

Title 16. Contractors State License Board

**NOTICE OF PROPOSED REGULATORY ACTION CONCERNING
FEES, § 811**

California Code of Regulations

NOTICE IS HEREBY GIVEN that the Contractors State License Board (Board) is proposing to amend California Code of Regulations, Title 16 (16 CCR), Division 8, Article 1.5, Section 811, as described in the Informative Digest.

PUBLIC HEARING:

Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held via Webex event at:

To participate via Computer/Tablet/Smart Phone:

<https://cslb.webex.com/cslb/onstage/g.php?MTID=ebbbbc9e627d3bd9a21e1c361199c0ea7>

To participate via Phone Call-in:

(415) 655-0001 or (844) 621-3956

Access Code: 126 405 3781#

During hearing use *3 to raise/lower hand

Time and Place:

9821 Business Park Drive, Sacramento, CA 95827

on September 29, 2020 at 10:00 a.m.

Written comments, including those sent by mail, facsimile, or email to the addresses listed under Contact Person in this Notice, must be received by the Board at its office not later than 5:00 p.m. on **September 29, 2020**.

The Board, upon its own motion or at the request of any interested party, may thereafter adopt the proposal substantially as described below or may modify such proposal if such modifications are sufficiently related to the original text. Apart from technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

AUTHORITY AND REFERENCE:

Pursuant to the authority vested by Business and Professions Code (BPC) sections 7008 and 7137, the Board is proposing to implement, interpret, and make specific BPC section 7137 in amending section 811, Division 8 of Title 16 of the CCR.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW:

- **Amend 16 CCR 811**

BPC section 7008 authorizes the Board to adopt rules and regulations as are reasonably necessary to carry out the provisions of the Contractors State License Law (CSLL). BPC section 7137 authorizes the Board to set fees by regulation. The statute sets forth the minimum and maximum fee ranges for application, examination, initial licensure, license renewal, and other miscellaneous fees. Among other fees, 16 CCR 811 establishes the fees the Board charges for renewal of an active license, renewal of an inactive license, and renewal of a home improvement salesperson registration.

In this regulatory proposal, the Board proposes to increase the fees for renewal of an active license, renewal of an inactive license, and renewal of a home improvement salesperson registration. (Bus. & Prof. Code, § 7137, subds. (e)(1), (e)(2), and (h).) Specifically, the Board proposes to increase the fee for renewal of an active license from \$360 to \$450, increase the fee for renewal of an inactive license from \$180 to \$225, and increase the fee for renewal of a home salesperson registration from \$75 to \$95. The Board also proposes to add “(a)” to the beginning of the first line of section 811 to re-establish the correct numbering hierarchy for this section of law.

The Board is a self-supporting, special fund agency that generates the majority of its revenue from renewal fees (on average 70%). This rulemaking is necessary to permanently increase renewal fees to avoid the imminent shutdown of the Board’s enforcement activity, the impending insolvency of the Board, and serious harm to the public and their property. The Board is experiencing reduced license renewals, significantly increased expenditures, a structural budget imbalance, and a rapidly shrinking contingent fund.

These factors will immediately impact the Board’s ability to continue its enforcement efforts and severely limit the performance of its core licensing, examination, investigative, and public outreach functions. The proposed amendments will permanently increase the subject renewal fees to the statutory maximums to address Board’s structural budget imbalance. Without adequate financial resources, the Board will be unable to operate at a capacity that fulfills its highest priority of consumer protection.

ANTICIPATED BENEFITS OF THE PROPOSED REGULATION:

The proposed amendments to the Board's renewal fee schedule will enable the Board to eliminate a structural budget imbalance, maintain a prudent reserve, and continue the Board's enforcement, investigative, licensing, examination, and public outreach operations. The amendments will ensure that the Board is able to achieve its highest priority of consumer protection.

DETERMINATION OF INCONSISTENCY/INCOMPATIBILITY WITH EXISTING REGULATION:

During the process of developing these regulations and amendments, the Board conducted a search of any similar regulations on this topic and concluded that these regulations are neither inconsistent nor incompatible with existing state regulations.

FISCAL IMPACT ESTIMATES:

The Board has made the following initial determinations:

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: The anticipated average additional revenue from the proposed fee increases will increase the Board's revenue by approximately \$6,258,480 in additional revenue per fiscal year on an ongoing basis (\$6,139,800 for contractor license renewals and \$118,680 for home improvement salesperson registration renewals). For additional information, please refer to the Initial Statement of Reasons (ISOR).

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Sections 17500 – 17630 Require Reimbursement: None

Business Impact: This regulation may have an economic impact on businesses, specifically, contractor licensees and home improvement salesperson registrants. The Board issues licenses to sole owners, corporations, partnerships, limited liability companies, and joint ventures. The regulation would impose additional fees on the renewal of contractor licenses and home improvement salesperson registrations, which are paid every two years for active licenses and registrations or every four years for inactive licenses. To the extent these licensees opt to renew their licenses and registrations, the proposed regulations will impact them. Although the regulation has an economic impact, the impact is not anticipated to be a significant statewide adverse economic impact directly affecting businesses, including the ability to compete with

other businesses in California, because the fee increase is considered to be very minor compared to the income of most licensees and registrants.

Impact on Jobs/New Businesses: The Board has determined that this regulatory proposal will not have a significant impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California because the proposed fees are anticipated to have a minimal impact on businesses. It will benefit the health and welfare of California residents because the proposal will increase the Board's revenue and funding available to continue uninterrupted the Board's enforcement, investigative, licensing, examination, and public outreach operations.

Renewal fees are the Board's main source of revenue (approximately 70%) and are primarily allocated to funding enforcement activities that proactively and reactively address substandard trade performance and disreputable or incompetent business practices within the profession, as well as unlicensed activity. These enforcement efforts help protect the health and welfare of California residents and consumers, particularly those who hire contractors. While the proposal does not directly affect worker safety or the environment in the state, the increased fees will fund increased enforcement activities that can lead to greater protection of worker safety and the environment.

In addition, these fee increases are necessary to fulfill the Board's priority of consumer protection and the legislative mandates expressed in the applicable statutes.

Cost Impact of Representative Private Person or Business: This regulation may have an economic impact on private persons or businesses, specifically, sole owner contractor licensees and home improvement salesperson registrants. The regulation would impose additional fees on the renewal of contractor licenses, which are paid every two years for active licenses or every four years for inactive licenses, and on the renewal of home improvement salesperson registrants, which are paid every two years. To the extent these licensees opt to renew their licenses and registrations, the proposed regulations will impact them. Although the regulation has an economic impact, the impact is not anticipated to be significant because the fee increase is considered to be very minor compared to the income of most licensees and registrants. For additional information, please refer to the ISOR.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS:

The Board estimates that the effect on small business will be minimal as the increase is absorbable.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

The Board has determined that this regulatory proposal will have a minimal impact on the creation of jobs or new businesses, the elimination of jobs or existing businesses, or the expansion of businesses in the state of California. It will benefit the health and welfare of California residents because the proposal will increase the Board's revenue and funding available to continue uninterrupted the Board's enforcement, investigative, licensing, examination, and public outreach operations.

Renewal fees are the Board's main source of revenue (approximately 70%) and are primarily allocated to funding enforcement activities that proactively and reactively address substandard trade performance and disreputable or incompetent business practices within the profession, as well as unlicensed activity. These enforcement efforts help protect the health and welfare of California residents and consumers, particularly those who hire contractors. While the proposal does not directly affect worker safety or the environment in the state, the increased fees will fund increased enforcement activities that can lead to greater protection of worker safety and the environment.

In addition, these fee increases are necessary to fulfill the Board's priority of consumer protection and the legislative mandates expressed in the applicable statutes.

CONSIDERATION OF ALTERNATIVES:

In accordance with Government Code section 11346.5(a)(13), the Board must determine that no reasonable alternative it considered or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed regulatory action, or would be more cost-effective to the affected private persons and equally effective in implementing the statutory policy or other provision of the law.

Interested persons are invited to present statements or arguments orally or in writing relevant to the above determinations at the above scheduled hearing or during the written comment period.

AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE:

The Board has compiled a record for this regulatory action, which includes the ISOR, proposed regulatory text, and all the information on which this proposal is based. This material is contained in the rulemaking file and may be obtained upon request from the person designated in the Notice under Contact Person or by accessing the Board's website, www.cslb.ca.gov.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE:

All the information upon which the proposed regulations are based is contained in the rulemaking file, which is available for public inspection by contacting the person named below. You may obtain a copy of the Final Statement of Reasons once it has been prepared, by making a written request to the contact person named below or by accessing the website listed below.

CONTACT PERSON:

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Betsy Figueira
Address: 9821 Business Park Drive
Sacramento, CA 95827
Telephone No.: 916-255-3369
E-Mail Address: betsy.figueira@cslb.ca.gov

Backup:

Name: Michael Jamnetski
Address: 9821 Business Park Drive
Sacramento, CA 95827
Telephone No.: 916-255-2798
E-Mail Address: michael.jamnetski@cslb.ca.gov

Website Access: Materials regarding this proposal can be found at https://cslb.ca.gov/About_Us/Library/Laws/.