

Title 16. Contractors State License Board

NOTICE OF PROPOSED REGULATORY ACTION CONCERNING C-47 – GENERAL MANUFACTURED HOUSING CONTRACTOR INITIAL INSTALLER TRAINING REQUIREMENT, § 825.5

California Code of Regulations

NOTICE IS HEREBY GIVEN that the Contractors State License Board (CSLB or Board) is proposing to adopt California Code of Regulations, title 16 (16 CCR), division 8, article 2, section 825.5, as described in the Informative Digest.

PUBLIC HEARING:

The Board has not scheduled a public hearing on this proposed action. The Board will, however, hold a hearing if it receives a written request for a public hearing from any interested person, or his or her authorized representative, no later than 15 days prior to the close of the written comment period.

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 Tuesday, June 22, 2021**.

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 the 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 7059, the Board proposes to implement, interpret, and make specific BPC sections 7026.11, 7058, 7059, 7065, and 7068, and part 3286 of title 24 of the Code of Federal Regulations (24 CFR), subtitle B, chapter XX, subpart D, commencing with section 3286.301, in adopting 16 CCR section 825.5.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW:

The Contractors State License Board's (CSLB or Board) mission is to protect consumers by regulating the construction industry through policies that promote the health, safety, and general welfare of the public in matters relating to construction. CSLB fulfills its mandate to protect the public, in part, by ensuring that only those individuals who meet the qualifications for licensure are granted contractor licenses in

California. CSLB licenses more than 346,000 contractors (active, inactive, and expired but renewable) in 44 different license classifications, covering the broad range of construction trades performed by contractors. Licenses are issued to sole proprietorships (65.4% of the license population), corporations (30.4%), partnerships (2.6%), limited liability companies (1.4%), and joint ventures (0.2%).

Business and Professions Code (BPC) section 7008 authorizes CSLB to adopt rules and regulations that are reasonably necessary to carry out the provisions of the Contractors State License Law in accordance with the Administrative Procedure Act. Section 7026.11 requires the General Manufactured Housing contractor (C-47) license's scope of work include manufactured homes, mobilehomes, and multifamily manufactured homes as defined in the Health and Safety Code. Section 7058 establishes a specialty contractor license classification and defines "specialty contractor" as "a contractor whose operations involve the performance of construction work requiring special skill and whose principal contracting business involves the use of specialized building trades or crafts." Section 7059 authorizes the Board to adopt reasonably necessary rules and regulations to effect the classification of contractors in a manner consistent with established usage and procedure found in the construction business. Section 7065 authorizes the CSLB registrar to investigate, classify, and qualify applicants for licensure by written examination and sets forth the circumstances under which no examination shall be required. Section 7068 establishes required knowledge and experience qualifications for licensure applicants. Part 3286 of 24 CFR, subpart D contains federal Department of Housing and Urban Development (HUD) regulations on the Manufactured Home Installation Program.

There is no existing regulation relating to manufactured home initial installer training in California. In this regulatory proposal, the Board proposes to add a new regulation to establish the requirement for initial installer training as a prerequisite for a C-47 – General Manufactured Housing contractor license to address the manufactured home initial installer training requirement mandated by HUD.

Specifically, the Board proposes to:

- Add a new section and title;
- Add a new subdivision (a) to establish the requirement for initial installer training, consistent with HUD's training curriculum, as a prerequisite for a C-47 – General Manufactured Housing contractor license, effective July 1, 2021;
- Add a new subdivision (b) to establish the procedures by which an applicant must submit proof of compliance with the training requirement to the Board; and
- Add a new subdivision (c) to establish through whom such training shall be obtained.

The California Department of Housing and Community Development (HCD) oversees the Manufactured Home Installation Program in California, which includes issuance and approval of permits for the installation and renovation of manufactured homes. CSLB oversees licensing requirements for manufactured homes in California by licensing C-47 – General Manufactured Housing contractors. While HCD’s installation program and CSLB’s licensing requirements substantially comply with HUD’s requirements, neither agency operates a federally approved manufactured home initial installer training program, as required by HUD.

This proposal addresses the need for training of installers of manufactured homes that will achieve full acceptance of the state’s Manufactured Home Installation Program by HUD. CSLB intends to adopt a new regulation establishing an initial installer training requirement for applicants for new C-47 – General Manufactured Housing contractor licenses, in compliance with the requirements contained in the federal Manufactured Home Installation Program regulations. This new requirement will apply only to 1) applicants for new C-47 – General Manufactured Housing licenses, 2) existing licensed contractors that hold other classifications that apply to add the C-47 – General Manufactured Housing classification to their license, and 3) existing C-47 – General Manufactured Housing contractors that apply to replace the qualifying individual for the C-47 classification on their existing license, including examination and waiver applicants for all three categories. Existing C-47 – General Manufactured Housing licensees that do not apply for a new license or to replace their qualifying individual will not be impacted by the new initial installer training requirement. Failure to comply with HUD’s request for an initial installer training program, prior to July 13, 2021, may result in HUD withdrawing its conditional acceptance of California’s Manufactured Home Installation Program and taking action to administer its own program in California, including the training and licensure of installers.

ANTICIPATED BENEFITS OF THE PROPOSED REGULATION:

The proposed regulation will ensure the qualifications of applicants for licensure as C-47 – General Manufactured Housing contractors, and compliance with HUD requirements, by establishing an initial installer training prerequisite for C-47 licensees. This regulatory proposal will meet the initial installer training requirements established by HUD and CSLB’s minimum qualification requirements for licensure of C-47 – General Manufactured Housing contractors under BPC section 7068(a). It will protect the health, safety, and welfare of the public and consumers, particularly those Californians who hire C-47 – General Manufactured Housing contractors, by ensuring that applicants for the C-47 license have received sufficient training to install manufactured homes as part of their licensure process. The federal mandate for initial installer training in all states for the purpose of public protection has been a national industry standard for licensed manufactured home installers.

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 Board indicates any workload and costs related to implementing the proposed regulations will be absorbed within existing resources.

The Board anticipates approximately 40 applicants will apply for the C-47 – General Manufactured Housing contractor license annually, as historically been the case over the last five years. Each applicant will be required to submit a one-time proof of compliance with the initial installer training requirement as a result of implementing the proposed regulations. The Board indicates the costs to the state will be as follows:

- A Program Technician (PT) III will perform a one-time review of the Certificate of Completion of Training for each applicant, which is anticipated to take approximately five minutes per application.
- The PT III hourly rate is \$79, including benefits and Department of Consumer Affairs' distributed costs.
- Five minutes of time at the hourly rate of \$79 equals a cost of approximately \$6.60 per application to process the proof of compliance documentation.
- For the annual workload of 40 applications and at the rate of \$6.60 per application, the additional costs to the Board for implementation of these regulations is \$264 annually.

The Board considers the annual \$264 cost to the Board to be minor and anticipates that it will be absorbed within existing resources.

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, those that apply for a C-47 – General Manufactured Housing contractor license. The regulation would require applicants to have completed initial installer training before the issuance of their C-47 – General Manufactured Housing license. To the extent businesses apply for a C-47 – General Manufactured Housing license, the proposed regulations will impact them. Although the regulation has an economic impact, the impact is not anticipated to be significant because the one-time cost for the initial installer training is considered to be very minor compared to the income of most C-47 – General Manufactured Housing licensees.

This initial determination is based on the fact that the average one-time cost for an initial installer training course is approximately \$255, which would need to be paid to the training provider by each applicant for a C-47 – General Manufactured Housing license prior to the issuance of a license upon implementation of this regulatory proposal. In addition, the time investment for the required initial installer training is just 12 hours per applicant, which amounts to less than two days, potentially accomplished outside of business hours.

As of July 1, 2020, there are currently 417 active C-47 – General Manufactured Housing contractor licenses. This overall C-47 license population has remained fairly steady for the last five years, increasing or decreasing by less than three percent from year to year. Since July 1, 2015, CSLB has received an average of 40 applications annually for the C-47 – General Manufactured Housing classification.

New applicants for the C-47 – General Manufactured Housing contractor classification will pay the same application and licensure fees that they would have currently paid under the existing rules (\$330 application fee and \$200 initial license fee that are both paid to CSLB, plus the costs that they must pay to a third party to obtain bonds and insurance, as required). Applicants will also pay the approximate \$255 one-time cost for the initial installer training to the training provider. Therefore, there is minimal adverse economic impact on such applicants. For additional information, please refer to the Initial Statement of Reasons (ISOR).

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 approximate \$255 one-time cost for the initial installer training is considered to be very minor compared to the income of such licensees.

Benefits to the Health and Welfare of California Residents, Worker Safety, and the State's Environment: The regulatory proposal will benefit the health and welfare of California residents, worker safety, and the state's environment because the proposal will add a requirement for initial installer training for C-47 – General Manufactured Housing contractors to ensure that only those contractors who are qualified to do so are licensed and authorized to perform manufactured housing work, which is a significant

issue relating to the health and welfare of California residents, worker safety, and the state's environment.

In addition, this regulatory proposal is necessary to fulfill the Board's mandate under BPC sections 101.6, 7000.6, and 7068(a) to protect the health, safety, and welfare of the public and consumers, particularly those Californians who hire C-47 – General Manufactured Housing contractors.

Cost Impact on Representative Private Person or Business: This regulation may have an economic impact on private persons or businesses, specifically, those that apply for a C-47 – General Manufactured Housing contractor license. The regulation would require such applicants to have completed initial installer training prior to the issuance of their C-47 – General Manufactured Housing license. To the extent businesses apply for a C-47 – General Manufactured Housing license, the proposed regulations will impact them. Although the regulation has an economic impact, the impact is not anticipated to be significant because the one-time cost for such training is considered to be very minor compared to the income of most C-47 – General Manufactured Housing licensees. 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 one-time cost of the initial installer training is absorbable.

Approximately 65% of all contractors currently licensed by CSLB are sole ownerships (approximately 226,600 out of more than 346,300 licenses), some of whom may be impacted by the proposed regulatory changes that would require initial installer training as a prerequisite to licensure as a C-47 – General Manufactured Housing contractor. Therefore, approximately 26 of the average 40 applicants per year for the C-47 license may be small businesses that may be impacted by this regulatory proposal.

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 because the approximate \$255 one-time cost for the initial installer training is considered to be very minor compared to the income of licensees. It will benefit the health and welfare of California residents because the proposal will add a requirement for initial installer training for C-47 – General Manufactured Housing contractors to help ensure that only those contractors who are qualified to do so are licensed and authorized to perform manufactured housing work, which is a significant health and welfare issue. For additional information, please refer to the ISOR.

In addition, this regulatory proposal is necessary to fulfill the Board's mandate under BPC sections 101.6, 7000.6, and 7068(a) to protect the health, safety, and welfare of the public and consumers, particularly those Californians who hire C-47 – General Manufactured Housing contractors.

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 written statements or arguments relevant to the above determinations during the written comment period in accordance with this Notice.

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 Initial Statement of Reasons, availability of express terms, 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 this 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 regulation is 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:

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