish a complaint file, and assign the complaint to a Consumer Services Representative (CSR). The PT's work is reviewed by a supervisor, who then assigns the complaint to a CSR. The CSR contacts both the complainant and the respondent and attempts to mediate the complaint by:

- Discerning the nature and dollar value of the dispute to determine whether CSLB has jurisdiction and/or whether the case qualifies for referral to one of the board's arbitration programs,
- Determining whether the consumer will permit the respondent contractor to return and fix the source of the complaint, and
- Acting as an intermediary in an attempt to smooth relations between the parties so that an amicable resolution can be reached.

If a solution is reached and the respondent contractor performs to the consumer's satisfaction, the CSR closes the complaint (subject to review by the district office supervisor). Complaints for serious or repeat violations are not subject to settlement. If the matter is not settled, the CSR gathers relevant documents (such as the contract between the consumer and respondent, the project plans, and photographs of the project) and transfers the case file to "the field" (one of the office's investigative Enforcement Representatives, or ERs) for formal investigation (again, subject to review by the office supervisor).

Settling licensee complaints for consumers remains one of CSLB's strengths. The Board-adopted goal is to settle 30 percent of complaints received. Settlements result in significant cost savings for consumers.



ENFORCEMENT DATA	FY 2011-12	FY 2012-13	FY 2013-14
Percent of complaints settled	34%	40%	41%
Consumer Cost Savings	\$8,247,768	\$8,057,271	\$8,571,338

The IMC also is dedicated to taking enforcement action against unlicensed operators participating in the underground economy. Unlicensed operators who advertise for construction without holding a valid license are issued warning letters, referred for undercover sting operations, and issued administrative citations.

INVESTIGATION

Contractors' State License Law vests CSLB with certain enforcement responsibilities and authorities when a case is complex, no settlement is reached, or if the respondent contractor is a repeat or egregious offender who endangers the health and safety of the homeowner or the public. Additionally, CSLB maintains an "Industry Expert Program" through which it assesses departures from trade standards and/or project specifications and quantifies damages to promote dispute resolution. Through these programs, CSLB attempts to persuade the respondent contractor and the homeowner to arrive at a mutually agreeable settlement, whereupon the complaint is closed and no disciplinary action is taken by the board against the respondent contractor. In FY 2013-2014, the Investigative Centers resolved hundreds of complaints that resulted in \$12,555,926.46 in restitution for consumers.

The Registrar and Enforcement staff are authorized to investigate complaints against licensees and non-licensees acting as contractors. If an investigation uncovers evidence of a possible statutory or regulatory violation, the Registrar has a number of options for possible action: a warning letter, a citation (which may include a fine and/or an order of abatement or correction), injunctive relief, or the filing of an accusation (which may lead to license revocation, suspension, or probation with terms and conditions). CSLB administrative enforcement actions against licensees are prosecuted pursuant to the Administrative Procedure Act (APA). In addition, CSLB may refer cases involving criminal or anti-competitive activity to district attorneys who may prosecute such cases under the Penal Code or the Unfair Competition Law (B&P Code section 17200). See Table 9a for statistics related to referrals for investigation.

PEACE OFFICERS

Legislation enacted in 2010 granted CSLB the authority to establish nine additional sworn Peace Officer (PO) positions within the Enforcement division, for a total of 12, whose expertise, skills, knowledge, and abilities are vital to combat construction-related crimes. These peace officers, who undergo unique training and education, strengthen CSLB's ability to investigate construction-related elder abuse, fraud, insurance violations, and unlicensed activity. Their training extends beyond Contractors' State License Law and includes a working knowledge of California Penal Code, Labor Code, Health and Safety Code, and Vehicle Code. Additionally, their Peace Officer Standards and Training (POST) Commission academy training includes chain-of-custody issues, expert testimony, dealing with aggressive/angry/argumentative people, and interpreting body language.

POs can videotape elder abuse victims, establish the victim's mental capacity, obtain medical records (HIPPA requirements), obtain bank records through search warrant or written authorization, and complete preliminary financial audits, making it easier for district attorneys to file elder abuse charges. Further, POs enjoy more credibility when testifying at pretrial hearings than their non-sworn counterparts, and can obtain expedited records from courts and the DMV Law Enforcement Counter.

CSLB POs work with multiple jurisdictions to perform complex investigations and joint undercover operations, often targeting revoked licensees who continue to illegally contract. When Stop Orders are issued, POs frequently follow up with local law enforcement partners, perform undercover surveillance, and, when appropriate, arrest individuals suspected of illegal activity. They often conduct site inspection and/or compliance checks with local law enforcement and agency partners, such as the California Department of Insurance (CDI) and district attorney investigators. POs participate and lead multi-jurisdictional criminal investigation task forces. When a natural disaster occurs, CSLB POs are among the first responders who, as sworn officers, can access disaster areas.

ARBITRATION

Pursuant to B&P Code section 7085, et seq., CSLB administers two arbitration programs to encourage the settlement of consumer-contractor and contractor-contractor disputes without disciplinary action. Under B&P Code section 7085(b), disputes over contracts worth \$12,500 or less shall be referred to CSLB's Mandatory Arbitration Program (MARB); under B&P Code section 7085(a), disputes over contracts worth more than \$12,500 but less than \$50,000 may be referred to CSLB's Voluntary Arbitration Program (VARB) with the concurrence of both the complainant

and the contractor. The statute specifies that complaints referred to MARB/VARB must meet several criteria:

1) The respondent licensee does not have a history of repeated or similar violations; 2) the licensee was in good standing with CSLB at the time of the alleged violation; and 3) the licensee has no outstanding disciplinary actions filed against him or her. Considered "fair, fast, and free," CSLB arbitrations are binding and the parties have only a limited ability to challenge the arbitrator's decision in court. CSLB's arbitration decisions also are confidential and, thus, not disclosed on CSLB's website, or elsewhere, unless a contractor against whom a monetary award is entered fails to pay the award within 90 days (at which time CSLB suspends the contractor license and posts that action on its website).

For eight consecutive years, the Arbitration Mediation Conciliation Center (AMCC) has administered the CSLB arbitration program. During 2013, 313 complaints were referred to the arbitration program and 288 awards were rendered, resulting in \$1,254,767 in restitution ordered for financially injured persons. Forty-five licenses were revoked for failure to comply with an arbitration award. In 2014, CSLB renewed its contract with AMCC to conduct its arbitration hearings through November 30, 2015. AMCC hears approximately 400-700 CSLB cases per year and, since the program's inception, AMCC has heard more than 6,300 CSLB arbitration proceedings and rendered individual monetary decisions of up to \$50,000. The Board's CSRs and ERs refer eligible cases to AMCC and then close them (for purposes of statistical tracking). Thereafter, AMCC gathers information about the dispute, sets a hearing date, and assigns an arbitrator to hear the case at a relatively informal hearing (which is frequently conducted by the parties themselves without the assistance of counsel). CSLB may pay for the services of one expert witness to testify at the hearing; the parties may pay for additional experts to testify. Following submission of the case, the arbitrator has 30 days in which to issue his or her decision. The entire process averages 47 days.

During the last four years, AMCC has implemented several program improvements:

- Coordinated parties for a hearing within 10 days of receipt for a military claimant being deployed;
- Assigned Saturday arbitration dates for parties unable to participate in weekday hearings;
- Coordinated multiple party disputes among complainants, prime, and sub-contractors;
- Arranged for unique hearing sites to comply with ADA requirements;
- Implemented video conferencing protocols;

- Conducted statewide joint CSLB/arbitrator trainings; and
- Created additional handouts to parties to assist in hearing preparation.

During 2013, AMCC received a 94 percent satisfaction rating in a survey of participants in the proceedings. The table below shows specific survey ratings, both historical and current (on a scale from 1 to 5, 5 being the highest level of satisfaction):

Arbitration Satisfaction Ratings (1 - 5 Scale)	
Efficient Coordination Among Parties	4.74
Scheduling/Notice of Hearings	4.73
Case Management Overall	4.84
AMCC Professionalism	4.83
Case Manager Courtesy	4.84
Case Manager Efficiency	4.82

Despite these successes, CSLB has encountered some problems with the program, and recommends legislative changes, as outlined in the "New Issues" section of this report.

DISCIPLINARY ACTIONS

When violations of B&P Code are substantiated, CSLB has several legal options: accusations, licensee citations, non-licensee citations, or referrals to a DA for criminal prosecution.

Citations

CSLB has the authority to issue citations for B&P Code violations (see Table 9c below for CSLB citation statistics). A typical citation imposes a civil penalty and contains a correction order.

Accusations

Once a CSLB investigator completes an investigative report recommending an accusation (the written notice of charges) in a given case, and that recommendation is approved by CSLB upper management, the file is transferred to the licensing section of the Attorney General’s Office, where it is assigned to a deputy attorney general (DAG). The DAG reviews the investigative file and determines whether it is sufficient to prove a disciplinary violation. If so, the DAG prepares the accusation and returns it to Enforcement’s Case Management Unit (CMU), an internal support unit that tracks and processes all of CSLB legal actions. CMU reviews the accusation

and, if it is accurate, signs the accusation (or in CSLB terminology, “files” the accusation), and serves it on the respondent.

The accusation filing triggers the adjudication process governed by the Administrative Procedure Act (APA) of the Government Code, which is designed to ensure that an accused licensee is afforded procedural due process rights before his or her property right (the license) is taken from him or her. According to case law interpreting the APA, the agency is the moving party that must meet the burden of proof regarding a disciplinary violation with evidence that is “clear and convincing to a reasonable certainty.”

When the accusation is filed, the respondent receives notices and information about his or her right to appeal. The respondent may file a notice of defense (NOD). If a NOD is filed and received by CMU, the DAG is notified and secures a hearing date from the Office of Administrative Hearings (OAH).

Thereafter, the parties may engage in limited discovery and, barring settlement, will present their respective cases at a public evidentiary hearing presided over by an ALJ from OAH. At the hearing, the AG represents CSLB and the respondent contractor may be represented by counsel of his or her choice (paid for by the respondent). Each party has the right to examine and cross-examine witnesses, present documentary evidence, and present oral argument. Following submission of the evidence, the ALJ prepares a written proposed decision, including findings of fact, conclusions of law, and recommended discipline. At CSLB’s request, the ALJ also may recommend that the licensee pay “investigative cost recovery” to reimburse the board for the investigative and enforcement costs incurred up to the first day of the evidentiary hearing. The ALJ’s ruling is a “proposed decision” that is forwarded to the CSLB Registrar who makes the final agency decision to adopt, non-adopt, or modify the decision.

Often, an accusation may result in a stipulated agreement before the hearing occurs. In these instances, the license is typically revoked, but stayed with conditions, wherein the licensee may still operate under probationary status. Revocation of the license may be disclosed to the public. The license probationary period can be from two years to five years, and is overseen by a “probation monitor” for compliance with the terms and conditions of the probation. If the terms and conditions are not being met, CMU will submit a request to the AG to re-impose revocation.

Consumer Complaint Referrals to District Attorney

Enforcement staff has continued to strengthen relationships with district attorneys and identified specific consumer protection prosecutors throughout the state with which to partner on various criminal investigations. While the majority of criminal

investigations involve unlicensed contractors who have financially injured consumers and/or continued to operate illegally despite receiving administrative citations, other criminal investigations target especially egregious offenders, both licensed and unlicensed. Enforcement has identified DAs in counties across the state who, 1) specialize in elder abuse cases, 2) have special funding from the California Department of Insurance (CDI) to prosecute workers' compensation insurance fraud cases, and 3) who prosecute complex criminal cases that involve service and repair contractors or specialty contractors that, often, operate their businesses throughout the state.

Pursuant to B&P Code section 7123, conviction of a construction-related crime or a crime substantially related to the qualifications, functions, and duties of a contractor is cause for disciplinary action against a licensee, with the conviction record itself serving as the conclusive evidence. Therefore, when a licensee faces pending criminal prosecution, or immediately following conviction of a substantially-related crime, CSLB may refer a parallel disciplinary action to revoke a license.

31. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

B&P Code section 7011.7 sets CSLB's statutory mandate regarding the length of time in which to complete a complaint investigation. The statutory goal for routine investigations is six months from receipt of the complaint to completion of the investigation. For complaints that involve complex fraud issues or complex contractual arrangements the statutory goal for completing the review and investigation is one year. As shown in Table 9c, the Enforcement division consistently meets this mandate, averaging 70 days from receipt of a complaint to completed investigation—far less than the statutory goal.

BOARD-ADOPTED PERFORMANCE GOALS

In February 2006, the Board adopted complaint-handling performance targets that exceed the statutory mandate.

The Intake and Mediation Center (IMC) has a Board-adopted goal to close complaints within 60 days through mediation and negotiation. In addition, IMC CSRs consistently have met the goal to settle (with restitution paid) 30 percent of licensee complaints without the need for a comprehensive investigation.

In addition to providing an appropriate disposition for a complaint within six months, the Investigative Centers (ICs) have a goal to reduce unresolved complaints that

exceed 270 days to less than 100 complaints at any given time, an objective CSLB continues to meet. As of July 2014, the board had 69 unresolved complaints over 370 days in age.

32. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

CSLB consistently has met the consumer complaint-handling goal pursuant to B&P Code section 7011.7 – "Reviewing and investigating complaint." CSLB's average complaint-handling cycle time over the past four fiscal years, from intake of a complaint through investigation, is 74 days, far less than the Board target of 180 days. At the same time, CSLB has experienced a significant increase in the Enforcement workload:

- Between FY 2011-12 and FY 2013-14, licensee citations increased over 50 percent because contractors failed to obtain workers' compensation (WC) insurance for employees and perform construction without obtaining the required permits.
- In 2010, CSLB established a pilot Public Works Unit focused on vetting public works project complaints and investigations. Based on the number of cases investigated and legal actions taken, this effort is a success. Previously, CSLB would have been unaware of the egregious public works-related violations that include, but are not limited to, failure to pay employees' wages, unlicensed contracting, failure to maintain WC for employees, and illegal substitution of a subcontractor.
- CSLB lacks the staff resources to promptly investigate unlicensed practice leads in Mendocino, Santa Barbara, and Stanislaus counties. A review of craigslist.org establishes that in these counties, approximately 90 percent of the contractors who advertise are unlicensed. Further, California has the largest elder adult population in the country and illegal contractors specifically target this demographic who, often, are unaware that they have been harmed. In July 2014, CSLB submitted BCPs for three additional staff.

Table 9a – Enforcement Statistics

Enforcement Statistics	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
COMPLAINT				
Intake				
Received (by source)	20,925	18,731	17,521	17,785
Public	14,895	12,924	12,902	12,431
Licensee/Professional Groups	1,740	1,595	1,026	1,092
Governmental Agencies	496	290	149	244
Other	3,794	3,922	3,444	4,018
Closed	91	88	124	118
Referred to INV	20,868	18,643	17,397	17,667
Average Time to Close	2	2	2	2
Pending (close of FY)	3,827	3,797	3,681	3,835
Conviction / Arrest				
CONV Received	395	508	580	418
CONV Closed	759	700	614	470
Average Time to Close	NDA	NDA	53.0	78.0
CONV Pending (close of FY)	64	104	81	58
LICENSE DENIAL				
License Applications Denied	49	57	51	55
SOIs Filed	68	72	78	73
SOIs Withdrawn	8	5	10	1
SOIs Dismissed	0	0	0	0
Average Days SOI	796	769	699	790
ACCUSATION				
Accusations Filed	313	272	237	342
Accusations Withdrawn	14	20	15	18
Accusations Dismissed	2	0	5	1
Average Days Accusations	796	769	699	790

Table 9b – Enforcement Statistics (continued)

Enforcement Statistics	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
DISCIPLINE				
Disciplinary Actions				
AG Cases Opened/Initiated	599	551	521	472
AG Cases Closed	402	391	375	387
Average Days to Complete	747.5	786.0	789.0	820
AG Cases Pending (close of FY)	641	647	655	602
Disciplinary Outcomes				
Revocation	318	311	322	311
Voluntary Surrender	N/A	N/A	N/A	N/A
Suspension	3	9	10	5
Probation with Suspension	3	0	1	0
Probation	46	66	59	81
Probationary License Issued	206	155	94	79
Other	39	58	79	70

Table 9c – Enforcement Statistics (continued)

Enforcement Statistics	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
INVESTIGATION				
All Investigations				
First Assigned	21,320	19,239	18,101	18,203
Closed (by type)	22,483	20,366	19,118	18,875
Unlicensed Activity	6,271	5,238	5,254	5,357
Competence/Negligence	4,480	4,023	3,930	4,111
Unprofessional Conduct	6,653	5,597	4,842	4,545
Personal Conduct	731	1,015	1,225	807
Fraud	371	533	553	770
Health & Safety	590	550	526	495
Other/Miscellaneous	3,387	3,410	2,788	2,790
Average days to close	68.1	72.7	76.6	76.4
Pending (close of FY)	3,891	3,901	3,762	3,893
COMPLIANCE ACTION				
ISO & TRO Issued	NDA	NDA	NDA	NDA
PC 23 Orders Requested	NDA	NDA	NDA	NDA
Other Suspension Orders	N/A	N/A	N/A	N/A
Cease & Desist/Warning Letter	2,708	2,065	2,177	1,246
CITATION AND FINE				
Citations Issued	1,671	1,582	1,968	2,203
Average Days to Complete	166.0	164.0	165.0	168.4
Amount of Fines Assessed	\$2,587,011	\$2,688,050	\$3,672,325	\$4,129,925
Reduced, Withdrawn, Dismissed	242	273	390	432
Amount Collected	\$834,709	\$966,344	\$1,165,111	\$1,519,857
CRIMINAL ACTION				
Referred for Criminal Prosecution	1,263	1,192	1,106	1,118

Table 10. Enforcement Aging

Enforcement Aging	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Cases Closed	Average %
ATTORNEY GENERAL CASES (AVERAGE %)						
Closed Within:						
1 Year	198	168	165	174	705	45%
2 Years	150	167	167	149	633	41%
3 Years	36	39	39	50	164	11%
4 Years	13	12	3	9	37	2%
Over 4 Years	5	5	1	5	16	1%
Total Cases Closed	402	391	375	387	1,555	
INVESTIGATIONS (AVERAGE %)						
Closed Within:						
90 Days	17,382	15,399	14,310	13,826	60,917	75%
180 Days	2,439	2,389	2,225	2,592	9,645	12%
1 Year	2,532	2,503	2,458	2,350	9,843	12%
2 Years	126	72	119	107	424	1%
3 Years	4	2	4	0	10	0%
Over 3 Years	0	1	2	0	3	0%
Total Cases Closed	22,483	20,366	19,118	18,875	80,842	

33. What do overall statistics show as to increases or decreases in disciplinary action since last review.

When violations of the B&P Code are substantiated, CSLB has several options for legal action: accusations, licensee citations, non-licensee citations, or referrals to a DA for criminal prosecution. As shown in Table 9b, in FY 2013-14, legal actions resulted in 604 license revocations and 438 license suspensions, including cases where the licensee did not comply with an arbitration award or a citation. By operation of law, these licenses are suspended and, if the licensee fails to comply with the order within 90 days, revoked. The 5,280 disciplinary actions taken in FY 2013-14 were comparable to the number of actions taken in recent years.

34. How are cases prioritized? What is the board’s complaint prioritization policy? Is it different from DCA’s Complaint Prioritization Guidelines for Health Care Agencies (August 31, 2009)? If so, explain why.

CSLB’s Enforcement division continuously reexamines its priorities and programs to fulfill its mandate to protect consumers and to meet Board objectives. Current Enforcement challenges include increased demand and difficulty retaining staff in certain geographic areas. Enforcement receives many proactive leads involving alleged unlicensed practices, expired licenses, classification issues, as well as other Contractors’ State License Law violations, but insufficient resources prevent a response for each lead.

With the apparent economic upswing, CSLB anticipates an increase in the number of consumer complaints filed against licensed and unlicensed contractors. In April 2013, Enforcement staff, managers, and supervisors prioritized the various complaint categories, as seen in the chart below, in an effort to ensure a manageable caseload for staff:



The prioritization policy used by the Board is similar to DCA's Complaint Prioritization Guidelines for Health Care Agencies in that, by adhering to the prioritization chart, complaints can be sorted into urgent, high priority, and routine categories.

35. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?

There are no mandatory reporting requirements.

36. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?

B&P Code section 7091 details the timeframe for filing complaints and disciplinary actions.

Complaints alleging any patent actions or omissions must be filed within four years. A disciplinary action resulting from such a complaint must be filed or referred to arbitration within four years of the act or within 18 months from the date the complaint is filed, whichever is later.

Complaints alleging any latent act or omission regarding structural defects must be filed within 10 years after the latent act or omission. A disciplinary action resulting from such a complaint must be filed within 10 years of the act or within 18 months from when the complaint is filed, whichever is later.

37. Describe the board's efforts to address unlicensed activity and the underground economy.

The term "underground economy" refers to any business operation that deals in cash and/or uses other schemes to cover up its true tax liability from government licensing, regulatory, and taxing agencies. Common underground economy practices include tax evasion, tax fraud, cash pay, tax gaps, wage theft, payments made under the table or off the books, and unlicensed activity.

The underground economy continues to be a challenge for CSLB and the construction industry. Contractors who follow the law, pay their taxes, and protect their workers compete against those who fail to follow California business and employment laws. The underground economy negatively affects law-abiding businesses, consumers, and workers.

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

In the construction industry, cheating businesses underbid law-abiding businesses by:

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

It is estimated that California loses anywhere from \$60 to \$140 billion a year from the underground economy, a significant portion of which is attributable to the construction industry. No one state agency has the resources or the information to tackle this enforcement problem alone. Therefore, state and federal agencies with overlapping jurisdictions in the areas of labor law enforcement have joined forces to make a concerted, consistent, and effective dent in California's underground economy. The combined enforcement effort, created in 2011, titled the Labor Enforcement Task Force (LETf), replaced the Economic and Employment Enforcement Coalition (EEEC). LETf participants include the Department of Industrial Relations (DIR), the Employment Development Department (EDD), Department of Insurance (DOI), State Attorney General's Office (AG), Board of Equalization (BOE), Bureau of Automotive Repair (BAR), and CSLB.

STATEWIDE INVESTIGATIVE FRAUD TEAM TASK FORCES

CSLB's Statewide Investigative Fraud Team (SWIFT) investigators participate in specialized task forces that have been established to address the underground economy.

LETf combats California's underground economy to help create an environment where legitimate businesses can thrive. In this joint effort between state agencies and affected communities, information and resources are shared to ensure hard-working, compliant business owners and their employees have an opportunity to engage in healthy competition.

The Joint Enforcement Strike Force (JESF) is a coalition of California government enforcement agencies that work together and in partnership with local and federal agencies to fight the underground economy. JESF works to restore economic stability and improve working conditions and consumer and worker protection in the state. JESF goals are to:

- Eliminate unfair business competition;
- Protect workers by ensuring that they receive all compensation, benefits, and worker protections they are entitled to by law relating to their employment;
- Protect consumers by ensuring that all businesses are properly licensed and that they adhere to the state's consumer protection regulations;
- Reduce the burden on law-abiding citizens and businesses by ensuring that all businesses and individuals comply with California licensing, regulatory, and payroll tax laws; and
- Reduce the tax gap by increasing voluntary compliance with the state's payroll tax laws to maximize the state's General and Special Fund revenues.

SWIFT Leads

CSLB also addresses the underground economy through receipt of Lead Referral forms. These referrals relate to active job sites, and are submitted by consumers, public agencies, other contractors, subcontractors, and employees. SWIFT investigators visit the job site and take appropriate action, which may include the issuance of a Notice to Appear, a Stop Order, an administrative citation, and/or an accusation.

CITE AND FINE

38. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the \$5,000 statutory limit?

CSLB has the authority to issue citations for violations of the B&P Code (see Table 9b for CSLB enforcement statistics). A typical citation imposes a civil penalty for the violation(s) and contains a correction order. A correction order may include, but is not limited to, requirements for the contractor to pay financial restitution to the project owner, obtain workers' compensation insurance, or acquire a permit.

Effective March 2, 2007, California Code of Regulations section 884 increased the maximum amount allowed for a licensee civil penalty to \$5,000.

39. How is cite and fine used? What types of violations are the basis for citation and fine?

CSLB legal action staff issue citations, which are only referred to the AG if the respondent contractor requests an appeal hearing. Once appealed, the citation is heard by an administrative law judge (ALJ). The ALJ can uphold, modify, or reject the citation. ALJ decisions go to the CSLB Registrar for adoption. Under B&P Code section 7090.1, CSLB has the authority to suspend a contractor license if there is noncompliance with the correction order and/or impose a fine. If, after 90 days, the licensee still has not complied, the license is revoked by operation of law. If the license is revoked, other licenses with the same qualifying personnel also are revoked. The revocation shall be for a minimum of one year. Further, the revocation may be disclosed to the public for a period of five years, if there are no additional disciplinary actions.

CSLB also can issue administrative citations for unlicensed activity.

40. How many informal office conferences, Disciplinary Review Committee reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?

CSLB does not have a disciplinary review committee.

Disciplinary Appeals

DISCIPLINARY APPEALS	
Fiscal Year	Appeals
FY 12-13	847
FY 11-12	728
FY 10-11	637
FY 09-10	496
Total	2,708

Mandatory Settlement Conferences

MANDATORY SETTLEMENT CONFERENCES			
Fiscal Year	Non-Licensee	Licensee	Total
FY 12-13	115	182	297
FY 11-12	158	152	310
FY 10-11	134	116	250
FY 09-10	128	169	297

41. What are the 5 most common violations for which citations are issued?

The five most common Business and Professions Code sections for which CSLB issues violations are:

- § 7028 – Engaging in a business without a license
- § 7107 – Abandonment of Contract
- § 7109 – Departure from Accepted Trade Standards; Departure from Plans or Specifications
- § 7110 – Disregard or Violation of Statute (Permits)
- § 7125.4 – Causes for Disciplinary Action; Misdemeanor

42. What is average fine pre- and post- appeal?

The average pre-appeal fine is \$1,844; post-appeal fines average \$861.

43. Describe the board’s use of Franchise Tax Board intercepts to collect outstanding fines.

CSLB temporarily ceased participation in the Franchise Tax Board (FTB) Intercept program to contract with a private collection agency. However, in September 2014, CSLB recommenced the referral of unpaid licensee civil penalties to FTB.

FTB uses federal Social Security Administration numbers (SSN) to identify tax payers. For CSLB to collect SSNs, the original application for license would need to be amended to include an advisory notice to the applicant. Currently, CSLB does not have the authority to collect SSNs from unlicensed individuals and, therefore, cannot refer unpaid non-licensee civil penalties to FTB.

COST RECOVERY AND RESTITUTION

44. Describe the board’s efforts to obtain cost recovery. Discuss any changes from the last review.

Pursuant to B&P Code section 125.3, CSLB may request an ALJ to direct a licensee found to have violated the Contractors’ State License Law to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case. In FY 2013-14, ALJs ordered \$2,293,114 in cost recovery.

45. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.

Cost recovery is the sum of staff hours worked in the Intake and Mediation Center (IMC) and the Investigative Center (IC), the cost of any services provided by an industry expert (IE), and all costs for litigation services provided by the AG’s office.

CSLB does not permit the surrender of a license as part of the disciplinary process. If a contractor surrenders the license, CSLB will continue to pursue the disciplinary action.

At the time of a revocation, cost recovery is not sought. However, if a revoked licensee applies for a new license, 100 percent of the cost incurred to revoke the previously held license is pursued, and the new license will not be issued until the costs are paid in full. In addition, the applicant must provide proof of full restitution to the injured party associated with the previously revoked license.

As show below, over the past five fiscal years, approximately \$8.3 million in cost recovery has been ordered, and just under \$1 million of that collected.

Fiscal Year	Total \$ Ordered (Default, Decision, & Stipulation)	Total \$ Received
2009-10	\$1,616,881	\$198,043
2010-11	\$1,563,940	\$103,552
2011-12	\$1,672,459	\$175,480
2012-13	\$1,209,854	\$223,957
2013-14	\$2,293,114	\$258,757

Note: The total amount received can include monies received from a combination of different fiscal years. For example, restitution ordered in one fiscal year can be received in a different fiscal year. Also, restitution ordered in one fiscal year can be received in multiple fiscal years, as may be the case with a revocation stayed with conditions (probation) when payment arrangements for restitution are made.

46. Are there cases for which the board does not seek cost recovery? Why?

CSLB does not request cost recovery for administrative citations. Rather, CSLB prefers that the respondent pay financial restitution to injured consumers. Also, the law bars CSLB from seeking cost recovery in Statement of Issue cases (denial of an application).

47. Describe the board’s use of Franchise Tax Board intercepts to collect cost recovery.

CSLB does not use the FTB Intercept program for cost recovery.

48. Describe the board’s efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

RESTITUTION PROVIDED TO CONSUMERS

There are several circumstances under which restitution may be made to the consumer:

- **Mediation Process** – Through mediation, the licensee and complainant may agree to finish the job, correct poor workmanship, or that the contractor pay the complainant the cost to complete and/or correct the job.
- **Arbitration** – If arbitration is ordered or agreed to, restitution may be ordered.
- **Citation** – If a citation is issued, the licensee may be ordered to correct the work or pay the consumer the cost to complete and/or correct the job.
- **Accusation** – If an accusation is filed, the ALJ’s decision usually orders restitution to the consumer.

- **Unlicensed Contractor Applies for License** – If an unlicensed contractor causes a financial injury, his or her name is entered into CSLB’s computer records. Any attempt by that person to become a licensed contractor first will require resolution of the financial.
- **Civil Judgment** – If there is a construction-related civil judgment against the license, the licensee must pay or post a bond in the amount of the judgment.
- **Surety Bonds** – If there is a violation of Contractors’ State License Law, a claim can be paid by the surety company.

As shown in Table 12, in FY 2013-14, consumers received \$51,057,587 in restitution. CSLB obtained the accusation and citation amounts from formal disciplinary actions. The arbitration amount represents the total of monetary awards made through the previously described Mandatory and Voluntary Arbitration programs. CSLB’s Licensing division, through enforcement of B&P Code section 7071.17, obtains the civil judgment restitution. This law allows for an automatic suspension of the license for any unpaid civil judgment against a licensee. The suspension can be lifted only if the judgment is satisfied, a judgment bond is posted, the judgment is discharged in bankruptcy, or it expires in accordance with the applicable statutes. B&P Code section 7071.11 requires surety companies to report any bond payout to CSLB.

Table 11 – Cost Recovery

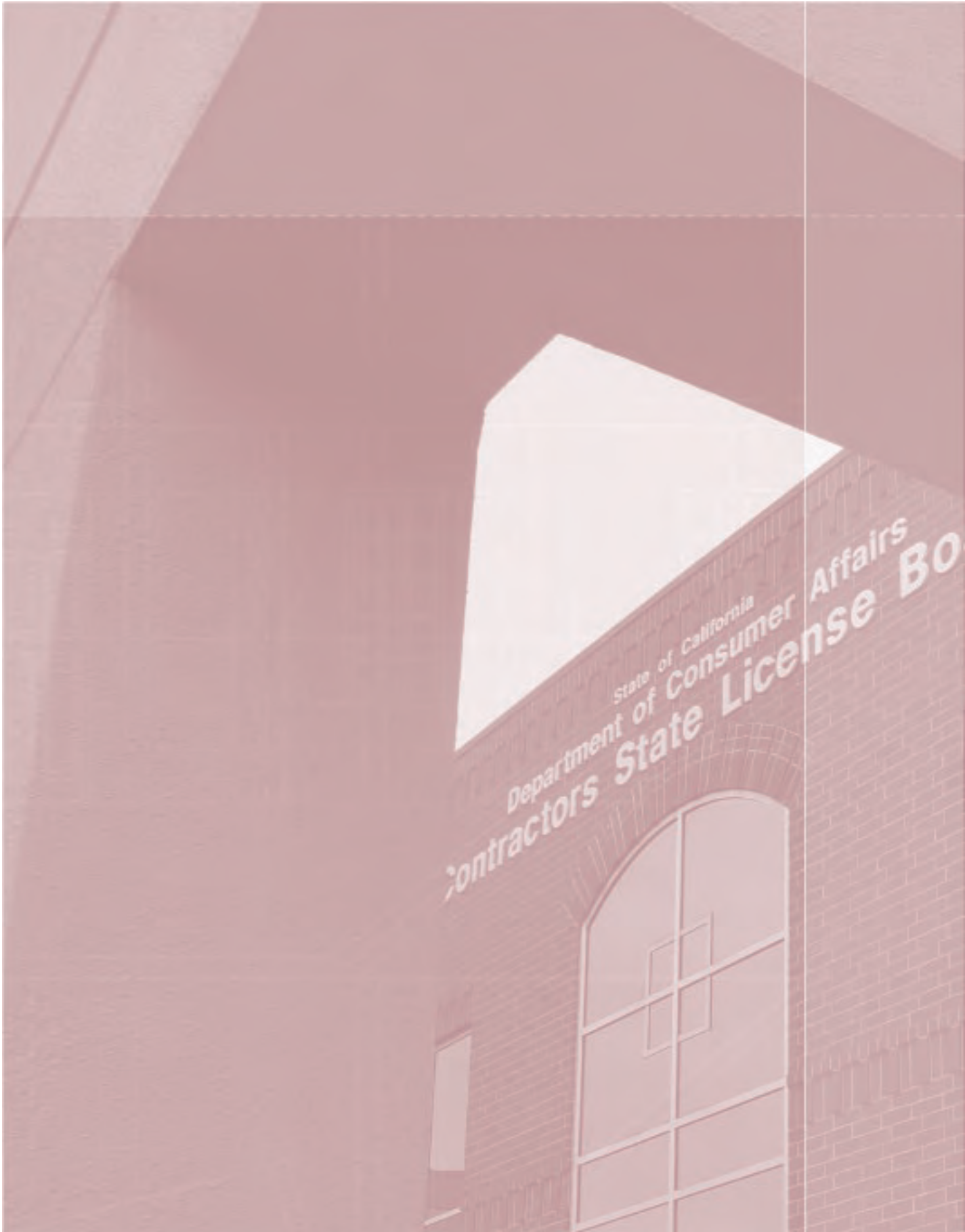
COST RECOVERY	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Enforcement Expenditures *	\$29,395,760	\$29,426,320	\$29,673,203	\$30,641,324
# Potential Cases for Recovery **	1,317	1,262	1,118	1,229
# Cases Recovery Ordered	NDA	NDA	NDA	NDA
Amount of Cost Recovery Ordered	\$1,563,940	\$1,672,459	\$1,209,854	\$2,293,114
Amount Collected	\$103,552	\$175,480	\$223,957	\$258,757

* Total includes IT Enforcement Support Costs

** Potential Cases for Recovery are those in which disciplinary action has been taken based on violation of the License Practice Act.

Table 12 – Restitution

Restitution	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Amount Ordered	NDA	NDA	NDA	\$2,178,020
Amount Collected	\$ 44,965,859	\$ 54,648,804	\$ 43,974,791	\$ 51,057,587
Arbitration	\$2,132,276	\$1,785,892	\$1,755,592	\$1,218,406
Citation	\$292,795	\$547,830	\$291,155	\$462,793
Complaint	\$15,314,199	\$12,440,717	\$11,872,484	\$12,555,926
Formal Accusation	\$330,807	\$121,160	\$144,849	\$2,804,283
Judgment	\$26,895,781	\$39,753,205	\$29,910,711	\$34,016,179





SECTION 6: PUBLIC INFORMATION POLICIES

49. How does the board use the internet to keep the public informed of board activities? Does the board post board meeting materials online? When are they posted? How long do they remain on the board's website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?

- CSLB maintains a "Board Meetings" page on its website that publicizes agenda and background materials for all Committee and full Board meetings. Agendas are posted to the website at least 10 days prior to the meeting. In addition, this website section includes archive video of all meeting webcasts.
- All posted meeting materials are kept online indefinitely.
- Draft meeting minutes are not posted online; they are posted after approval by the Board at its next quarterly meeting and remain available online indefinitely.
- CSLB maintains an extensive "Newsroom" page, which includes links to all news releases, consumer alerts, industry bulletins, and licensee newsletters. The newsroom page also includes CSLB-produced videos.

50. Does the board webcast its meetings? What is the board's plan to webcast future board and committee meetings? How long do webcast meetings remain available online?

All CSLB Board and Committee meetings are webcast, with the exception of the April Strategic Planning meeting. That meeting format, which includes moving around the room and breaking into small groups, does not lend itself to being webcast. Webcast meetings remain online indefinitely.

51. Does the board establish an annual meeting calendar, and post it on the board's website?

The Board's meeting calendar is included as an agenda item for all Board meetings. CSLB's "Board Meetings" page on its website is updated with upcoming meeting information as soon as it becomes available.

52. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions (May 21, 2010)*?

CSLB's complaint disclosure policy is consistent with DCA's Recommended Minimum Standards for Consumer Complaint Disclosure.

CSLB posts accusation and disciplinary actions. The Board maintains a website (www.cslb.ca.gov) and a toll-free number (800.321.CSLB) for use by the public to obtain general license information regarding a contractor. License status and a list of past and pending legal actions against the licensee are available. The website also provides information on the contractor's bond and workers' compensation insurance.

"Pending legal actions" are reported only when investigative staff has substantiated a complaint and legal action has been requested.

"Past legal actions" include citations previously issued against a licensee and any disciplinary action in which probation, suspension, or revocation resulted. Information concerning an arbitration decision is not made public unless the licensee fails to comply with the arbitration award. Failure to comply results, first, in suspension of the license, then, if such failure continues for 90 days, revocation of the license. CSLB reports civil judgments against a contractor when suspension is pending or has occurred.

Once CSLB determines that a probable violation of law has occurred, which, if proven, would present a risk of harm to the public and for which suspension or revocation of the contractor's license would be appropriate, the date, nature, and status of the complaint is publicly disclosed. A disclaimer stating that the complaint is, at this time, only an allegation accompanies this disclosure.

Licensee citations are disclosed to the public from date of issuance and for five years from the date of compliance.

Accusations that result in suspension or stayed revocation of the contractor's license are disclosed from the date the accusation is filed and for seven years after the accusation has been settled and includes the terms and conditions of probation. All revocations that are not stayed are publicly disclosed indefinitely from the effective date of the revocation.

TYPE OF AVAILABLE INFORMATION	YES	NO
Complaint Filed		X
Citation	X	
Fine	X	
Letter of Reprimand / Warning Letter		X
Pending Investigation	Depends on allegation/ status	
Investigation Completed	Depends on allegation/ status	
Arbitration Decision		X
Referred to AG: Pre-Accusation	X	
Referred to AG: Post-Accusation	X	
Settlement Decision	X	
Disciplinary Action Taken	X	
Civil Judgment	X	
Malpractice Decision		N/A
Criminal Violation: Felony Coordinate with District Attorney Misdemeanor	X	

53. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?

CSLB provides licensee information to the public through its “Instant License Check” website feature and toll-free automated phone system:

- Name/Address of Record
- Entity type
- License issue date
- License expiration date
- Current license status
- Additional information, including complaint disclosure, possible future suspension, etc.
- License classifications
- Bond information
- Workers’ compensation insurance information, with either information on claimed exemption or insurance company, policy number, effective and expiration dates, and workers’ compensation history

- Personnel list
- Registered salesperson list
- Information about other CSLB licenses held by personnel (current and/or disassociated)

54. What methods are used by the board to provide consumer outreach and education?

CSLB uses several methods to provide consumer outreach and education:

- Weekly news releases, industry bulletins, consumer alerts, press events/news conferences regarding CSLB activities, undercover sting operations, and various consumer-protection messages
- Accelerated public outreach during and after disasters (wildfires, drought, earthquakes, floods, etc.)
- 24/7 access to publications and guides on CSLB’s website and through the toll-free automated phone system:
 - Materials can be downloaded from www.cslb.ca.gov;
 - Materials can be faxed to consumers; and/or
 - Printed materials can be mailed to consumers.
- Statewide Senior Scam StopperSM educational seminars
- Consumer Scam StopperSM educational seminars
- Industry and consumer shows (including home shows, conferences, resource fairs)
- CSLB Speakers Bureau, using CSLB-trained staff representatives
- Respond to daily media inquiries
- “Most Wanted” website feature
- Daily/weekly posts on social media sites (Facebook, Twitter and YouTube)
- Construction-related articles for long-term use by industry and media outlets



SECTION 7: ONLINE PRACTICE ISSUES

55. Discuss the prevalence of online practice and whether there are issues with unlicensed activity. How does the board regulate online practice? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

One of the biggest challenges CSLB faces comes from Internet bulletin boards, especially craigslist.org. Such websites allow unlicensed operators to advertise for free, alongside legitimately licensed contractors, making it almost impossible for consumers to tell the difference.

Contractors are required to place their license number in all print, broadcast, and online advertisements. Those without a license can advertise to perform jobs valued at less than \$500, but the ad must state that they are not a licensed contractor. Craigslist ads often do not meet these requirements.

Despite repeated attempts by CSLB to reach out to craigslist and other online bulletin board sites, very little has been done to ensure compliance with California law.

CSLB's Enforcement division has authority to take action against an unlicensed operator based on online ads, but has no authority to take action against bulletin board websites.

CSLB also is concerned about online "referral" sites that imply to consumers that background checks and information verification have been conducted before the contractor's name is posted. However, such sites do not guarantee that they have performed precautionary or pre-qualifying work, nor the accuracy of the information. CSLB suspects that, in many cases, the information is requested from the contractor, but not verified, leaving the onus on the consumer to confirm the validity of the information and determine whether or not the contractor is properly licensed.





SECTION 8: WORKFORCE DEVELOPMENT AND JOB CREATION

56. What actions has the board taken in terms of workforce development?

CSLB offers a Veterans Application Assistance Program for those transitioning from military service to civilian employment. In many cases, veterans possess transferable skills to help meet minimum experience and training requirements for state contractor licensure. This program offers priority services to veteran applicants by evaluating transferable military experience and training, as well as education. CSLB assists veterans by providing program technicians specially trained to evaluate transferable military training and experience from all branches of the military that meet minimum licensure requirements. Additionally, veterans receive automatic application processing priority, direct telephone and email contact with CSLB staff, and verification of educational credit and military experience/training.

Spouses and domestic partners of those on active duty in the Armed Forces also are provided with expedited licensure by CSLB pursuant to Business & Professions Code §115.5.

57. Describe any assessment the board has conducted on the impact of licensing delays.

CSLB has not conducted any assessments on this topic.

58. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.

CSLB manages the Construction Management Education Account (CMEA) and awards an average of \$124,000 annually to educational institutions with a construction management curriculum. CMEA funds help educate tomorrow's construction industry leaders. With these awards, CSLB aims to maintain and increase the caliber and availability of educational programs for the construction industry. The program also increases employment opportunities for graduates. CMEA is supported entirely by donations received from contractors who renew their license or from newly licensed contractors.

59. Provide any workforce development data collected by the board, such as:

a. Workforce shortages

b. Successful training programs

CSLB does not collect information about workforce shortages. During the economic downturn, the construction industry did not experience significant workforce shortages.

CSLB does not monitor training programs.



SECTION 9: CURRENT ISSUES

60. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?

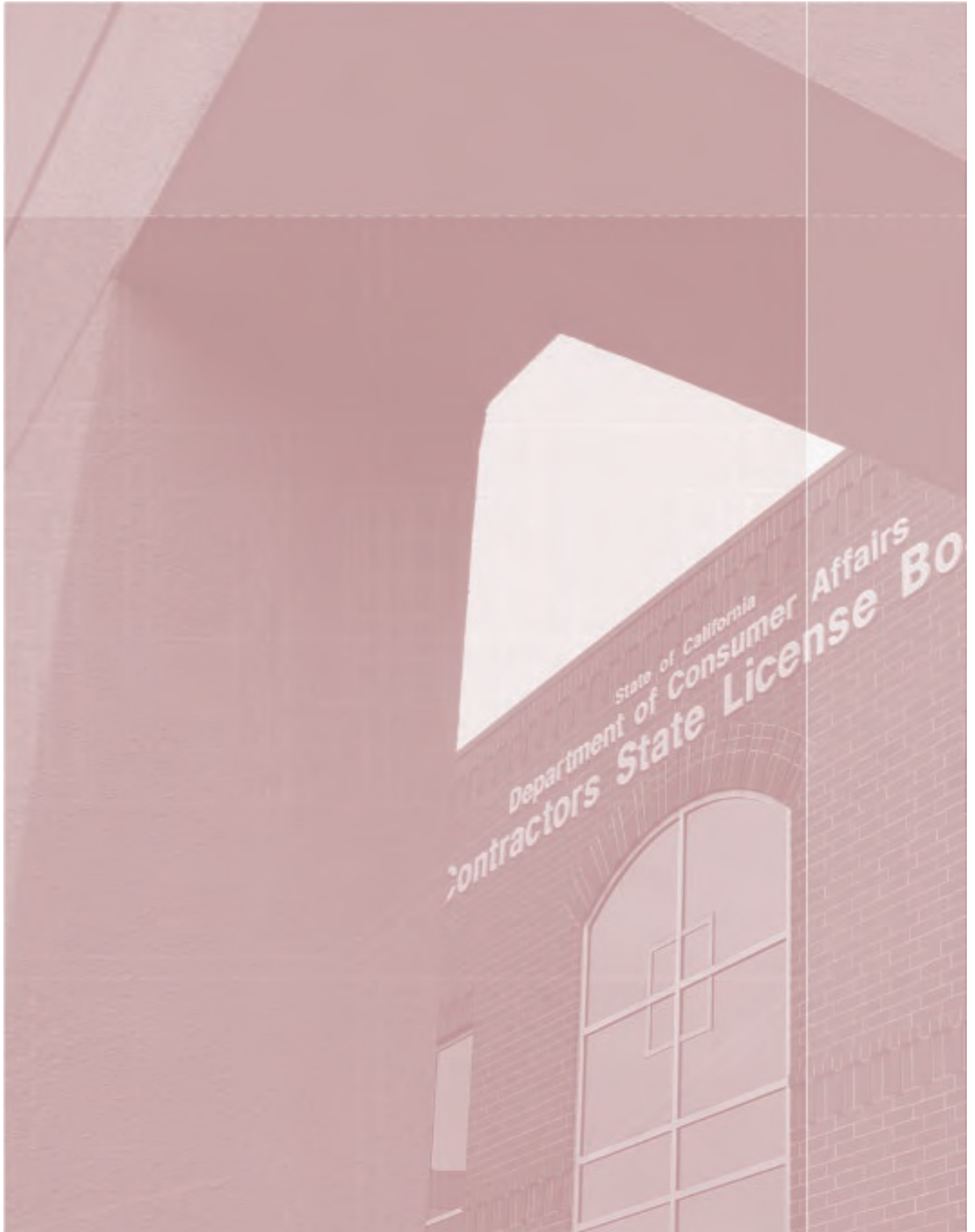
Not applicable.

61. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?

Not applicable.

62. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.

BreEZe, DCA's enterprise-wide licensing and enforcement system, includes e-payment/online licensure, renewals, and online complaints. Implementation will take place in three phases: Phase 1 is complete, Phase 2 is in progress, and CSLB is in Phase 3. CSLB staff continues to work with BreEZe project staff to prepare for the Phase 3 release by participating in discussions about functions that will directly affect CSLB operations; working on data conversion, data cleanup, and system documentation; and conducting meetings with CSLB staff to discuss specific requirements for BreEZe. CSLB IT staff continues to help DCA by assisting other boards and bureaus with Data Validation and Acceptance Testing. CSLB provided its testing center for training DCA Release 1 staff on the BreEZe system. CSLB actively participates and provides input in BreEZe Executive Steering Committee meetings, BreEZe Change Control Board meetings, and other critical meetings pertaining to BreEZe. After completion of all three releases, BreEZe will be the largest enterprise licensing and enforcement solution in the world.





SECTION 10: BOARD ACTION AND RESPONSE TO PRIOR SUNSET ISSUES

Include the following:

1. Background information concerning the issue as it pertains to the board.
2. Short discussion of recommendations made by the Committees/Joint Committee during prior sunset review.
3. What action the board took in response to the recommendation or findings made under prior sunset review.
4. Any recommendations the board has for dealing with the issue, if appropriate.

ISSUE # 1

What are the effects of the current hiring freeze upon CSLB?

Staff Recommendation: CSLB should inform the Committee of the effects of the current reductions upon the Board's operations including, what are the current staffing levels? What vacancies are being left open? How have the vacancies and reductions impacted CSLB's operations?

Status

The hiring freeze is no longer in effect. In February 2014, CSLB had 40.5 vacant positions, out of 399.45 authorized PYs.

CSLB vacancy rates typically are eight to 10 percent and have not increased or decreased during FY 2013-14. Vacant positions are tracked and monitored by personnel staff that regularly send reminders to hiring managers to evaluate vacancies and submit requests for recruitment. Personnel staff also actively participates in different phases of the recruitment process, such as panel interviews, review of applicants' official employment history, etc., to expedite the recruitment process.

The most recent challenge in the recruitment process was the December 3, 2013, transfer policy change that resulted from the State Personnel Board decision rendered on or about November 7, 2013. In addition to the existing transfer rules, all candidates now must meet the minimum qualifications of the classifications



NEW ISSUES: BACKGROUND AND DETAILS

ISSUE #1 Capital Requirement

7071.6. (a) 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 file or have on file a contractor's bond in the sum of ~~twelve-thousand five hundred dollars (\$12,500)~~ **fifteen thousand dollars (\$15,000)**. The applicant shall provide answers to questions contained in a standard form of questionnaire as required by the registrar relative to his financial ability and condition and signed by the applicant under penalty of perjury.

In any case in which further financial information would assist the registrar in an investigation, the registrar may obtain such information or may require any licensee or applicant under investigation pursuant to this chapter to provide such additional financial information as the registrar may deem necessary.

The financial information required by the registrar shall be confidential and not a public record, but, where relevant, shall be admissible as evidence in any administrative hearing or judicial action or proceeding.

The registrar may destroy any financial information which has been on file for a period of at least three years.

ISSUE #3

Does CSLB monitor how the Construction Management Account grants are spent?

Staff Recommendation: CSLB should tell the Committee to what extent it has monitored how schools spend the Construction Management grants awarded over the years. Does the Board believe the current level of oversight is adequate? Does the Board have any recommendations for improvement?

Status

Each year CSLB provides the participating educational institutions with copies of the applicable statutes (B&P Code §7139 - §7139.10) concerning the grant process. B&P Code §7139.6 outlines how grant funds may be used. Every grant application submitted to CSLB includes enrollment data, faculty data, funding data, and a proposed budget. Also included is a report from the president of the educational institution that describes, in general terms, utilization of the previous year's grant award. The current level of oversight is adequate.

ISSUE #4

Fee Payment by Credit Card

Staff Recommendation: CSLB should update the Committee on the current status of its efforts to fully implement electronic payments of fees and online application and renewal processing. What are the anticipated timelines? What are the existing impediments to full implementation?

Status

This issue is on hold pending BreEZe implementation.

ISSUE #5

Implementation of Licensure for Limited Liability Companies (LLC)

Staff Recommendation: CSLB should report to the Committee the status of implementing the new LLC licensing provisions. What are the challenges to begin licensing LLCs as contractors?

Status

LLC licensure is fully implemented; CSLB has licensed approximately 580 LLCs.

ISSUE #6

What challenges do solar and other emerging technologies present to the board in administering the contractor licensing law?

Staff Recommendation: CSLB should discuss with the Committee its thoughts on dealing with solar and other emerging technologies, and its impact upon the various contractor classifications. CSLB should further consider these issues as a Board, and report back to the Committee on any findings and recommendations that it may have.

Status

Upon further review of this issue by the Board’s Licensing Committee, CSLB concluded that its current licensing structure can accommodate new and emerging technologies.

ISSUE #7

Implementation of Enforcement Monitor Recommendations

Staff Recommendation: CSLB should report to the Committee on the status of implementing the recommendations of the enforcement monitor. Are there recommendations that still have not been implemented? Why have they not been implemented? Are legislative changes needed?

Status

Since 2010, CSLB staff has implemented the Enforcement Monitor’s recommendations. An update follows of the recommendations that CSLB has implemented in the last four years:

Recommendation: Rebuild the enforcement organizational structure and fill key enforcement management positions.

Status

Working with the Department of Consumer Affairs and CalHR, CSLB successfully created and filled the Deputy Chief of Enforcement position in October 2013. This position assists the Chief of Enforcement to ensure appropriate leadership and accountability in the Enforcement division.

Recommendation: Increase license fees by approximately 20 percent to restore CSLB budget and enforcement resources to 1994 per capita levels and to ensure a sufficient reserve.

Status

On July 1, 2011, CSLB implemented a new fee schedule. Following action taken by the state Office of Administrative Law (OAL) in 2010, application, licensing, and registration fees were raised for the first time since 1993. OAL approved increases up to the statutory maximum set by the Legislature in 2002 in response to the Enforcement Monitor report that called for greater resources for CSLB's enforcement program. The increased fees will help assure that CSLB can uphold its mandate to protect California consumers and the integrity of the construction industry.

Recommendation: Reallocate field resources to better reflect the pattern of demand for consumer services including opening offices in areas of high demand.

Status

As part of the 2013-14 Strategic Plan, the Enforcement division recruited and filled an investigative position in the San Luis Obispo area. However, a need continues for additional staff in hard-to-fill, remote geographic locations.

Recommendation: Increase the CSLB peace officer staff from three to a minimum of 8–10 to improve criminal and civil investigative capabilities.

Status

In 2010, CSLB received authority to reclassify nine positions to peace officer positions, for a total of twelve. Since then, CSLB has moved quickly to fill these vacancies, placing one position in each Investigative Center.

Recommendation: Increase the Consumer Services Representative (CSR) and Enforcement Representative (ER) staff to reduce caseloads to manageable levels and enable CSRs to perform more actual case mediation.

Status

Various Executive Orders have resulted in the loss of staff positions in the Enforcement division. However, in 2006, the Board adopted Enforcement Objectives intended to keep caseloads for CSRs and ERs at a manageable level. Since then, Enforcement division staff have accomplished these objectives and successfully kept caseloads manageable.

Recommendation: Institute comprehensive training for CSRs and improve investigator training.

Status

As part of CSLB’s 2011-2012 Strategic Plan, the Enforcement division committed to creating a training curriculum for staff that included basic enforcement procedures, a mentoring program, and specialized training. CSLB offers standardized modular training to all Enforcement staff covering topics such as, Basic Investigative Techniques, Report Writing, Interviewing Techniques, Code Training, and Time Management. CSLB recently developed the CSLB Enforcement Academy to ensure access for all staff to this core training.

Recommendation: Improve public disclosure of complaints and actions against contractors.

Status

As part of the 2013-14 Strategic Plan, CSLB Board members approved disclosure on the CSLB website of the disciplinary actions taken by partnering state agencies, which resulted in the development and implementation of an innovative protocol. On its website, CSLB now flags such licensees, and includes an advisory statement and an electronic link to the partner agency’s website. This disclosure provides an accessible means for awarding authorities and prime contractors to determine if a contractor is a responsible and/or responsive bidder for public works projects.

Staff launched the project with two partner agencies, DIR’s Division of Labor Standards Enforcement (DLSE) and Caltrans. DLSE issues Civil Wage and Penalty Assessments for Labor Code violations, and Caltrans issues Stop Notices for violations that include non-payment of labor, services, equipment or materials used on public work projects. CSLB achieved this 2013-2014 strategic objective without new legislation.

**Are there recommendations that still have not been implemented?
Why have they not been implemented?**

Recommendation: Provide a new lien expungement provision to assist consumers with unjustified and void liens.

Status

Existing law provides that if a lien claimant fails to commence an action to foreclose the lien within 90 days of its recording or fails to extend credit, as specified, the lien shall be automatically null and void. CSLB sponsored SB 237 (2007), which would have required a contractor who had failed to commence that action or extend credit in a timely manner, to execute and record a release of the lien within 15 calendar days of the date that it became null and void. Under that bill, a contractor who failed to comply with that provision would be subject to disciplinary action. Unfortunately, the bill did not receive legislative approval.

CSLB continues to monitor consumer complaints for fraudulent and/or unperfected liens and may consider a future legislative remedy.

Recommendation: Promote clear and effective home improvement contracts by revising and simplifying the elements of those contracts, including the state-mandated disclosures, through legislative change and promulgation of model contract forms, as appropriate.

Status

CSLB developed two pamphlets, "A Consumer Guide to Home Improvement Contracts – Terms of Agreement" and "Contracting for Success – Guide to Home Improvement Contracts." The pamphlets provide consumers with information on home improvement contract requirements and an outline for contractors to follow when developing a home improvement contract. The pamphlets are available to the public by calling CSLB's toll-free automated telephone system at 800-321-CSLB (2752) or by accessing the following links:

<http://www.cslb.ca.gov/Resources/GuidesAndPamphlets/HomImprovementContractsConsumerGuide.pdf>

<http://www.cslb.ca.gov/Resources/GuidesAndPamphlets/ContractingForSuccess.pdf>

ISSUE #8

Attorney General Costs and Timeframes

Staff Recommendation: CSLB should tell the Committee more about how it is working to control enforcement costs and timeframes by using the internal tracking system for cases to the AG and by using mandatory settlement conferences.

Status

CSLB uses the tracking system provided by the Office of the Attorney General (AG) and has experienced excessive legal action time frames. Discussions with the AG determined that a shortage of administrative law judges has led to the lengthy time frames.

Recommendation: CSLB outreach to the Attorney General’s Office has prompted them to suggest hiring more administrative law judges.

ISSUE #9

Enforcement Priorities: How does the board balance its enforcement efforts between licensed contractors and unlicensed contractors?

Staff Recommendation: CSLB should discuss with the Committee its priorities in enforcement, and how in protecting the public, it balances enforcement action against licensed contractors and unlicensed contractors.

Status

This issue is discussed in Section 5.

ISSUE #10

Fingerprinting License Applicants and Existing License Holders

Staff Recommendation: CSLB should develop a plan and make recommendations to the Committee on an appropriate way to establish a fingerprint requirement for all existing licensees of the Board, so that the Board will receive criminal record information and subsequent arrest information from the DOJ and FBI.

Status

The Board adopted a policy opposing retroactive fingerprinting. CSLB believes such a program is unnecessary, costly, and recognizes that such a requirement would negatively impact the industry.

ISSUE #11

Does CSLB share information with other agencies for enforcement purposes, and have there been problems sharing essential information with other state agencies?

Staff Recommendation: CSLB should advise the Committee of what improvements it believes could be made to facilitate increased cooperation on joint enforcement operations between state agencies? Do changes need to be made to California law to enable agencies to share information with CSLB for enforcement purposes?

Status

Enforcement staff continues to successfully share information with partners in the Labor Enforcement Task Force (LETF) and Joint Enforcement Strike Force (JESF), which include DIR Division of Labor Standards Enforcement (DLSE); DIR Division of Safety and Health (DOSH); Employment Development Department (EDD); Franchise Tax Board (FTB); and the Board of Equalization (BOE).

In 2013, CSLB Board members approved disclosing partner agencies' disciplinary actions on CSLB's website. As a result, an innovative protocol was developed and established. CSLB now flags licensees on its website by including an advisory statement and an electronic link to the partner agency's website. This disclosure provides an easily accessible means for awarding authorities and prime contractors to determine if a contractor is a responsible/responsive bidder for public works projects.

Staff launched the project with two partner agencies, the Department of Industrial Relations' Division of Labor Standards Enforcement (DLSE) and the California Department of Transportation (Caltrans). DLSE issues Civil Wage and Penalty Assessments (CWPA) for Labor Code violations; Caltrans issues Stop Notices for violations that include non-payment of labor, services, equipment or materials used at public work projects.

ISSUE #12

Is the recent fee increase adequate to sustain CSLB’s budget into the foreseeable future?

Staff Recommendation: CSLB should discuss its fund projections, and whether it will have sufficient funds to cover its administrative, licensing and enforcement costs and to provide for adequate staffing levels for critical program areas into the foreseeable future.

Status

CSLB does not anticipate the need for a fee increase at this time.

ISSUE #13

Should the licensing and regulation of contractors be continued and be regulated by the current Board membership?

Staff Recommendation: Recommend that contractors continue to be regulated by the current CSLB members in order to protect the interests of the public and be reviewed once again in four years.

Status

CSLB believes that the current board structure should be continued to protect the public and effectively administer licensing and regulation of the construction industry.



SECTION 11: NEW ISSUES

This is the opportunity for the board to inform the Committees of solutions to issues identified by the board and by the Committees. Provide a short discussion of each of the outstanding issues, and the board's recommendation for action that could be taken by the board, by DCA or by the Legislature to resolve these issues (i.e., policy direction, budget changes, and legislative changes) for each of the following:

- 1. Issues that were raised under prior Sunset Review that have not been addressed.**
- 2. New issues that are identified by the board in this report.**
- 3. New issues not previously discussed in this report.**
- 4. New issues raised by the Committees.**

The Contractors State License Board (CSLB) proposes that the Legislature and Administration address two areas that will benefit the State, its residents, and the construction industry.

First, CSLB recommends that it be appropriately staffed to adequately enforce licensing and labor law violations resulting from the increasingly complex underground economy. Overall, CSLB has 68 fewer employees than in 2001, of which 47 were taken from the Enforcement division.

An increase in CSLB's enforcement staff would yield numerous benefits:

- Increase revenues to local and state government;
- Provide faster resolution of consumer complaints;
- Improve worker safety;
- Provide proper salary and wages for construction workers; and
- Ensure a more level playing field for honest contractors.

Second, updates to and clarifications of Contractors' State License Law (CSLL) will help the board, consumers, law enforcement, and the construction industry. Legislative and Administrative support would help CSLB efforts to review and identify ways to simplify language in Business and Professions Code (B&P) sections 7000-7199, under which CSLB operates.

This would help legitimate contractors comply with state contracting laws and help consumers by making the law easier to understand.

A closer look at these two issues follows.

CSLB ENFORCEMENT RESOURCES

With fewer resources than in 2001, CSLB's enforcement program has absorbed more responsibilities, as outlined in this report. An expanding underground economy continues to deny local and state government much needed revenue, puts employees at risk, and hurts law-abiding businesses. Additional CSLB enforcement staff will aid the Board's efforts to combat illegal activities associated with the underground economy.

While numerous areas in the enforcement program would benefit from additional resources, four particular areas deserve special attention.

1. Increased, complex criminal activity

CSLB continues to experience an increase in complex criminal schemes in the construction industry. In response, the board works closely with district attorneys throughout the state who solicit CSLB support to fight the growing number of crimes perpetrated by both licensed and unlicensed contractors. These cases can involve both criminal and civil violations.

Criminal:

- Penal Code (PC) §532 Theft by False Pretense
- PC §368d Elder Abuse (also disabled under age 65)
- PC §182 Conspiracy
- PC §487 Grand Theft (can umbrella theft by false pretense or theft by device)
- Revenue and Taxation Code §7153.5
- Workers' Comp Premium Fraud
- PC §530.5 Identity Theft
- PC §186.2(b)(1) Criminal Profiteering
- PC §186.10 Money Laundering

Civil:

- BPC §§17511- 17511.12 and §§17590- 17594
 - ✓ Do Not Call List
 - ✓ Unwanted Telephone Solicitations
 - BPC §§17200/17500
 - ✓ Unfair Business Practices

Many of the cases can involve international organized criminal activity, multi-state violations, and other local, state and federal agencies. CSLB focuses particularly on construction-related elder abuse crimes and construction fraud. With more investigators, CSLB can extend its partnerships with district attorneys to address these crimes.

2. Expand Public Works Unit

An expanded CSLB Public Works Unit could take action each year on hundreds of Civil Wage and Penalty Assessments issued by the Division of Labor Standards Enforcement (DLSE) on public works projects, which CSLB currently lacks the staff to investigate. These assessments would result in scores of formal disciplinary actions (citations or license revocations). Approximately 7,000 public entities can award public works projects in California. With existing resources, CSLB can only take formal action against contractors that are debarred, which rarely happens. With additional resources, CSLB could investigate such cases and file formal actions to revoke the licenses of contractors who have violated Labor Code and caused significant financial harm to employees. Such enforcement actions would act as a catalyst for licensed contractors to abide by the law and, over time, protect vulnerable workers.

3. Increase Statewide Investigative Fraud Team (SWIFT) Staffing

Staffing shortages prevent CSLB from adequately addressing workloads in some areas of the state. CSLB staffs three main SWIFT offices to focus on unlicensed, Labor Enforcement Task Force (LETF), and Joint Enforcement Strike Force (JESF) activities. Remote areas of the state, such as Mendocino, Stanislaus, and Santa Barbara counties, would benefit from dedicated CSLB staff. District attorneys and contractors in these counties have repeatedly requested that CSLB staff live and work in these areas because travel times limit the ability of CSLB investigators to respond in a timely manner, if at all. A random check of craigslist.org on any given day yields scores of unlicensed contractors who advertise for construction services in these three counties alone.

A majority of unlicensed contractors do not pay state or local taxes; do not withhold payroll taxes; do not provide workers' compensation insurance for employees; and do not comply with local government requirements, including environmental requirements, business licenses and permits. Proactive and consistent enforcement would provide significantly enhanced protection to consumers, law-abiding businesses, and state and local taxpayers.

4. Increase Citations and Resultant Revenue

Currently, CSLB does not have sufficient permanent resources to issue administrative citations to licensees in a timely manner, and must pay overtime and use temporary help to do so. With additional resources, CSLB's Citation Processing Services Unit could address the increased citation workload and backlog more efficiently.

Increased enforcement activity centered on permit and workers' compensation insurance requirements has generated this backlog. As a result, CSLB is experiencing delays in issuing licensee citations. Without additional staffing, these delays likely will increase.

These delays directly harm consumers, as licensed contractors may continue their unlawful activities without threat of retribution. Consumers may unknowingly contract with a licensee with a history of committing violations. Further, the majority of CSLB's administrative citations include an order of correction to pay restitution to injured parties. CSLB's inability to issue timely citations postpones, or possibly eliminates, a consumer's opportunity to make a claim on the contractor's bond and/or to receive restitution directly from the contractor through an order of correction.

Additional resources will allow CSLB's enforcement program to build on its many efforts to fight illegal underground activity; ensure that employees on public works projects are properly paid; respond in a timely and efficient fashion to violations of permit and licensing law; and aid consumers, local governments, the construction industry, and workers.

CONTRACTORS' STATE LICENSE LAW (CSLL) REVISIONS

Simplifying state law could assist in the Governor's and Legislature's efforts to aid the state's economic recovery and retain California businesses.

CSLB also expects such revisions to help its efforts to combat the underground economy, which presents a constant challenge to both CSLB and licensed, law-abiding contractors. Contractors who follow the law, pay their taxes, and protect their workers compete against those who do not. Revising and streamlining these statutes could greatly improve compliance. CSLB proposes to work with interested parties to review, reorganize, and rewrite CSLL. This might include public hearings, as well as input from law enforcement and the industry before bringing recommended revisions to the Legislature for approval.

As a first step, CSLB offers the following issues that the Legislature may want to address:

1. Eliminate the existing requirement that contractors maintain \$2,500 in capital.

B&P Code §7067.5 requires that all applicants, and all licensees at renewal, demonstrate, as evidence of financial solvency, that his or her operating capital exceeds \$2500. This requirement has never been verified, and provides no consumer protection. See Attachment for more information.

2. Increase the existing surety bond requirement from \$12,500 to \$15,000.

B&P Code §7071.6 requires that an applicant or licensee have on file at all times proof of a \$12,500 contractor bond.

The surety bond requirement was last increased in 2007, when it was raised from \$10,000. Prior to that, in 2004, it was increased from \$7,500 to \$10,000. A bond increase of \$2,500 would provide greater consumer protection than the existing \$2,500 capital requirement since a consumer can make a claim against a contractor's surety bond.

See *"New Issues: Background and Details"* on page 105 for more information.

3. Review and update CSLB's arbitration program, governed by B&P Code sections 7085 – 7085.9.

The arbitration program, which is free to consumers, offers restitution for contractor projects that do not meet trade standards. It is an alternate dispute resolution process designed to resolve consumer complaints equitably and efficiently. This program also benefits contractors, settling consumer complaints quickly and at significantly less cost than going to court.

CSLB has been made aware, by Senator Darrell Steinberg's office, about difficulties in the program related to attorney's fees, which require statute modification to remedy. The practice in CSLB's arbitration program is, and always has been, to not award attorney fees. However, CSLB has learned that, increasingly, when a contractor prevails in arbitration and receives a monetary award, the contractor will use that award as a basis to pursue a civil action to recover attorney fees associated with his/her arbitration defense. This negatively affects the arbitration program, as CSLB staff now must warn consumers that if they do not prevail in arbitration they could lose a significant amount of money in attorney fees if the contractor takes them to court.

See *"New Issues: Background and Details"* on page 105 for more information.

4. Review the home improvement contract (HIC) law.

B&P Code sections 7150-7168 establish requirements specific to the home improvement industry. CSLB's Enforcement Monitor, in his third report issued in 2003, recommended three broad changes to home improvement contract law:

- 1) Revise and simplify the contract's elements;
- 2) Amend B&P Code section 7159 to clarify the law governing HICs and ensure the most important consumer information is disclosed properly; and
- 3) Resolve the current practical problems of service and repair contracts.

Legislation was enacted in 2004 (SB 30, Chapter 566) that intended to implement these recommendations. A committee analysis of that bill stated:

"In addition to consumer complaints that HICs are complex, unreadable, and of little help, contractors find the required disclosures in such contracts redundant and burdensome, and the legal liabilities unclear."

Unfortunately, the final version of SB 30 did little to fix these issues. The law contains so many lengthy required disclosures that it provides little value to consumers, and it remains difficult for contractors to comply.

5. Review B&P Code section 7031 related to proof of licensure.

While this section is intended to provide a significant level of protection for consumers, the application of subdivision (b) by the legal profession (including the courts) is overly broad.

For example, if there is a break in licensure, even for one day, attorneys, most often representing those other than consumers, use the lapse as the basis to seek recovery of all compensation paid on a project as though the contractor had been “unlicensed” for the entire term of the contract.

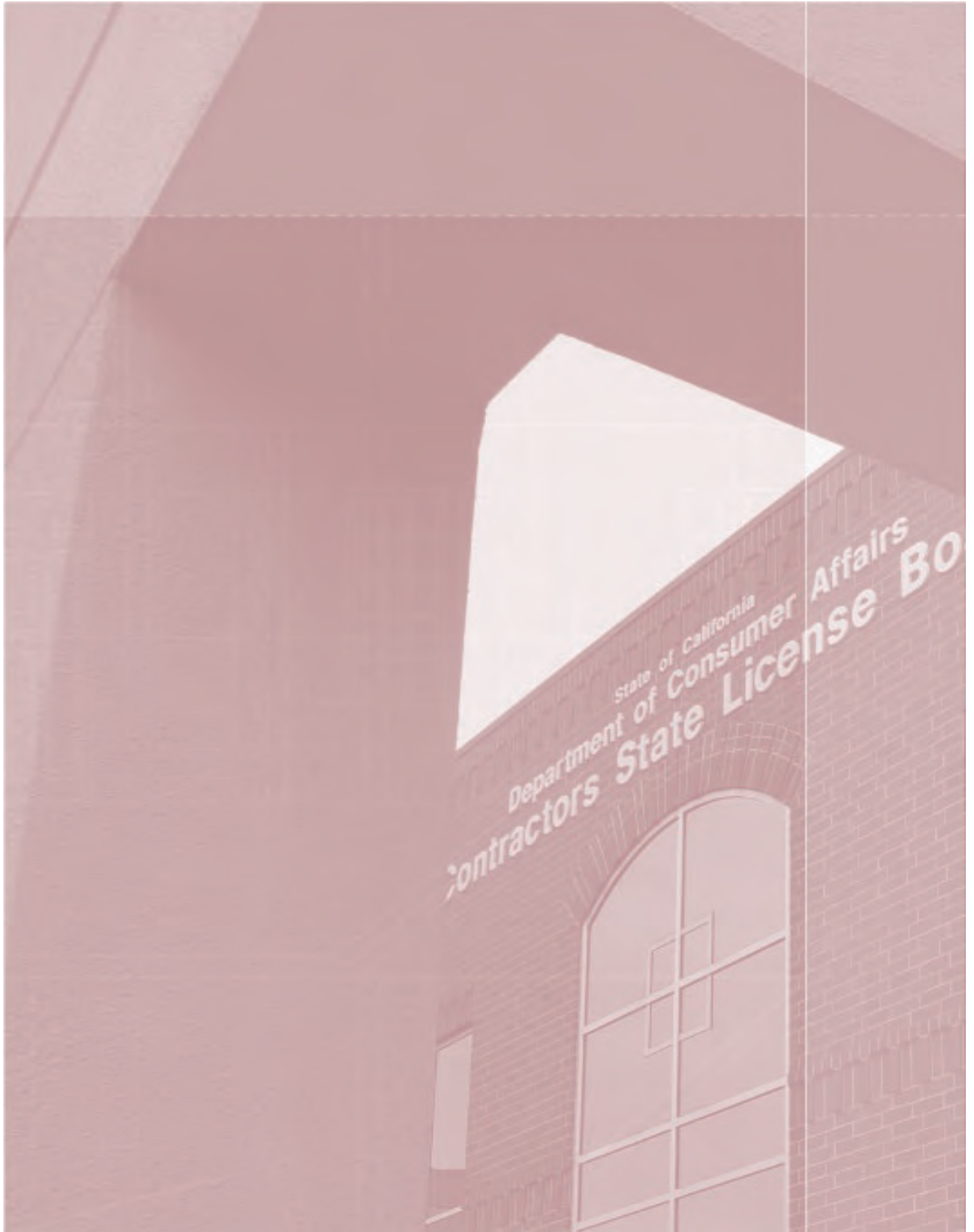
Significantly, the terms “duly licensed” (as used in subdivision (a)) and “unlicensed” are not defined in Contractors’ State License Law, but are decisive terms under Section 7031. Consequently, the legal profession lacks clear guidelines when judging the license status of a contractor, and the disgorgement provisions authorized by subdivision (b) are being misinterpreted and malevolently applied for personal gain, even when there is no issue regarding the quality of work performed.

This represents a growing distortion of the marketplace. If the state of California hopes to help business—and the economy—grow, and to streamline the business environment so contractors can succeed, it must address this problem.

Individual consumers without the financial wherewithal to hire attorneys do not utilize this provision of the law and it does not protect consumers who typically need help from CSLB.

In addition, contracts involving federal buildings are subject to the federal Miller Act, which requires that prime contractors for the construction, alteration, or repair of federal buildings furnish a payment bond for contracts in excess of \$100,000. Pursuant to U.S. District Court rulings, contractors on these projects are not required to comply with state licensing requirements, such as those in B&P Code §7031, in order to be eligible for payment. This creates a different standard for contractor compliance depending on the type of project involved.

See *“New Issues: Background and Details”* on page 105 for more information.





NEW ISSUES: BACKGROUND AND DETAILS

ISSUE #1 Capital Requirement

7071.6. (a) 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 file or have on file a contractor's bond in the sum of ~~twelve-thousand five hundred dollars (\$12,500)~~ **fifteen thousand dollars (\$15,000)**. The applicant shall provide answers to questions contained in a standard form of questionnaire as required by the registrar relative to his financial ability and condition and signed by the applicant under penalty of perjury.

In any case in which further financial information would assist the registrar in an investigation, the registrar may obtain such information or may require any licensee or applicant under investigation pursuant to this chapter to provide such additional financial information as the registrar may deem necessary.

The financial information required by the registrar shall be confidential and not a public record, but, where relevant, shall be admissible as evidence in any administrative hearing or judicial action or proceeding.

The registrar may destroy any financial information which has been on file for a period of at least three years.

ISSUE #2
Contractor Bond

7071.6. (a) 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 file or have on file a contractor's bond in the sum of fifteen thousand dollars (\$15,000).

(b) Excluding the claims brought by the beneficiaries specified in subdivision (a) of Section 7071.5, the aggregate liability of a surety on claims brought against a bond required by this section shall not exceed the sum of seven thousand five hundred dollars (\$7,500). The bond proceeds in excess of seven thousand five hundred dollars (\$7,500) shall be reserved exclusively for the claims of the beneficiaries specified in subdivision (a) of Section 7071.5. However, nothing in this section shall be construed so as to prevent any beneficiary specified in subdivision (a) of Section 7071.5 from claiming or recovering the full measure of the bond required by this section.

(c) No bond shall be 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) Notwithstanding any other provision of law, as a condition precedent to licensure, the board may require an applicant to post a contractor's bond in twice the amount required pursuant to subdivision (a) until the time that the license is renewed, under the following conditions:

(1) The applicant has either been convicted of a violation of Section 7028 or has been cited pursuant to Section 7028.7.

(2) If the applicant has been cited pursuant to Section 7028.7, the citation has been reduced to a final order of the registrar.

(3) The violation of Section 7028, or the basis for the citation issued pursuant to Section 7028.7, constituted a substantial injury to the public.

ISSUE #3

Review the Law Regarding CSLB's Arbitration Program

OVERVIEW

The Contractors State License Board's arbitration program is governed by Business and Professions (B&P) Code sections 7085 – 7085.9. The program, which is free to consumers, offers restitution for contractor projects that do not meet trade standards. It is an alternate dispute resolution process designed to resolve consumer complaints equitably and efficiently. The program also benefits contractors, settling consumer complaints quickly and at significantly less cost than other means of resolution.

CSLB's arbitration program consists of two parts:

1. *Mandatory arbitration* is for claims where damage does not exceed the amount of the required contractor's license bond (\$12,500). Participation for the licensee is mandatory if the consumer/complainant agrees to resolve the issue through this process, and if recommended by the Board.
2. *Voluntary arbitration* is for disputes that involve claims of damage above the bond requirement (\$12,500), but that do not exceed \$50,000. Both the consumer / complainant and the licensee/respondent must agree to resolve the complaint through CSLB-sponsored arbitration.

LEGISLATIVE HISTORY

CSLB's arbitration program was first established as a voluntary program in 1980 by Assembly Bill (AB) 1363 (Lockyer) to resolve disputes between consumers and contractors outside of court. As enacted, it allowed CSLB to refer certain, qualified disputes of between \$500 and \$15,000 in alleged damages, with the concurrence of both parties.

- In 1988, Senate Bill (SB) 905 (Ellis) increased the maximum dispute amount to \$25,000.
- In 1989, the Legislature enacted AB 967 (Bentley) to require mandatory arbitration of disputes involving material damages of \$2,500 or less.
- In 1993, AB 497 (Bentley) increased the mandatory arbitration threshold to \$5,000.
- In 1998, SB 1792 (Mountjoy) increased the monetary cap on cases that may be referred to a voluntary arbitration program to a maximum of \$50,000.
- In 2002, AB 728 (Correa) increased the threshold for mandatory arbitration to \$7,500.
- In 2006, SB 1112 (Committee on Business and Professions) increased the mandatory arbitration threshold to correspond to the amount of the contractor's license bond.

PROGRAM EFFECTIVENESS

Since its creation, and as a tool for consumer protection, CSLB's arbitration program has been recognized for its innovation and effectiveness.

In 2004, the California Dispute Resolution Council honored CSLB for its commitment to alternative dispute resolution, because of its arbitration programs, as well as its on-site negotiation program, mandatory settlement conference policies, and extensive conciliation efforts.

In 2013, consumers and contractors evaluated the administration of CSLB's arbitration program and the Arbitration Mediation Conciliation Center (AMCC) with whom CSLB contracts to run the program.

Arbitration Satisfaction Ratings (1-5 Scale)	
Efficient Coordination Among Parties	4.74
Scheduling/Notice of Hearings	4.73
Case Management Overall	4.84
AMCC Professionalism	4.83
Case Manager Courtesy	4.84
Case Manager Efficiency	4.82

Calendar Year 2013 Program Statistics	
Complaints Referred to Arbitration Program	313
Awards Rendered	288
Restitution Ordered for Financially Injured Persons	\$1,254,767
Licenses Revoked for Failure to Comply with Arbitration Award	45

PROPOSED CHANGES TO EXISTING LAW

CSLB was made aware, by Senator Darrell Steinberg’s office, about difficulties in the program related to attorney’s fees, which requires statute change to remedy. The issue came to light in a letter from a constituent of Senator Steinberg, who had to pay a contractor more than \$200,000 in attorney’s fees after losing an arbitration case. This is not the intent of the CSLB arbitration process.

The practice in CSLB’s arbitration program is, and always has been, to not award attorney fees. However, CSLB has learned that, increasingly, when a contractor prevails in arbitration and receives a monetary award, the contractor will use that award as a basis to pursue a civil action to recover attorney fees associated with his/her arbitration defense. This negatively affects the arbitration program, as CSLB staff must now warn consumers that if they do not prevail in arbitration they could lose a significant amount of money in attorney fees if the contractor takes them to court.

After discussing proposed changes with Senator Steinberg’s staff, CSLB agreed to sponsor AB 993 to address this issue. At the time of printing, AB 993 was in Senate Judiciary Committee review.

Proposed Statute Language:

Attorney’s Fees

For CSLB, the most significant element of AB 993 was the addition of language to B&P Code §7085.5 (r)(3): *“A party that submits a dispute to arbitration pursuant to this section waives any right to recover attorney’s fees, or to challenge an arbitrator’s award of attorney’s fees, in a civil action regarding the dispute.”*

There is no doubt that, if a consumer faces a potentially large financial loss, he or she would hesitate to seek restitution from a contractor through arbitration. Yet, arbitration is timely, cost-effective, and beneficial to the consumer and the contractor. Closing this loophole will maintain these benefits.

CSLB also needs minor process changes to the regulations governing arbitration.

CONCERNS REGARDING ASSEMBLY JUDICIARY COMMITTEE RECOMMENDATIONS

In addition to the amendment CSLB proposed, the Assembly Judiciary Committee recommended that the provisions of the California Arbitration Act be applied to CSLB's arbitration program.

After reviewing the proposed changes with AMCC, CSLB has several concerns, summarized below (code section references refer to April 24, 2013 version):

JUDICIARY COMMITTEE PROPOSED LANGUAGE FOR B&P CODE

7085.5 (a) The appointed arbitration association shall comply with all of the duties and requirements applicable to private arbitration companies pursuant to Title 9 (commencing with Section 1280) of Part 3 of the Code of Civil Procedure.

7085.5 (c) A person shall not serve as an arbitrator in any arbitration in which that person has any financial or personal interest in the result of the arbitration. Prior to accepting an appointment, the prospective arbitrator shall disclose any circumstances likely to prevent a prompt hearing or to create a presumption of bias. Upon receipt of that information, the board or appointed arbitration association shall immediately replace the arbitrator or communicate the information to the parties for their comments. Thereafter, the board or appointed arbitration association shall determine whether the arbitrator should be disqualified and shall inform the parties of its decision, which shall be conclusive. comply with Sections 1281.9 and 1281.95 of the Code of Civil Procedure. An arbitrator shall be subject to disqualification pursuant to Sections 1291.91 and 1281.95 of the Code of Civil Procedure.

Section 1281.9 governs "consumer arbitrations," in which a consumer is contractually obligated to participate in arbitration and where pre-dispute arbitration provisions exist in the arbitration contract. These arbitrations result from a contract of adhesion (such as credit card companies and phone companies).

By contrast, CSLB arbitration is affirmatively chosen by the consumer and, hence, involves no pre-dispute contractual provisions and is governed by statute. Additionally, the Ethics Standards referred to in Civil Code section 1281.9 specifically excludes arbitration by statute; the inclusion of 1281.9 in these arbitration statutes would, thereby, cause a conflict in the law.

Further concern is centered on the proposed removal of B&P Code section 7085.5 (e) (2), which currently allows the arbitration association to set the date and place for mandatory arbitration conferences (those chosen by the consumer and that involve a claim of damages less than \$12,500). Such a change would present considerable

logistical problems, as there are only so many locations and arbitrators throughout the state. Presently, the arbitration service provider selects an arbitrator based upon location, availability, the nature of the dispute, and the availability of any of the 51 designated hearing locations across the state. Removing this provision in the statute will result in unnecessary delays in scheduling arbitration hearings and allow for possible manipulation by the responding parties or their attorneys.

Also, a proposed change in B&P Code §7085.5(u) (2) would have required that the arbitrator, rather than the registrar, provide the parties with the names of available industry experts. This change would undermine the arbitrator's standing as a neutral party by making him or her an information provider or advocate for either party, and could be construed as ex parte communication. CSLB recommends retaining existing law in this matter.

Lastly, at the request of the Civil Justice Association, the bill's author agreed to amend it and delete a proposed change to existing law that would prohibit an arbitrator from awarding work performance as part of the settlement. The current practice of the arbitration program is to only award monetary damages, a practice CSLB expects will continue.

CSLB PROPOSED LANGUAGE

SECTION 1. Section 7085.5 of the Business and Professions Code is amended to read:

7085.5. Arbitrations of disputes arising out of cases filed with or by the board shall be conducted in accordance with the following rules:

(a) All "agreements to arbitrate" shall include the names, addresses, and telephone numbers of the parties to the dispute, the issue in dispute, and the amount in dollars or any other remedy **of monetary damages sought. Except for the release of a mechanics lien or the return of tools or materials, monetary damages are the only remedy available pursuant to this article. The arbitrator shall not order or provide for the specific performance of any project, including, but not limited to, the completion of work, repairs, or corrections.** The appropriate fee **for arbitration services** shall be paid **to the appointed arbitration association** by the board from the Contractors' License Fund.

(b) (1) The board or appointed arbitration association shall appoint an arbitrator in the following manner: immediately after the filing of the agreement to arbitrate, the board or appointed arbitration association shall submit simultaneously to each party to the dispute, an identical list of names of persons chosen from the panel. Each party to the

dispute shall have seven days from the mailing date in which to cross off any names to which it objects, number the remaining names to indicate the order of preference, and return the list to the board or appointed arbitration association. If a party does not return the list within the time specified, all persons named in the list are acceptable. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, the board or appointed arbitration association shall appoint an arbitrator to serve. If the parties fail to agree on any of the parties named, if acceptable arbitrators are unable to act, or if, for any other reason, the appointment cannot be made from the submitted lists, the board or appointed arbitration association shall have the power to make the appointment from among other members of the panel without the submission of any additional lists. Each dispute shall be heard and determined by one arbitrator unless the board or appointed arbitration association, in its discretion, directs that a greater number of arbitrators be appointed.

(2) In all cases in which a complaint has been referred to arbitration pursuant to subdivision (b) of Section 7085, the board or the appointed arbitration association shall have the power to appoint an arbitrator to hear the matter.

(3) The board shall adopt regulations setting minimum qualification standards for listed arbitrators based upon relevant training, experience, and performance.

(c) ~~No~~ **A** person shall **not** serve as an arbitrator in any arbitration in which that person has any financial or personal interest in the result of the arbitration. Prior to accepting an appointment, the prospective arbitrator shall disclose **to the appointed arbitration association** any circumstances likely to prevent a prompt hearing or to create a presumption of bias. Upon receipt of that information, the board or appointed arbitration association shall immediately replace the arbitrator or communicate the information to the parties for their comments. Thereafter, the board or appointed arbitration association shall determine whether the arbitrator should be disqualified and shall inform the parties of its decision, which shall be conclusive.

(d) The board or appointed arbitration association may appoint another arbitrator if a vacancy occurs, or if an appointed arbitrator is unable to serve in a timely manner.

(e) (1) The board or appointed arbitration association shall provide the parties with a list of the times and, dates, and locations of the hearing to be held. The parties shall notify the arbitrator **arbitration association**, within seven calendar days of the mailing of the list, of the times and dates convenient to each party. If the parties fail to respond to the arbitrator within the seven-day period, the arbitrator shall fix the time, place, and location of the hearing. An arbitrator may, at the arbitrator's sole discretion, make an inspection

of the construction site which is the subject of the arbitration. The arbitrator shall notify the parties of the time and date set for the inspection. Any party who so desires may be present at the inspection.

(2) The board or appointed arbitration association shall fix the time, place, ***date***, and location of the hearing for all cases referred to arbitration pursuant to subdivision (b) of Section 7085. An arbitrator may, at the arbitrator's sole discretion, make an inspection of the construction site ~~which~~ ***that*** is the subject of the arbitration. The arbitrator shall notify the parties of the time and date set for the inspection. Any party who desires may be present at the inspection.

(f) Any A person having a direct interest in the arbitration is entitled to attend the hearing. The arbitrator shall otherwise have the power to require the exclusion of any witness, other than a party or other essential person, during the testimony of any other witness. ~~It shall be discretionary with~~ ***is in the discretion of*** the arbitrator to determine the propriety of the attendance of any other person.

(g) Hearings ***A hearing*** shall be adjourned by the arbitrator only for good cause, ***at the arbitrator's sole discretion***.

(h) A record is not required to be taken of the proceedings. However, any party to the proceeding may have a record made at its own expense. ***A party making a recording of a hearing shall supply the recording to the arbitrator at the party's own expense.*** The parties may make appropriate notes of the proceedings.

(i) The hearing shall be conducted by the arbitrator in any manner ~~which~~ ***that*** will permit full and expeditious presentation of the case by both parties. Consistent with the expedited nature of arbitration, the arbitrator shall establish the extent of, and schedule for, the production of relevant documents and other information, the identification of any witnesses to be called, and a schedule for any hearings to elicit facts solely within the knowledge of one party. The complaining party shall present its claims, proofs, and witnesses, who shall submit to questions or other examination. The defending party shall then present its defenses, proofs, and witnesses, who shall submit to questions or other examination. The arbitrator has discretion to vary this procedure but shall afford full and equal opportunity to the parties for the presentation of any material or relevant proofs.

(j) The arbitration may proceed in the absence of any party who, after due notice, fails to be present. The arbitrator shall require the attending party to submit supporting evidence in order to make an award. An award for the attending party shall not be based solely on the fact that the other party has failed to appear at the arbitration hearing.

(k) The arbitrator shall be the sole judge of the relevancy and materiality of the evidence offered, and conformity to legal rules of evidence shall not be required.

(l) The arbitrator may receive and consider documentary evidence. Documents to be considered by the arbitrator may be submitted prior to the hearing. However, a copy shall be simultaneously transmitted to all other parties and to the board or appointed arbitration association for transmittal to the arbitrator or board appointed arbitrator.

(m) The arbitrator shall specifically inquire of the parties whether they have any further proofs to offer or witnesses to be heard. Upon receiving negative replies, the arbitrator shall declare the hearing closed and minutes thereof shall be recorded. If briefs are to be filed, the hearing shall be declared closed as of the final date set by the arbitrator for the receipt of briefs. If documents are to be filed as requested by the arbitrator and the date set for their receipt is later than that set for the receipt of briefs, the later date shall be the date of closing the ~~hearings~~ **hearing**. The time limit within which the arbitrator is required to make the award shall commence to run, in the absence of other agreements by the parties, upon the closing of the ~~hearings~~ **hearing**.

(n) The hearing may be reopened on the arbitrator's own motion **prior to the rendering of an award.**

(o) ~~Any~~ **A** party who proceeds with the arbitration after knowledge that any provision or requirement of these rules has not been complied with, and who fails to state his or her objections to the arbitrator in writing, within ~~40~~ **3** calendar **business** days of close of **the** hearing, shall be deemed to have waived his or her right to object.

(p) (1) Except as provided in paragraph (2), any papers or process necessary or proper for the initiation or continuation of an arbitration under these rules, and for any court action in connection therewith, or for the entry of judgment on an award made thereunder, may be served upon any a party (A) by regular **first-class** mail addressed to that party or his or her attorney at the party's last known address, or (B) by personal service. **Service by first-class mail is complete upon deposit in a post office, mailbox, sub-post office, substation, or mail chute, or other like facility regularly maintained by the United States Postal Service in a sealed addressed envelope, with postage paid.**

(2) Notwithstanding paragraph (1), in all cases referred to arbitration pursuant to subdivision (b) of Section 7085 in which the contractor fails or refuses to return an executed copy of the notice to arbitrate within the time specified, any papers or process specified in paragraph (1) to be sent to the contractor, including the notice of hearing, shall be mailed by certified mail to the contractor's address of record.

(q) The award shall be made promptly by the arbitrator, and unless otherwise agreed by the parties, no later than 30 calendar days from the date of closing the hearing, **or from the closing of** a reopened hearing, or if oral hearing has been waived, from the date of transmitting the final statements and proofs to the arbitrator.

The arbitrator may for good cause extend any period of time established by these rules, except the time for making the award. The arbitrator shall notify the parties of any extension and the reason therefor.

(r) (1) The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of the board's referral and the requirements of the board. The arbitrator, in his or her sole discretion, may award costs or expenses.

(2) The amendments made in paragraph (1) during the 2003-04 Regular Session shall not be interpreted to prevent an arbitrator from awarding a complainant **An arbitrator may award** all direct costs and expenses for the completion or repair of the project.

(3) A party whose dispute is submitted to arbitration pursuant to this section waives any right to recover attorney's fees in a civil action regarding the dispute.

(s) **(1)** The award shall become final 30 calendar days from the date the arbitration award is issued, **notwithstanding the actual date either party receives the award.** The arbitrator, upon written application of a party to the arbitration, may correct the award upon the following grounds:

(1) **(A)** There was an evident miscalculation of figures or an evident mistake in the description of any person, things, or property referred to in the award.

(2) **(B)** There is any other clerical error in the award, not affecting the merits of the controversy.

(2) An application for correction of the award shall be made within 10 calendar days of the date of service of the award by serving a copy of the application on the arbitrator, and all other parties to the arbitration. ~~Any~~ **A** party to the arbitration may make a written objection to the application for correction by serving a copy of the written objection on the arbitrator, the board, and all other parties to the arbitration, within 10 calendar days of the date of service of the application for correction.

(3) The arbitrator shall either deny the application or correct the award within 30 calendar days of the date of service of the original award by mailing a copy of the denial or correction to all parties to the arbitration. Any appeal from the denial or correction shall be filed with a court of competent jurisdiction and a true copy thereof shall be filed with the arbitrator or appointed arbitration association within 30 calendar days after the award has become final. The award shall be in writing, and shall be signed by the arbitrator or a majority of them. If no appeal **request for correction** is filed within the 30-calendar day period, it shall become a final order of the registrar.

(t) Service of the award by certified mail shall be effective if a certified letter containing the award, or a true copy thereof, is mailed by the arbitrator or arbitration association to each party or to a party's attorney of record at their last known address, address of record, or by personally serving any party. Service may be proved in the manner authorized in civil actions. **Service by certified mail is complete upon deposit in a post office, mailbox, sub-post office, substation, or mail chute, or other like facility regularly maintained by the United States Postal Service in a sealed addressed envelope, with postage paid.**

(u) **(1)** The board shall pay the expenses of one expert witness appointed by the board when the **if both of the following apply:**

(A) The services of an expert witness are requested by either party involved in arbitration pursuant to this **article**.

(B) The case involves workmanship issues that are itemized in the complaint and have not been repaired or replaced. ~~Parties who choose~~

(2) A party that chooses to present the findings of another expert witness as evidence shall pay for those services. Payment for expert witnesses appointed by the board shall be limited to the expert witness costs for inspection of the problem at the construction site, preparation of the expert witness' report, and expert witness fees for appearing or testifying at a hearing. All requests for payment to an expert witness shall be submitted on a form that has been approved by the registrar. All requests for payment to an expert witness shall be reviewed and approved by the board prior to payment. The registrar shall advise the parties that names of industry experts may be obtained by requesting this information from the registrar.

(v) The arbitrator shall interpret and apply these rules insofar as they relate to his or her powers and duties.

(w) The following shall apply as to court procedure and exclusion of liability:

(1) The board, the appointed arbitration association, or any arbitrator in a proceeding under these rules is not a necessary party in judicial proceedings relating to the arbitration.

(2) Parties to these rules shall be deemed to have consented that judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(3) The board, the appointed arbitration association, or any arbitrator is not liable to any party for any act or omission in connection with any arbitration conducted under these rules.

ISSUE #4

Review of Home Improvement Contract Law

1. *Review the home improvement contract (HIC) law.*

B&P Code sections 7150-7168 establish requirements specific to the home improvement industry. CSLB's Enforcement Monitor, in his third report issued in 2003, recommended three broad changes to home improvement contract law:

- 1) Revise and simplify the contract's elements;
- 2) Amend B&P Code section 7159 to clarify the law governing HICs and ensure the most important consumer information is disclosed properly; and
- 3) Resolve the current practical problems of service and repair contracts.

Legislation was enacted in 2004 (SB 30, Chapter 566) that intended to implement these recommendations. A committee analysis of that bill stated,

"In addition to consumer complaints that HICs are complex, unreadable, and of little help, contractors find the required disclosures in such contracts redundant and burdensome, and the legal liabilities unclear."

Unfortunately, the final version of SB 30 did little to fix these issues. The law has so many lengthy required disclosures that it provides little value to consumers, and is still difficult for contractors to be in compliance.

ISSUE #5**Business and Professions Code Section 7031 Regarding Recovery of Compensation Paid to an Unlicensed Contractor****EXISTING LAW**

Business & Professions Code section (BPC) 7031 provides consumer protection as follows:


1. Under subdivision (a), in order to file suit for compensation a contractor must prove that he/she was a "...duly licensed contractor at all times during the performance of that act or contract" for which compensation is sought.
2. Under subdivision (b), any person who hires an unlicensed contractor can bring an action in any court of competent jurisdiction for recovery of all compensation paid to the unlicensed contractor for performance of any act or contract.

PROBLEM

The application of subdivision (b) by the legal profession (including the courts) is overly broad. For example, if there is a break in licensure, even for one day, attorneys representing public agencies, prime contractors, commercial and/or industrial project owners, and consumers use the lapse as the basis to seek recovery of all compensation paid on a project, as though the contractor had been "unlicensed" for the entire term of the contract. The same "unlicensed" interpretation is being applied to cases where a contractor has maintained a valid license in a classification for which the license was issued but, during the course of construction, performed a small amount of work that may later be deemed to have been "out-of-class" (see Business and Professions Code section 7117.6).

Significantly, the terms "duly licensed" (as used in subdivision (a)) and "unlicensed" are not defined in the Contractors' State License Law, but are decisive terms under Section 7031. Consequently, the legal profession has no clear guidelines when judging the license status of a contractor, and the disgorgement provisions authorized by subdivision (b) are being misinterpreted and malevolently applied for personal gain, even when there is no issue regarding the quality of work performed.

The application of this statute in this manner may facilitate "unjust enrichment" to public agencies, prime contractors, and/or commercial/industrial project owners, an unacceptable outcome within the spirit of the law. Further, CSLB's mission is, primarily, to protect residential consumers, not to punish licensed contractors who, through an



ambiguous application of terms undefined in the Contractors' State License Law but used in B&P Code section 7031 without legal foundation, may be in default.

In CSLB's opinion, this represents a growing distortion of the marketplace. If the State of California hopes to help businesses and the economy grow, and streamline the business environment so contractors can succeed, it must address this problem. Individual consumers without the financial wherewithal to hire attorneys do not utilize this provision of the law, nor does it provide significant protection for those consumers who most often need CSLB's help.

SB 263 (MONNING, 2013)

The Contractors State License Board sponsored SB 263 (Monning) in 2013 to modify B&P Code section 7031. Specifically, this bill would have repealed the existing section and replaced it with provisions that, while still requiring a contractor to be licensed at all times, would have allowed a court to determine whether or not a contractor had substantially complied with the licensing requirement if licensed when the contract was signed, but subsequently performed work either outside his or her classification, under a suspended license, or under an expired or inactive license. A contractor meeting these criteria could have sought payment for work performed only when properly licensed.

CSLB was unsuccessful in pursuing this change. The amendments to B&P Code section 7031 were removed because of concerns on the part of Senate Judiciary Committee staff about any changes that they perceived as weakening the existing consumer protection provided by B&P Code section 7031.

FEDERAL LAW

A recent U.S. Court of Appeals, 9th District, decision, *Technica LL v. Carolina Casualty Insurance Company*, originated as a question related to the Miller Act, but evolved into a question about licensure. The federal Miller Act requires that prime contractors for the construction, alteration, or repair of Federal buildings furnish both a performance and payment bond for contracts in excess of \$100,000. Other payment protections may be provided for contracts between \$30,000 and \$100,000.

In this case, the sub-subcontractor pursuing a claim on a Miller Act bond did not have a California license, and it was argued by the defendant that, under B&P Code section 7031, the sub-subcontractor was not entitled to payment. However, following precedent in prior federal cases, the court ruled that, because the sub-subcontractor was working

on a federal project and/or a federally funded project, he was not subject to California licensing laws. The legal ramifications of this decision suggest that any projects involving federal funds and/or projects will not be held to the requirements of B&P Code section 7031, while contractors on all other projects in California must comply with these requirements. This establishes different standards and different levels of protection for payment.

WHY CSLB SPONSORED SB 263 AND CONTINUES TO SUPPORT THE CONCEPT

CSLB sponsored SB 263 because it would have helped to accomplish two of the Board's strategic objectives: (1) simplify laws to facilitate the licensing of more contractors; and (2) where possible, limit unduly harsh restrictions to make compliance with the law easier for both consumers and licensees. CSLB believes this proposal would benefit consumers, as well as address contractor concerns about receiving monies owed for work and services rendered while properly licensed.



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CONTRACTORS STATE LICENSE BOARD

2019-2021 Strategic Plan

CSLB is utilizing the Department of Consumer Affairs (DCA) SOLID Training and Planning Solutions office to provide strategic planning services to develop the Boards' 2019-21 Strategic Plan.

In January 2018, representatives from SOLID met with the Registrar and Chief Deputy Registrar to discuss the planning method, strategic planning goal areas, and activity dates. Following this meeting, an electronic survey was conducted to gather input from Board members, staff, and stakeholders.

In February 2018, SOLID conducted one-on-one interviews with Board members to identify strengths, weaknesses, internal and external threats, and opportunities. SOLID also conducted one on one interviews with the Registrar, Chief Deputy Registrar and held a focus group discussion with CSLB's senior management team.

SOLID then prepared an environmental scan, which involved a compilation and analysis of the data from the interviews, focus group discussion, and electronic survey results.

At the April 12, 2018 Board meeting, SOLID led a strategic planning session where Board members and senior staff reviewed the environmental scan and developed strategic objectives in the areas of Enforcement, Legislation, Licensing & Testing, Public Affairs, and Executive. CSLB's vision, mission, values and goals were reviewed and unchanged.

SOLID used the information gathered at the April 2018 strategic planning session to develop the Board's draft 2019-2021 Strategic Plan.

Committee Action: Each committee is asked to review its relevant strategic plan objectives and determine priorities. At the September 2018 Board meeting, a revised strategic plan will be presented to the full Board for final review, comment, and approval.



CONTRACTORS STATE LICENSE BOARD
Strategic Plan 2019-21





MEMBERS OF THE BOARD

KEVIN J. ALBANESE, (B) GENERAL CONTRACTOR MEMBER

AGUSTIN "AUGIE" BELTRAN, PUBLIC MEMBER

LINDA CLIFFORD, (A) ENGINEERING CONTRACTOR MEMBER

DAVID DE LA TORRE, PUBLIC MEMBER

DAVID DIAS, LABOR ORGANIZATION MEMBER

SUSAN GRANZELLA, PUBLIC MEMBER

JOAN HANCOCK, (B) GENERAL CONTRACTOR MEMBER

MICHAEL A. LAYTON, PUBLIC MEMBER

MARLO RICHARDSON, PUBLIC MEMBER

FRANK SCHETTER, (C) SPECIALTY CONTRACTOR MEMBER

JOHNNY SIMPSON, PUBLIC MEMBER

NANCY SPRINGER, BUILDING OFFICIAL MEMBER

VACANT, PUBLIC MEMBER, SENIOR CITIZEN ORGANIZATION

VACANT, PUBLIC MEMBER

VACANT, (C) SPECIALTY CONTRACTOR MEMBER

☒

EDMUND G. BROWN JR.
Governor

ALEXIS PODESTA
Secretary, Business, Consumer Services and Housing Agency

DEAN R. GRAFILO
Director, Department of Consumer Affairs

DAVID R. FOGT
Registrar, Contractors State License Board

2018

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OVERVIEW: ABOUT THE BOARD

The California legislature established the Contractors State License Board (CSLB) in 1929 as the Contractors' License Bureau under the Department of Professional and Vocational Standards. Today, CSLB is part of the Department of Consumer Affairs.

The responsibility for licensing and regulating California's construction industry belongs to CSLB. Today, there are over 282,000 licensed contractors in the state.

The Registrar of Contractors oversees a staff of more than 400 employees who work at CSLB's headquarters in Sacramento and at field offices throughout the state.

CSLB's headquarters receives and processes applications for new licenses, additional classifications, changes of license records, insurance and bond coverage, and license renewals. Headquarters staff reviews and maintains records of disciplinary actions initiated by the field offices and provides other support services.

Enforcement staff perform approximately 20,000 complaint investigations every year, as well as initiate all disciplinary actions resulting from investigations. In fiscal year 2016-17, CSLB helped recover more than \$47 million in ordered restitution for consumers.

The Statewide Investigative Fraud Team (SWIFT) focuses on the underground economy and on unlicensed contractors. This unit conducts proactive stings and sweeps to help curtail illegal contracting and cites those who are not licensed.

CSLB's website provides a wealth of information to various stakeholders. Features include an "Instant License Check," which provides information about a particular contractor's license status, and "Find My Licensed



Contractor,” which generates a list of licensed contractors in a designated geographic area and specific trade.

CSLB holds regularly scheduled public meetings throughout the state, which provide the public an opportunity to testify on agenda items and other issues.

CSLB’S MISSION, VISION AND VALUES

MISSION

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, integrating regulatory oversight of the construction industry as necessary for the protection of consumers and licensed contractors.

VALUES

CSLB provides the highest quality throughout its programs by:

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



BOARD STRUCTURE AND FUNCTIONS

CSLB's 15-member Board directs administrative policy for the agency's operations. The Board includes 10 public members (including one labor representative, one local building official, and one representative of a statewide senior citizen organization), and five contractors. Appointments are made by the governor and the state legislature.

GUBERNATORIAL APPOINTMENTS

- Three Public Members
- One Public Member – Senior Citizen Organization
- One Public Member – Building Official
- One Public Member – Labor Representative
- One (A) Engineering Contractor Member
- Two (B) General Contractor Members
- Two (C) Specialty Contractor Members

SENATE APPOINTMENTS

- Two Public Members

ASSEMBLY APPOINTMENTS

- Two Public Members

The Board appoints, with the approval of the Director of the Department of Consumer Affairs, the Registrar of Contractors, who directs administrative policy for CSLB's statewide operations.

CSLB currently has five standing Board Committees that perform various functions.

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



LICENSING CONTRACTORS

CSLB regulates contractors in 44 license classifications and two certifications under which members of the construction industry practice their trades and crafts. As of June 1, 2018, there were 282,972 contractor licenses in California; 227,128 active and 55,844 inactive.

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

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

CSLB may issue a license to a sole owner, partnership, corporation, limited liability company, or joint venture. All licenses must have a "qualifier," who is the person listed in CSLB records who satisfies the experience and exam requirements for a license.

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

CSLB also registers home improvement salespersons (HIS) who are engaged in the sale of home improvement goods and services. As of June 1, 2018, there were 17,396 active HIS registrants.

ENFORCING CONTRACTORS' STATE LICENSE LAW

CSLB's responsibility to enforce California's contractors' state license law includes investigating complaints against licensed and unlicensed contractors; issuing citations and suspending or revoking licenses; seeking administrative, criminal, and civil sanctions against violators; and informing consumers, contractors, and the industry about CSLB actions. In fiscal year 2016-17, CSLB helped recover more than \$47 million in restitution for consumers.

CSLB receives complaints from members of the public, licensees, professional groups, governmental agencies, and others concerning all aspects of the construction industry. However, the majority of these complaints come from owners of residential property involved in remodeling or repair work. CSLB opens approximately 20,000 complaints per year.

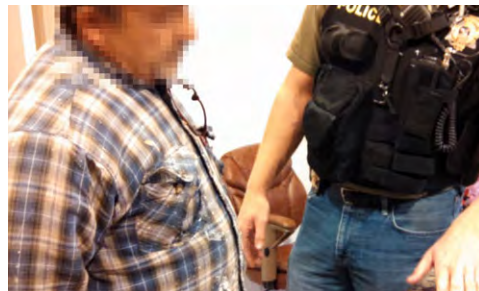
CSLB'S COMPLAINT PROCESS

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

- **Complaint Initiation**
Complaint receipt, screening, and mediation to establish jurisdiction and attempt resolution when field investigation is not warranted;
- **Complaint Investigation**
Field investigations performed by CSLB Enforcement Representatives;
- **Arbitration**
Resolution of disputes for complaint cases meeting defined criteria;
- **Minor Cases**
Issuance of an advisory notice or letter of admonishment for technical violations of law;



- **Citation**
Official notice containing allegations of violations and usually ordering a fine and order of correction or abatement; citations may be issued for unlicensed activity cases or for other violations of contractors' state license law;
- **Accusation**
A legal document formally charging a licensed contractor with serious violations that warrant suspension or revocation of a license and providing notice that a disciplinary action may be imposed;
- **Criminal Referral**
Cases involving alleged criminal violations are referred to local prosecutors for the possible filing of criminal charges;
- **Appeal Hearing**
After a citation or accusation is issued, evidentiary hearings are held before an administrative law judge (ALJ) from the Office of Administrative Hearings to hear a licensee's appeal;
- **Proposed Decision**
Submission of the ALJ's proposed decision to the Registrar of Contractors for final agency decision;
- **Reconsideration**
Requests to the Registrar or the Board to reconsider the decision; and
- **Judicial Review**
Licensee may file a petition for Writ of Mandate in superior court, seeking to overturn the Registrar's or the Board's decision.



THE UNDERGROUND ECONOMY

California’s underground economy harms law-abiding businesses, consumers, and workers. The problem is particularly prevalent in the construction industry, where businesses that cheat underbid those that follow the rules by:

- Failing to obtain required licenses and building permits;
- Failing to pay payroll or other taxes;
- Failing to obtain required workers’ compensation insurance;
- Failing to report worker injuries to keep insurance premiums artificially low; and
- Failing to report accurate payroll to obtain a lower workers’ compensation insurance premium.

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

Since no one state agency has the resources or the information to tackle this enforcement problem alone, state agencies with overlapping jurisdiction in the areas of labor law enforcement have joined forces to make a concerted and consistent dent in California’s underground economy. CSLB is a member of multiple task forces.



JOINT ENFORCEMENT TASK FORCE (JESF)

JESF, which was created by an executive order signed by Governor Pete Wilson in October 1993, is responsible for enhancing the development and sharing of information necessary to combat the underground economy, to improve the coordination of enforcement activities, and to develop methods to pool, focus, and target enforcement resources. JESF is empowered and authorized to form joint enforcement teams when appropriate in order to utilize the collective investigative and enforcement capabilities of JESF members.

LABOR ENFORCEMENT TASK FORCE (LETF)

LETF, which was launched in January 2012, is comprised of investigators from CSLB, the Department of Industrial Relations, and the Employment Development Department. LETF performs weekly inspections at active construction sites to investigate license, wage, tax, and workplace safety compliance.

UNLICENSED ACTIVITY

CSLB's Statewide Investigative Fraud Team (SWIFT) proactively combats illegal contractors that operate in the underground economy by failing to obtain a required contractor license and/or workers' compensation insurance. SWIFT routinely partners with other state and local regulatory and law enforcement agencies to conduct undercover sting and sweep operations, targeting egregious offenders who pose a threat to consumers, employees, businesses, and licensed contractors.

SIGNIFICANT ACCOMPLISHMENTS 2016-18

Over the last two years, the Board achieved many of the goals laid out in the 2016-18 Strategic Plan. Highlights include:

- The Legislative and Enforcement divisions worked with Senator Monning (SB 486, Statutes of 2017) to pass a bill that authorizes CSLB to issue a letter of admonishment in lieu of an administrative citation to more effectively and efficiently address less egregious offenses.
- The Enforcement division implemented the provisions of SB 560 (Monning, Statutes of 2015), which allows CSLB to issue a Notice to Appear in superior court to unlicensed contractors for failure to carry workers' compensation insurance.
- The Board approved pursuing licensing reciprocity agreements with five additional states: Alabama, Georgia, Louisiana, North Carolina, and Oregon to further reduce barriers to licensure.
- The Public Affairs Office and the Information Technology division launched the "Find My Licensed Contractor" website feature that allows consumers to search for licensed contractors based on trade in a specific geographic area.
- The Licensing and Information Technology divisions established a process for the online submission of licensee workers' compensation recertification that automatically updates the license record to reduce processing backlogs.
- The Public Affairs Office, in conjunction with the Information Technology division, created a portal on the CSLB website to provide consumers with reliable solar-related information.
- The Administration division developed and implemented a mentoring and upward mobility program for all CSLB staff.



STRATEGIC PLANNING PROCESS

To understand the environment in which the Board operates, as well as identify factors that could affect the Board's success in carrying out its regulatory duties, the Department of Consumer Affairs' SOLID Unit facilitated the development of the Board's strategic objectives. SOLID conducted a review of the Board's internal and external environments by collecting information through the following methods:

- An online survey sent to Board members, CSLB staff and managers, and stakeholders in January and February of 2018. The online survey received 917 responses.
- One-on-one interviews with Board members, the Registrar, and Chief Deputy Registrar in January and February of 2018.
- A focus group conducted with CSLB's division chiefs in February of 2018.

The most significant themes and trends identified from this process were discussed by the Board members, Registrar, Chief Deputy Registrar, division chiefs, and other senior staff during a strategic planning session facilitated by SOLID on April 12, 2018. This information guided the Board in the development of the objectives outlined in this 2019 – 2021 strategic plan.

STRATEGIC GOAL AREAS

1. LICENSING & TESTING

Ensures that all applicants and licensees meet minimum qualifications to provide construction services

2. ENFORCEMENT

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

3. LEGISLATION

Ensures that statutes, regulations, policies, and procedures strengthen and support CSLB operations

4. PUBLIC AFFAIRS

Educates consumers about making informed choices related to construction services and provides information to licensed contractors so they can improve their awareness of contracting law, and technical, management, and service skills

5. EXECUTIVE

Enhances organizational effectiveness and improves the quality of service in all programs



LICENSING & TESTING

Ensures that all applicants and licensees meet minimum qualifications to provide construction services

Licensing & Testing Objectives	Target Date
1.1 Create an interactive online asbestos training to replace the open book asbestos exam.	January 2019
1.2 Review the licensing classification determinations for consistency and develop classification industry bulletins	January 2019 and ongoing
1.3 Review barriers to licensure regarding criminal background information and make changes where possible to encourage licensure.	July 2019 (to review process and identify possible changes)
1.4 In conjunction with the Legislation division, review multiple qualifier responsibilities and bonding requirements to determine if regulatory or legislative changes will improve consumer protection. <i>(See Legislation objective 3.4.)</i>	August 2019
1.5 Research the feasibility of outsourcing test administration to reduce costs, reallocate resources, and expand testing options for licensees.	September 2019
1.6 In partnership with Public Affairs and Information Technology, develop online original contractor license applications to reduce application return rates. <i>(See Public Affairs objective 4.7 and Information Technology objective 5.12.)</i>	December 2019

Licensing & Testing Objectives	Target Date
1.7 Review feasibility of continuing education or online testing for license renewal to keep licensees informed of changes to laws and codes	July 2020 (to complete research only)
1.8 In partnership with the Public Affairs Office and Enforcement division, create online courses and content to educate licensees. <i>(See Public Affairs objective 4.9 and Enforcement objective 2.6.)</i>	December 2021
1.9 Expand public records and licensing information on the website to increase transparency. <i>(See Information Technology objective 5.16.)</i>	Ongoing
1.10 Evaluate call center processes and procedures for consistency in communication with licensees, consumers, and other stakeholders to improve customer service	Ongoing
1.11 Review the subject matter expert pool to insure representation from a cross-section of industry to enhance test development.	Ongoing



ENFORCEMENT

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

Enforcement Objectives	Target Date
2.1 Formalize a disaster response program for greater efficiencies and to improve response time. <i>(See Public Affairs objective 4.2.)</i>	March 2019
2.2 Educate the public about the complaint and investigative processes, as well as available resources for financial redress.	June 2019
2.3 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. <i>(See Public Affairs objective 4.4.)</i>	Develop: June 2019 Implement: January 2020
2.4 Leverage social media to identify potential workers’ compensation violations and unlicensed contracting.	January 2020
2.5 Develop a program to improve complaint response by setting priorities and recognizing staff achievements.	January 2020
2.6 In partnership with the Public Affairs Office and Licensing division, create online courses and content to educate licensees. <i>(See Public Affairs objective 4.9 and Licensing objective 1.8.)</i>	December 2021
2.7 Provide training opportunities to improve morale and staff knowledge.	Ongoing

Enforcement Objectives	Target Date
2.8 Prioritize proactive investigation of license requirements to protect the public and licensed contractors by removing unlicensed contractors from the marketplace.	Ongoing
2.9 Attend job fairs to promote employment opportunities at CSLB.	Ongoing



LEGISLATION

Ensures that statutes, regulations, policies, and procedures strengthen and support CSLB operations

Legislation Objectives	Target Date
3.1 Collaborate annually with industry and consumer leaders to share new legislative ideas.	January 2019 – November 2019 (annually thereafter)
3.2 Explore mandating workers' compensation insurance for specified license classifications to protect workers and consumers. <i>(Statutory)</i>	February 2019
3.3 Review disaster related consumer protection laws, including the hazardous substances certification requirements. <i>(Statutory)</i>	July 2019
3.4 In conjunction with the Licensing division, review multiple qualifier responsibilities and bonding requirements to determine if regulatory or legislative changes will improve consumer protection. <i>(See Licensing objective 1.4.)</i>	August 2019
3.5 Clarify home improvement contract requirements to improve licensee understanding and compliance. <i>(Statutory)</i>	July 2020
3.6 Review laws and update penalties as necessary to ensure they are adequate for the violations in order to encourage compliance and protect consumers. <i>(Regulatory)</i>	March 2021

Legislation Objectives	Target Date
3.7 Clarify in regulation (CCR section 825) the definition of foreman, supervising employee, and contractor, to provide applicants greater clarity about the experience needed to obtain a license. <i>(Regulatory)</i>	June 2021
3.8 Research the feasibility of a graduated fee increase for larger licensed contractors to increase enforcement resources and public outreach. <i>(Regulatory)</i>	September 2021



PUBLIC AFFAIRS

Educates consumers about making informed choices related to construction services, and provides information to licensed contractors so they can improve their awareness of contracting laws and technical, management, and service skills

Public Affairs Objectives	Target Date
4.1 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.	January 2019
4.2 In partnership with all divisions, lead effort to formalize CSLB's disaster response program. <i>(See Enforcement objective 2.1.)</i>	June 2019
4.3 Conduct a workload analysis to determine if additional staffing resources are needed.	June 2019
4.4 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. <i>(See Enforcement objective 2.3.)</i>	Develop: June 2019 Implement: January 2020
4.5 Research the feasibility of creating a text alert program to communicate with licensees and consumers, and implement if possible.	Feasibility: June 2019 Implement: March 2020
4.6 Expand website content to keep industry and licensees up-to-date on relevant information.	September 2019 and ongoing

Public Affairs Objectives	
<p>4.7 In partnership with the Licensing division and Information Technology unit develop online original contractor applications to reduce application return rates. <i>(See Licensing objective 1.6 and Information Technology objective 5.12.)</i></p>	December 2019
<p>4.8 In partnership with the Information Technology unit, review and update web content to ensure information presented to the public is accurate and accessible. <i>(See Information Technology objective 5.13.)</i></p>	March 2020
<p>4.9 In partnership with the Enforcement and Licensing divisions, create online courses and content to educate licensees. <i>(See Enforcement objective 2.6 and Licensing objective 1.11.)</i></p>	December 2021



EXECUTIVE

Enhances organizational effectiveness and improves the quality of service in all programs

ADMINISTRATION

Administration Objectives	Target Date
5.1 Evaluate the use of in-house legal counsel to supplement current Board counsel.	January 2019
5.2 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.	March 2019
5.3 Provide training on progressive discipline process to assist managers and supervisors in addressing performance issues.	May 2019
5.4 Provide team building and leadership training for managers and supervisors to make the management team more effective.	September 2019
5.5 Standardize human resource processes to increase efficiency in regard to personnel matters.	January 2020
5.6 Develop benchmarks for the hiring process in order to extend job offers and onboard new employees more quickly to avoid losing qualified candidates.	March 2020
5.7 Review the budget quarterly to guide the Board on resource allocation.	Ongoing

INFORMATION TECHNOLOGY

Information Technology Objectives	Target Date
5.8 Establish online process to automate public sales requests in order to reduce costs.	December 2019
5.9 Update the website to offer e-payments (e.g. citations, renewals, and other fees) to improve convenience and reduce staff paperwork.	December 2019
5.10 Create an on-line e-signature DocuSign feature to improve convenience.	December 2019
5.11 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.	December 2019
5.12 In partnership with the Licensing division and Public Affairs office develop online original contractor applications to reduce application return rates. <i>(See Licensing objective 1.8 and Public Affairs objective 4.7.)</i>	December 2019
5.13 In partnership with Public Affairs, review and update web content to ensure information presented to the public is accurate and accessible. <i>(See Public Affairs objective 4.8.)</i>	March 2020



Information Technology Objectives	Target Date
5.14 Identify mobile technology to enhance efficiencies for field staff.	June 2020
5.15 Create a mobile app of available services, including more efficient means to report unlicensed activity.	June 2020
5.16 Expand public records and licensing information on the website to increase transparency. <i>(See Licensing objective 1.9.)</i>	Ongoing



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