

SEPTEMBER 9, 2020  
SACRAMENTO, CALIFORNIA

CONTRACTORS STATE LICENSE BOARD

# Board Meeting







## **NOTICE OF PUBLIC TELECONFERENCE BOARD MEETING**

Wednesday, September 9, 2020, 9:00 a.m. – 12:00 p.m. (or until the conclusion of business)

Pursuant to the provisions of Governor Newsom's March 17, 2020 Executive Order N-29-20, neither a public location nor teleconference locations are provided.

Teleconference Information to Register/Join Meeting for Members of the Public via WebEx:

<https://cslb.webex.com/cslb/onstage/g.php?MTID=e224f06d79c162854f542061d354882ca>

Call-In Number: (415) 655-0001 or (844) 621-3956

Access Code: 126 156 4496

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 the Board 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 board during the public comment session. Public comments will also be taken on agenda items at the time the item is heard and prior to the board taking any action on said items. Total time allocated for public comment may be limited at the discretion of the board chair.

### **MEETING AGENDA**

- 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 board to discuss items not on the agenda; however, CSLB's board 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 from Department of Consumer Affairs Representative
- D. Executive
  1. Review and Possible Approval of June 5, 2020 and July 24, 2020 Board Meeting Minutes
  2. Registrar's Report
    - a. Discussion of Response to COVID-19 and Effect on CSLB Operations
    - b. Update and Discussion on CSLB's 2020 Wildfire Disaster Response
    - c. Status Update on Hiring a Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems
    - d. Tentative Board Meeting Schedule
  3. Budgets
    - a. CSLB Budget Update
    - b. Status of Fee Audit Study

- c. Update on Process Changes to Reduce Expenditures and Increase Revenue
- d. Statistics Summary

4. Administration

- a. Update on Personnel and Facilities
- b. Information Technology Update

5. Review, Discussion, and Possible Action to Amend CSLB 2019-21 Strategic Plan

- a. Licensing & Testing
- b. Enforcement
- c. Legislation
- d. Public Affairs
- e. Administration
- f. Information Technology

E. Enforcement

1. Enforcement Program Update

- a. Expense Reduction Strategy Update
- b. Staff Vacancy Update
- c. Consumer Investigation Highlights
- d. General Complaint-Handling Statistics
- e. Statewide Investigative Fraud Team Highlights and Statistics

2. Solar Taskforce Update

- a. Review and Discussion Regarding Public Utility Commission Consideration of a Solar Residential Recovery Fund
- b. Review and Discussion Regarding Solar Investigation Enforcement Strategies

3. Workers' Compensation Insurance Enforcement and CSLB Legislative Proposal

- a. Update Regarding Workers' Compensation Policies/Exemptions and Statistics
- b. Review and Discussion Regarding Workers' Compensation Enforcement Strategies
- c. Review and Possible Approval of a CSLB Legislative Proposal Mandating Workers' Compensation Insurance for Specified License Classifications

F. Licensing and Testing

1. Licensing Program Update

- a. Application Processing Statistics
- b. Renewal Processing Statistics
- c. Fingerprinting/Criminal Background Unit Statistics
- d. Experience Verification Statistics
- e. Licensing Information Center Statistics
- f. Judgment Unit Statistics
- g. Examination Administration Unit
- h. Examination Development Unit

2. Testing Program Update
  - a. Examination Administration Unit
  - b. Examination Development Unit
3. Internal Policy and Procedure Changes Related to License Application Review
4. Review, Discussion, and Possible Action on Canceling CSLB License Reciprocity Agreement with Utah
5. Review, Discussion, and Possible Action to Initiate a Rulemaking to Add Title 16, California Code of Regulations Section 829 to Establish Criteria for Expediting Review of License Applications
6. Review and Discussion Regarding Strategies to Increase Licensure

#### G. Public Affairs

1. Public Affairs Program Update
  - a. Online Highlights
  - b. Video/Digital Services
  - c. Social Media Highlights
  - d. Media Relations Highlights
  - e. Publications/Graphic Design Highlights
  - f. Industry/Licensee Outreach Highlights
  - g. Consumer/Community Outreach Highlights
  - h. Intranet/Employee Relations

#### H. Legislation

1. Update on Previously Considered 2019-2020 Pending Legislation
2. Review, Discussion, and Possible Action on Draft Residential Solar Energy System Disclosure Document, Supporting Information Pages (Business and Professions Code section 7169 subdivision (c))
3. Update on Board Study to Evaluate Sufficiency of Current \$15,000 Contractor Bond Amount (Business and Professions Code Section 7071.6 subdivision (e))

#### I. Adjournment

**NOTE:** In addition to teleconference, the board intends to provide a live webcast of the teleconference meeting. The webcast can be found at [www.cslb.ca.gov](http://www.cslb.ca.gov) or on the board's YouTube Channel:

<https://www.youtube.com/user/ContractorsBoard/>. Webcast availability cannot, however, be guaranteed due to limitations on resources or technical difficulties. The meetings will continue even if the webcast is unavailable.

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

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



**Table of Contents**

**Contractors State License Board Meeting and Teleconference**

- A. Call to Order, Roll Call, Establishment of Quorum and Chair’s Introduction ..... 1
- B. Public Comment Session for Items Not on the Agenda and Future Agenda Item Requests..... 3
- C. Update from Department of Consumer Affairs Representative ..... 5
- D. Executive ..... 7
  - 1. Review and Possible Approval of June 5, 2020 and July 24, 2020 Board Meeting Minutes ..... 9
  - 2. Registrar’s Report ..... 33
    - a. Discussion of Response to COVID-19 and Effect on CSLB Operations
    - b. Update and Discussion on CSLB’s 2020 Wildfire Disaster Response
    - c. Status Update on Hiring a Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems
    - d. Tentative Board Meeting Schedule
  - 3. Budgets ..... 37
    - a. CSLB Budget Update
    - b. Status of Fee Audit Study
    - c. Update on Process Changes to Reduce Expenditures and Increase Revenue
    - d. Statistics Summary
  - 4. Administration ..... 49
    - a. Update on Personnel and Facilities
    - b. Information Technology Update
  - 5. Review, Discussion, and Possible Action to Amend CSLB 2019-21 Strategic Plan ..... 61
    - a. Licensing & Testing
    - b. Enforcement
    - c. Legislation
    - d. Public Affairs
    - e. Administration



# CONTRACTORS STATE LICENSE BOARD

## TABLE OF CONTENTS

f. Information Technology	
E. Enforcement	71
1. Enforcement Program Update	73
a. Expense Reduction Strategy Update	
b. Staff Vacancy Update	
c. Consumer Investigation Highlights	
d. General Complaint-Handling Statistics	
e. Statewide Investigative Fraud Team Highlights and Statistics	
2. Solar Taskforce Update	83
a. Review and Discussion Regarding Public Utility Commission Consideration of a Solar Residential Recovery Fund	
b. Review and Discussion Regarding Solar Investigation Enforcement Strategies	
3. Workers' Compensation Insurance Enforcement and CSLB Legislative Proposal	87
a. Update Regarding Workers' Compensation Policies/Exemptions and Statistics	
b. Review and Discussion Regarding Workers' Compensation Enforcement Strategies	
c. Review and Possible Approval of a CSLB Legislative Proposal Mandating Workers' Compensation Insurance for Specified License Classifications	
F. Licensing and Testing	109
1. Licensing Program Update	111
a. Application Processing Statistics	
b. Renewal Processing Statistics	
c. Fingerprinting/Criminal Background Unit Statistics	
d. Experience Verification Statistics	
e. Licensing Information Center Statistics	
f. Judgment Unit Statistics	
g. Examination Administration Unit	
h. Examination Development Unit	
2. Testing Program Update	127
a. Examination Administration Unit	
b. Examination Development Unit	
3. Internal Policy and Procedure Changes Related to License Application Review	133



# CONTRACTORS STATE LICENSE BOARD

## TABLE OF CONTENTS

4. Review, Discussion, and Possible Action on Canceling CSLB License Reciprocity Agreement with Utah .....	137
5. Review, Discussion, and Possible Action to Initiate a Rulemaking to Add Title 16, California Code of Regulations Section 829 to Establish Criteria for Expediting Review of License Applications.....	141
6. Review and Discussion Regarding Strategies to Increase Licensure .....	145
G. Public Affairs.....	147
1. Public Affairs Program Update .....	149
a. Online Highlights	
b. Video/Digital Services	
c. Social Media Highlights	
d. Media Relations Highlights	
e. Publications/Graphic Design Highlights	
f. Industry/Licensee Outreach Highlights	
g. Consumer/Community Outreach Highlights	
h. Intranet/Employee Relations	
H. Legislation .....	165
1. Update on Previously Considered 2019-2020 Pending Legislation .....	167
2. Review, Discussion, and Possible Action on Draft Residential Solar Energy System Disclosure Document, Supporting Information Pages (Business and Professions Code section 7169 subdivision (c)).....	171
3. Update on Board Study to Evaluate Sufficiency of Current \$15,000 Contractor Bond Amount (Business and Professions Code Section 7071.6 subdivision (e)).....	185
I. Adjournment .....	189

## AGENDA ITEM A

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

Roll is called by the Board Chair or, in his/her absence, by the Board Vice Chair or, in his/her absence, by a Board member designated by the Board Chair.

Eight members constitute a quorum at a CSLB Board meeting, per Business and Professions Code section 7007.

### Board Member Roster

KEVIN J. ALBANESE	DIANA LOVE
FRANK ALTAMURA, JR.	MARLO RICHARDSON
AUGIE BELTRAN	JAMES RUANE
DAVID DE LA TORRE	JOHNNY SIMPSON
MIGUEL GALARZA	NANCY SPRINGER
DONALD GIARRATANO	MARY TEICHERT
SUSAN GRANZELLA	





## 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 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 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 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 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 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 from Department of Consumer Affairs Representative





# AGENDA ITEM D

## Executive





## AGENDA ITEM D-1

# Review and Possible Approval of June 5, 2020 and July 24, 2020 Board Meeting Minutes







# CONTRACTORS STATE LICENSE BOARD

## BOARD MEETING MINUTES

### Board Meeting Minutes

#### A. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM AND CHAIR'S INTRODUCTION

Board Chair Johnny Simpson called the meeting of the Contractors State License Board (CSLB) to order at 9:00 a.m., Friday June 5, 2020 via Teleconference.

Board Member Johnny Simpson led the Board in the Pledge of Allegiance. A quorum was established.

#### Board Members Present

Johnny Simpson, Chair  
Kevin Albanese  
Frank Altamura, Jr.  
Augie Beltran  
David De La Torre  
David Dias

Susan Granzella  
Diana Love  
Marlo Richardson  
Jim Ruane  
Nancy Springer  
Mary Teichert

#### Board Members Excused

Michael Layton

#### CSLB Staff Present

David Fogt, Registrar  
Tonya Corcoran, Chief Deputy Registrar  
Wendi Balvanz, Chief of Testing  
Michael Jamnetski, Chief of Legislation  
Phyliz Jones, Executive Staff  
Amy Lawrence, Public Affairs Staff

Rick Lopes, Chief of Public Affairs  
Justin Paddock, Chief of Licensing  
Jason Perez, Chief of Information  
Technology (IT)  
Missy Vickrey, Chief of Enforcement

#### DCA Staff Present

Jason Hurtado, Legal Counsel  
Dani Rogers, Regulations Counsel

#### B. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS



Ricardo Martinez discussed the C-61/D-40 classification and the statement added to CSLB's Classification Guide precluding specified work, requesting it be a future agenda item.

### **C. MOMENT OF SILENCE TO COMMEMORATE THOSE LOST TO COVID-19**

Johnny Simpson led a moment of silence to honor the victims of the COVID-19 pandemic.

### **D. JOINT DISCUSSION WITH NEVADA STATE CONTRACTORS BOARD (NSCB)**

#### **1. Discussion Regarding CSLB and NSCB Operational and Structural Comparison**

Registrar David Fogt and Nevada Executive Officer Margi Grein presented an overview of the operational and structural comparison between CSLB and NSCB.

##### Board Member Comment:

Board member Frank Altamura mentioned that Nevada dropped Utah as one of their reciprocity states and asked if Utah was still valid for reciprocity with California.

Registrar Fogt confirmed Utah licensees remained eligible for a trade exam waiver.

#### **2. Discussion Regarding CSLB and NSCB Response to COVID-19 and Effects on Board Operations**

Registrar Fogt reported that CSLB has been active in informing the public how to contact staff who may be telecommuting; two email addresses were established for public communication. Exam testing periods were extended from 18 to 21 months to allow those who did not pass the exam to retake it. Testing centers have not reopened, however the hearing rooms in the Sacramento and Norwalk locations have been reconfigured to expand the testing space and an additional testing session will be added. Test centers are scheduled to open June 15, 2020. There will be an estimate of 9,000 pending exams by this time. Maintaining social distancing procedures have caused the Call Center wait times to increase. CSLB is trying to have as many staff available as possible to answer phones and is also encouraging the public to communicate more via email.

##### Public Comment:

An unnamed public member asked how long the backlog in testing is and how long will it take to resolve it. Registrar Fogt answered that test centers should open June 15, and



hearing rooms have been reconfigured to accommodate more exam candidates. Exams will be held daily and in the evenings. The goal is to have less than 4,500 exams in the queue by the end of August. Chief of Licensing Justin Paddock added that all test centers, except the Bay area, will be open daily and in the evenings and may consider Saturdays starting at the end of June.

Registrar Fogt mentioned that Enforcement staff were provided laptops and other equipment to work from home. It has been a smooth transition, and staff continue to meet production and exceed complaint handling cycle time goals. CSLB has been asked to redirect 18 staff members for contact tracing, 15 of which will come from the Statewide Investigative Fraud Team (SWIFT) unit. Staff will begin scheduling videoconferences to conduct hearings.

Registrar Fogt stated that there has been an impact on the budget due to applicants not making it through the application process and paying the fee for initial licensure, which has resulted in reduced revenues of approximately \$1.2 million.

### **3. Discussion Regarding Use of Technology to Limit In-Person Meetings**

Registrar Fogt mentioned that Enforcement staff were encouraged to conduct witness interview by telephone or video, rather than at consumers' homes. The industry expert program allows for contractors already working in the area to conduct inspections. Many investigations have been resolved over the phone, and staff is looking for opportunities to conduct videoconferences with consumers and investigation witnesses.

Administrative hearings are being conducted via videoconference; however, if the contractor does not agree to a videoconference hearing, the hearing is being tabled until January 2021. To perform exam development, Testing will be conducting workshops with Subject Matter Experts via videoconference. In July, a training session is scheduled with the Office of the Attorney General to ensure investigations are being properly held by videoconference.

Registrar Fogt reported that the Senior Scam Stopper program has been negatively impacted due to not being able to hold meetings in large groups. Chief of Public Affairs Rick Lopes has been working with the California State Legislature on organizing virtual town hall meetings. Applicant workshops are being conducted by videoconference and have been widely successful.

### **4. Discussion Regarding Licensure Programs**

Registrar Fogt reported that the delinquent renewal form has been revised to clarify that licenses can only be renewed within five years of expiration. An application survey was developed to garner feedback from applicants.



An applicant letter that is sent when a license is issued was developed; it explains employer responsibility, advertising protocols, contract requirements, building permit requirements, and how to maintain a valid license. The sole owner renewal process is now available online. In April, the Board had 3,296 online sole owner renewals and in May, 4,747 sole owner renewals were completed online. Most of the licensing letters sent to applicants and licensees have been revised to be more user friendly.

Public Comment:

Ricardo Martinez asked for clarification on removing barriers to licensure. Registrar Fogt answered that the Board must ensure that everyone understands what the minimum qualifications are for licensure. He said that instructions on how to fill out an application are provided.

Registrar Fogt reported that the CSLB staff will be meeting with a vendor on June 18, 2020 for an online license application demonstration that may be of great assistance to applicants. There will be an additional IT cost to consider with this service.

**5. Discussion Regarding Effects of COVID-19 on the Construction Industry**

Board member Kevin Albanese mentioned that most of his operations are within the Bay Area counties where construction was not considered an essential service. Since being able to return to work, they are taking precaution with health and safety of their employees and working closely with the labor partners to ensure the safety of their members. They are taking steps such as asking sick employees to stay home, conducting health screenings, return-to-work questionnaires, practicing social distancing, and establishing protocols for disinfecting tools.

Board member Augie Beltran reported that his organization, the Northern California Carpenters Regional Council (Carpenters), had to work with government officials to prove that their members could perform their duties safely and efficiently to prevent them and their families from getting sick. Their international training center developed the COVID-19 Training Program, through which 6,000 members in Northern California were trained on how to work safely during the pandemic. He mentioned the Bay Area counties requested to have a third-party jobsite safety accountability officer available, which the Carpenters have been able to provide to their employers.

Board member Mary Teichert reported that her company has been focused on their transmission risk and business risk. She mentioned that her company is doing similar practices as Kevin Albanese mentioned, such as providing personal protective equipment (PPE), social distancing, and cleaning/sanitization practices. These requirements have had an impact on business practices. If workers are to be within six feet of another, they must have extensive PPE or change their process of performing



duties. Other parties, such as government officials and labor partners, and her company have had opportunities to demonstrate how construction can be performed safely and maintain social distancing. Additionally, COVID-19 is being considered a worker compensation injury. Her company is self-insured and has an excellent safety program. She mentioned concerns with the supply chain and how most of her company's current projects started before the pandemic.

Board member Nancy Springer mentioned building officials in Sacramento County were already transitioning to providing services electronically, so it was easier to adapt to working fully online. The short notice regarding the need to close offices posed a challenge because they needed to ensure staff had access to the virtual private network (VPN) in order to work remotely, as well as the proper equipment. Precautions were made for those who prefer less technological methods, such as providing a drop box and scheduling appointments and meeting people in the parking lot to receive documents. She mentioned that initially there was no direction on what construction should be considered essential; the determinations were different depending on the jurisdiction. PPE was provided, but it was up to the building inspector's discretion to enter residential homes. For Sacramento County, videoconferencing was not considered an efficient method to conduct inspections because many of the components of the inspections require in-person inspection. They had an issue with some staff who were fearful and did not want to come to work. In March, her workload only slightly decreased and there was about a 65% increase in online submittals.

Board Member Comment:

Board member David De La Torre emphasized how essential commercial construction is to public safety.

Public Comment:

Martin Herzfeld submitted the following written comment "I'd like to concur with the great work in the new world - in addition so the reduction in CO2 emissions, increased emphasis on increased public safety as a licensed contractor. Thank you."

**The Board recessed at 10:42 a.m.**

**The Board reconvened at 10:52 a.m.**

**E. PRESENTATION OF CERTIFICATES OF RECOGNITION – MAY INCLUDE ORAL PRESENTATIONS COMMEMORATING ACHIEVEMENTS AND SERVICE OF BOARD MEMBERS DAVID DIAS AND MICHAEL LAYTON**



Board Chair Johnny Simpson recognized Board member Mike Layton. Mr. Layton was appointed by Assembly Speaker Anthony Rendon and served on the Board for four years. He served on four committees: Licensing, Legislative, Public Affairs, and Enforcement. He worked for the Southern California Pipe Trades, serving as a public member on the Board. Mr. Layton advised the Board on enacting service and repair consumer protection measures.

Board Chair Johnny Simpson recognized Board member David Dias. Mr. Dias was appointed by Governor Edmund Brown Jr. and served on the Board nine years. He works as the Business Manager for the Sheet Metal Workers. He was passionate about developing enforcement strategies to achieve HVAC permit compliance and to combat scams. During his service, Mr. Dias reported a record number of leads of unlicensed practice leads to CSLB staff. He was presented with a plaque in recognition of his service. Board members gave words of gratitude, and Mr. Dias gave a farewell speech.

## **F. REVIEW AND DISCUSSION OF STATISTICAL OVERVIEW OF CURRENT CSLB OPERATIONS**

Registrar Fogt thanked CSLB staff for their efforts and dedication during the COVID-19 pandemic. He recognized the efforts of Board Chair Johnny Simpson, Chief Deputy Registrar Tonya Corcoran, and Chief of Public Affairs Rick Lopes for their support and hard work in transitioning staff from an office environment to telework and for their commitment in providing employees with a safe work environment.

### **1. Licensing**

Board Chair Johnny Simpson reported that the number of licensed contractors has dropped by 1,237 over the last 12 months but the overall count is remaining steady. The Board implemented online sole owner renewals on April 6, 2020. Due to the pandemic, several other payment transactions were made available online by IT staff. In April, 2,701 renewals were paid online, which is approximately 21% of the licenses that were renewed that month. In March and April 2020, the number of renewals processed exceeded the number processed during the same months in the last two years. Social distancing requirements impacted workloads in Application Waivers, Record Certification, and the Call Center. IT staff acquired laptops to allow staff access to the necessary databases while teleworking. Staff have been redirected to assist with processing workloads, as necessary. The Call Center has been difficult to fully staff due to physical distance requirement and a need for equipment and software to relocate call center staff to provide for social distancing. Two email addresses were established where questions can be sent instead waiting on hold with the Call Center; staff respond to the emails within 24 hours.



**2. Enforcement**

Board Chair Johnny Simpson reported that CSLB has been receiving approximately 1,562 complaints a month. Teleworking allows staff to focus on older cases. The Board’s goal for the number of cases exceeding 270 days old is 100; in March and April 2020, there were 78 cases exceeding 270 days open. More than 80% of the 343 administrative settlement conferences that were conducted were settled. There has been \$1.3 million in civil penalties collected.

**G. LICENSING**

**1. Update and Possible Action on Distribution of Construction Management Education Account Disbursements**

Licensing Committee Chair David Dias reported on the Construction Management Education Account (CMEA) program. It was recommended a new process be developed for the distribution of awards; the Board requested to vote on the amounts for the awards that are distributed. Board Chair Simpson referred Board members to the staff recommendations for the 2020 awards and the proposed distribution that was provided to the Board members on November 1, 2019.

**MOTION:** To direct staff to distribute the 2020 CMEA grant awards according to the recommendation on page 41 of the Board packet and direct staff to bring the CMEA grant award proposal annually to the Board for approval at the December Board Meetings. Augie Beltran moved; Jim Ruane seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**H. LEGISLATION**

**1. Review, Discussion, and Possible Action on 2019-20 Legislation**

Legislative Committee Chair Augie Beltran reviewed the 2019-2020 active legislative bills. On April 7, 2020, Registrar David Fogt informed the Board that the Legislative



Committee Chair authorized staff to send letters of support for the five approved bills that involved CSLB. This action was taken due to the events of COVID-19 and the inability of the Board to meet and take a position on the bills.

**a. AB 2210 (Aguiar-Curry) Contractors: Violations: Disciplinary Actions**

Legislative Committee Chair Augie Beltran reported that the bill allows CSLB to discipline a licensee for lack of tree safety training or proper equipment for employees after final order from Division of Occupational Safety and Health (DOSH).

**MOTION:** To support AB 2210 (Aguiar-Curry). Johnny Simpson moved; Jim Ruane seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**b. AB 2232 (Grayson) Contractors: Renewal of Licenses**

Legislative Committee Chair Augie Beltran reported that the bill authorizes the registrar to retroactively renew a license if an application and the appropriate fees are submitted within 90 days of expiration.

**MOTION:** To support AB 2232 (Grayson). Johnny Simpson moved; David De La Torre seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**c. AB 2471 (Maienschein) Senior citizens: rescission of contracts**



Legislative Committee Chair Augie Beltran reported that this is not a CSLB sponsored bill; the San Diego County District Attorney requested CSLB support this bill. This bill extends the right to cancel a contract period for individuals age 65 from three days to five days.

**MOTION:** To support AB 2471 (Maienschein). Diana Love moved; Susan Granzella seconded. The motion carried unanimously, 10–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** David De La Torre, Mike Layton, and Nancy Springer

**d. AB 3087 (Brough) Professions and Vocations**

Legislative Committee Chair Augie Beltran reported that this bill allows for CSLB to contract with a third-party vendor to administer licensing examinations; exam development will still be conducted in house.

Board Member Comment:

Board member Marlo Richardson asked if the situation with COVID-19 will prevent the use of third-party vendors. Registrar Fogt mentioned that the Department of Consumer Affairs (DCA) currently uses a third-party vendor for the administration of their exams, which has allowed them to continue testing applicants. CSLB would like to leverage resources with DCA through this service to better serve applicants and eventually provide for online exams.

**MOTION:** To support AB 3087 (Brough). David De La Torre moved; Johnny Simpson seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer



**e. SB 1189 (McGuire) Contracting Business: Home Improvement: Residential Property**

Legislative Committee Chair Augie Beltran reported that this bill creates a new contractor subclassification within the B General Building Contractor classification, which will be called “Residential Remodeling Contractor.” The bill also clarifies that unlicensed persons that contract for home improvement restoration in declared disaster zones will be subject to felony prosecution.

Public Comment:

Richard Markuson, Western Electrical Contractors Association, stated that his organization is opposed to the provision that will allow residential remodeling contractors to perform minor electrical work and that the electrical certification should apply regardless of the classification. They are preparing an amendment to provide to staff.

**MOTION:** To support SB 1189 (McGuire). Kevin Albanese moved; Susan Granzella seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**f. SB 1474 (Senate Business, Professions & Economic Development) Committee Bill**

Legislative Committee Chair Augie Beltran reported that this is the annual omnibus bill. In December 2019, the Board approved several non-substantive changes to the Contractors State License Law that are now included in this bill.

**MOTION:** To support SB 1474 (Senate Business, Professions & Economic Development). Johnny Simpson moved; David De La Torre seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert



**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

The Board recessed at 11:39 a.m.

The Board reconvened at 11:41 a.m.

**g. CSLB Legislative Proposal – Raising Minor Work Exemption from \$500 to \$1,000**

Legislative Committee Chair Augie Beltran reported that staff found an author for the bill. There has been opposition expressed with concern to unlicensed practice and employers attempting to avoid workers' compensation requirements by hiring independent contractors that can work without a license up to the increased threshold. The Legislature has since changed its priorities due to COVID-19, and this proposal is not currently being pursued.

**2. Review, Discussion, and Possible Action Regarding Previously Board-Approved Proposed Rulemaking to Amend Title 16, California Code of Regulations (CCR) Sections 868, 869, and 869.9 (Criteria to Aid in Determining if Crimes or Acts Are Substantially Related to Contracting Business, Criteria for Rehabilitation, and Criteria to Aid in Determining Earliest Date a Denied Applicant May Reapply for Licensure), to Add Section 868.1 (Criteria to Aid in Determining if Financial Crimes Are Directly and Adversely Related to Fiduciary Qualifications, Functions, or Duties of a Licensee or Registrant for the Purpose of Considering Denials of Applications), and to Repeal Section 869.5 (Inquiry into Criminal Convictions)**

Legislative Committee Chair Augie Beltran stated the rulemaking is to be in compliance with AB 2138, which was signed by Governor Brown in September 2018. The regulations are anticipated to go in effect January 2021. The Board approved the regulatory language and authorized the Registrar to begin the rulemaking process in March 2019. On April 28, 2020, staff held a public hearing to receive comments on the rulemaking.



**a. Review, Discussion, and Possible Action Regarding Comments Received During the 45-Day Comment Period**

DCA Regulations Counsel Dani Rogers reviewed the rulemaking public comments and the Board’s proposed responses.

Board Member Comment:

Board member Diana Love requested to hear the summary of the comments. Ms. Rogers began reading from page 74 of the Board packet.

Public Comment:

Lynn Salmon asked if the Board is considering issuing provisional licenses without requiring a test. Registrar Fogt stated the Board is not changing the testing requirements at this time; to do so would require the Board’s consideration at a future Board meeting. Currently, there are no steps being taken to remove the testing requirement.

An unnamed individual mentioned that his application was denied due to a misdemeanor in 1988 when applying for a new classification; he requested an exemption for those who were or are currently licensed to prevent denial when obtaining an additional classification due to similar situations with misdemeanors.

**MOTION:** To approve the responses (as drafted) to the public comments received on April 27, 2020 on the Board’s proposed rulemaking regarding Title 16, Division 8, California Code of Regulations, Sections 868, 868.1, 869, 869.5, and 869.9 and authorize staff to make any non-substantive changes to the Board’s comments for inclusion in the Final Statement of Reasons. David Dias moved; Kevin Albanese seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**b. Review, Discussion, and Possible Action Regarding Adoption of Proposed Amendments**



Legislative Committee Chair Augie Beltran explained that the amendments are to the originally approved rulemaking package. After the hearing, legal counsel has recommended changes to the original regulatory language.

Regulations Counsel Dani Rogers explained that the recommended changes are minor and are meant to clarify the regulation based on recommendations from the Office of Administrative Law. If the changes are approved, they will be released for a 15-day comment period.

**MOTION:** To direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day public comment period. If, after the 15-day public comment period, no further comments are received, authorize the registrar to make any non-substantive changes to the proposed regulation and adopt the proposed regulations as described in the modified text notice. Kevin Albanese moved; Johnny Simpson seconded. The motion carried unanimously, 11–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Nancy Springer

**I. STATUS UPDATE ON HIRING A CONSULTANT TO STUDY WHICH CSLB LICENSE CLASSIFICATIONS SHOULD INSTALL BATTERY ENERGY STORAGE SYSTEMS**

Board Chair Johnny Simpson provided an update, stating that on March 4, 2020, the request for proposal was posted to the public, with a submission deadline of May 6, 2020. DCA received five proposals. The Department of Finance posted budget letter 20-11 on April 30, 2020, directing all agencies under direction of the Governor to reduce current year expenditures; this restricts the purchase of any new goods or services unless an exemption can be obtained. CSLB submitted justification for an exemption on May 11, 2020.

Chief Deputy Registrar Tonya Corcoran stated that the exemption was approved by Agency; the Board will move forward in selecting a consultant. There will be a review of the written proposals and then an oral interview phase. The panel will begin the review process in the following weeks.



Board Member Comment:

Board member Nancy Springer asked who will be on the panel. Chief Deputy Registrar Corcoran mentioned the panel will consist of Registrar David Fogt, Chief of Administration Mike Melliza, and herself.

Board member Susan Granzella asked when, after the consultant is selected, will the study begin. Chief Deputy Registrar Corcoran said the study can begin in the next few months, since the Board was given the authority to start.

Public Comment:

Martin Herzfeld noted that technology is continuing to change.

**J. EXECUTIVE**

**1. Review and Possible Approval of December 12, 2019 Board Meeting Minutes**

**MOTION:** To approve the December 12, 2019 Board Meeting Minutes. Augie Beltran moved; Nancy Springer seconded. The motion carried unanimously, 12–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton

**2. Review, Discussion and Possible Action on CSLB Budget**

Board Secretary Susan Granzella gave an overview of the Board’s budget. There is spending authority of \$70.1 million and mandatory nondiscretionary funding of \$5.5 million generating a budget of about \$75.6 million. The expenses for Fiscal Year (FY) 2020-21 are projected to be at \$72 million; this is due to the reductions and adjustments made by the Board. The projected revenue for the Board is at \$68 million. There is \$10 million in the reserve. Due to being \$4 million below in revenue, DCA will make an adjustment at the end of the fiscal year to reduce the reserve to \$6 million or about one month of reserve. The Board has been approved to hire a consultant to advise on where fee increases are appropriate. Some fee increases were implemented in February by emergency regulation; others will require legislation. The recommended fee increases should bring the reserve up to 5 or 6 months over the next five years.



Registrar Fogt reviewed the Expense Reduction Plan. He stated it is unknown how much revenue will be generated this fiscal year. There are increased expenses this year, payroll is increasing, and the Attorney General's Office (AG) has increased their rates by 30%. CSLB staff recommends the Board cut \$7.1 million in budgeted expenses through the following methods:

- Conducting occupational analyses through video conference.
- Delay filling vacant positions. The Board does not want to lay off staff, thus is attempting to leave 45 positions vacant (4.5 million savings).
- Delay replacing Enforcement vehicles.
- Reducing Information Technology expenses.
- Holding the AG at \$7 million. In the current fiscal year, their expenses were about \$6 million. The Board will refer fewer cases to the AG.
- Reduce the use of the Office of Administrative Hearings.
- Reduce arbitration referrals by \$300,000.
- Reduce the expenses for the industry expert program.
- Limit the workload for Enforcement by referring consumers to small claims court and the license bond when mediation attempts have not been successful, the estimated financial injury is \$10,000 or less, and the contractor does not have a history of similar violations.

Board Member Comment:

Board member Diana Love asked for clarification on how the Board is special fund but is receiving general fund money for disaster response. Registrar Fogt explained that the Board did receive \$165,000 as reimbursement for disaster response, which was an exception to the rule.

Board member Susan Granzella requested that CSLB's budget manager provide updates at Board meetings that ensure compliance with this reduction plan.

**MOTION:** To approve the outlined expenditure cost reductions of \$7.1 million. This recommendation projects the fund solvent at the end of FY 2020-21 with \$4.1 million in the reserve. Diana Love moved; David De La Torre seconded. The motion carried unanimously, 11-0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton and Jim Ruane



Board Member Comment:

Board member Nancy Springer asked how successful the consumer referrals to small claims court were when this was last proposed in 2006. Registrar Fogt answered the solution was not ideal and likely diminished consumer satisfaction. Staff estimates it will impact about 1,600 complaints a year. Ms. Springer added that, with the COVID-19, building departments have noticed people are not obtaining building permits for some projects. She wanted to know if an individual were a first-time offender but had multiple offenses, how would these cases be handled. Registrar Fogt replied that if a building official reported to CSLB that a contractor is routinely doing work without a permit or commits a serious single offense, the Board can act without the contractor committing repeated acts. Building Official permit violations are considered life safety and will not be impacted by this change in process. Further, first time building permit violators are usually subject to a letter of admonishment that requires compliance with the Board's permit training course. Most of the cases impacted by the proposal will be less serious workmanship complaints that can be handled in small claims court, if mediation attempts are not successfully. Ms. Springer would like follow-up progress reports at future Board meetings.

Board member Susan Granzella asked how this plan will be presented to consumers; how will they be made aware of its implementation when they want to file a complaint. Chief of Public Affairs Rick Lopes mentioned that consumers will have information available explaining the complaint process and realistic expectations to assist them in deciding they would like to move forward.

Public Comment:

Blayne Goodman asked if the policy would extend to public works project violations. Registrar Fogt said there will be a video conference meeting June 26, 2020 to address this issue and develop more efficient public work investigation practices. Considering public work projects rarely have a contract price less than \$10,000, public works investigations will not be impacted by the plan.

**MOTION:** To authorize staff to refer consumers to small claims court and the license bond when the licensee does not have a history of repeated acts, CSLB mediation attempts have not been successful, and the estimated financial injury is less than \$10,000. Susan Granzella moved; David Dias seconded. The motion carried unanimously, 12-0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Nancy Springer, Mary Teichert



**NAY:** None

**ABSENT:** Mike Layton

**3. Election of 2020-21 Board Officers**

The 2020 Nomination Committee was comprised of Board members Augie Beltran and Nancy Springer. Board Member Augie Beltran presented the recommendations for the Board Officers:

- Board Chair – David De La Torre
- Board Vice Chair – Susan Granzella
- Secretary – Nancy Springer

**MOTION:** To approve the Nomination Committee’s recommendation to elect Board member David De La Torre as Board Chair. The motion carried unanimously, 12–0.

**YEA:** Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton

**MOTION:** To approve the Nomination Committee’s recommendation to elect Board member Susan Granzella as Vice Chair. The motion carried unanimously, 12–0.

**YEA:** Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton

Nomination Committee’s recommended Nancy Springer to serve as Board Secretary. Board member Kevin Albanese nominated Mary Teichert to serve as Secretary. Ms. Springer withdrew her nomination.

**MOTION:** To approve the recommendation to elect Board member Mary Teichert as Secretary. The motion carried unanimously, 12–0.

**YEA:** Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton

**K. ADJOURNMENT**

**MOTION:** To adjourn the June 5, 2020 Board meeting. Susan Granzella moved; David De La Torre seconded. The motion carried unanimously, 12–0.

**YEA:** Johnny Simpson, Kevin Albanese, Frank Altamura, Augie Beltran, David De La Torre, David Dias, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Mike Layton

Board Chair Johnny Simpson adjourned the meeting at approximately 12:53 p.m.

\_\_\_\_\_  
Johnny Simpson, Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
David Fogt, Registrar

\_\_\_\_\_  
Date



# CONTRACTORS STATE LICENSE BOARD

## BOARD MEETING MINUTES

### Board Meeting Minutes

#### A. CALL TO ORDER, ROLL CALL, ESTABLISHMENT OF QUORUM AND CHAIR'S INTRODUCTION

Board Chair David De La Torre called the meeting of the Contractors State License Board (CSLB) to order at 9:00 a.m., Friday July 24, 2020, at the Contractors State License Board and via teleconference.

Board Chair De La Torre welcomed Miguel Galarza to the Board who was appointed by Governor Newsom. Mr. Galarza will be serving as a General Contractor member on the Board. Board Chair De La Torre congratulated Board Member Susan Granzella on her reappointment. He also introduced Jason Hurtado who is serving as the Board's Legal Counsel while Kristy Schieldge is on maternity leave.

Board Chair De La Torre led the Board in the Pledge of Allegiance.

**The Board recessed at 9:06 a.m.**

**The Board reconvened at 9:21 a.m.**

A quorum was established.

#### Board Members Present

David De La Torre, Chair  
Frank Altamura, Jr.  
Augie Beltran  
Susan Granzella  
Diana Love

Marlo Richardson  
Jim Ruane  
Johnny Simpson  
Nancy Springer  
Mary Teichert

#### Board Members Excused

Kevin Albanese

#### CSLB Staff Present

David Fogt, Registrar  
Tonya Corcoran, Chief Deputy Registrar  
Michael Jamnetski, Chief of Legislation  
Phyliz Jones, Executive Staff  
Amy Lawrence, Public Affairs Staff

Rick Lopes, Chief of Public Affairs  
Justin Paddock, Chief of Licensing  
Jason Perez, Chief of Information  
Technology (IT)  
Missy Vickrey, Chief of Enforcement



DCA Staff Present

Jason Hurtado, Legal Counsel

Dani Rogers, Regulations Counsel

**B. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA AND FUTURE AGENDA ITEM REQUESTS**

There was no public comment.

**C. REVIEW, DISCUSSION, AND POSSIBLE ACTION REGARDING COMMENTS RECEIVED DURING THE 15-DAY COMMENT PERIOD REGARDING PREVIOUSLY BOARD APPROVED PROPOSED RULEMAKING TO AMEND TITLE 16, CALIFORNIA CODE OF REGULATIONS (CCR) SECTIONS 868, 869, AND 869.9 (CRITERIA TO AID IN DETERMINING IF CRIMES OR ACTS ARE SUBSTANTIALLY RELATED TO CONTRACTING BUSINESS, CRITERIA FOR REHABILITATION, AND CRITERIA TO AID IN DETERMINING EARLIEST DATE A DENIED APPLICANT MAY REAPPLY FOR LICENSURE), TO ADD SECTION 868.1 (CRITERIA TO AID IN DETERMINING IF FINANCIAL CRIMES ARE DIRECTLY AND ADVERSELY RELATED TO FIDUCIARY QUALIFICATIONS, FUNCTIONS, OR DUTIES OF A LICENSEE OR REGISTRANT FOR THE PURPOSE OF CONSIDERING DENIALS OF APPLICATIONS), AND TO REPEAL SECTION 869.5 (INQUIRY INTO CRIMINAL CONVICTIONS)**

Regulations Counsel Dani Rogers explained that during the 15-day public comment the Board received three comments on the modified regulatory text and referenced comments on pages 8-10 of the Board packet.

Board Member Comment:

Board member Diana Love asked Dani Rogers to repeat what she said due to audio feedback.

**MOTION:** To approve the responses as drafted to the public comments received on June 10, 2020 on the Board's proposed rulemaking regarding Title 16, Division 8, California Code of Regulations, Sections 868, 868.1, 869, 869.5, and 869.9 and authorize staff to make any non-substantive changes to the Board's comments for inclusion in the Final Statement of Reasons. Diana Love moved; Jim Ruane seconded. The motion carried unanimously, 10-0.



**YEA:** David De La Torre, Frank Altamura, Augie Beltran, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Kevin Albanese

**D. REVIEW, DISCUSSION, AND POSSIBLE ACTION TO INITIATE A RULEMAKING TO ADOPT TITLE 16, CALIFORNIA CODE OF REGULATIONS (16 CCR) SECTION 825.5 (GENERAL MANUFACTURED HOUSING CONTRACTOR INITIAL INSTALLER TRAINING REQUIREMENT)**

Board Chair De La Torre reported that California Housing and Community Development (HCD) oversees the manufactured housing installation program for the U.S. Department of Housing and Urban Development (HUD). HCD issues the permits and CSLB issues C-47 Manufactured Housing licenses to contractors. HUD is requiring all manufactured housing installers to complete a federally approved training course. CSLB can comply with the requirement by adding to its regulations a requirement that C-47 license applications provide proof of completion of this initial training. This requirement will apply to new C-47 applicants not existing licensees, and CSLB will not be providing the training.

Legal Counsel Jason Hurtado stated that staff is requesting that the Board authorize staff to begin the rulemaking process to add a new regulatory section, Section 825.5, to the California Code of Regulations. He explained that there is a federal HUD training requirement that impacts both CSLB and HCD. California must meet a 12-hour training requirement contained in the Federal Code of Regulations section 3286.308 to maintain authority to license contractors performing manufactured housing installations. Mr. Hurtado confirmed the proposal will only impact new C-47 applicants.

Public Comment:

Daniel Humphreys, HCD, expressed his support for the proposal.

**MOTION:** To approve the proposed regulatory text that would adopt Section 825.5 to require that all applicants for a C-47 General Manufactured Housing Contractor license complete initial installer training compliant with the training curriculum contained in Section 3286.308(a) of the Code of Federal Regulations. Additionally, to direct staff to submit all approved text to the Director of the Department of Consumer Affairs and Business, Consumer Services, and Housing Agency for review. If no adverse comments are received, authorize the Registrar to take all steps necessary to initiate the



rulemaking process, make any non-substantive changes to the package, and set the matter for hearing. Jim Ruane moved; Nancy Springer seconded. The motion carried unanimously, 10–0.

**YEA:** David De La Torre, Frank Altamura, Augie Beltran, Susan Granzella, Diana Love, Marlo Richardson, Jim Ruane, Johnny Simpson, Nancy Springer, Mary Teichert

**NAY:** None

**ABSENT:** Kevin Albanese

**E. ADJOURNMENT**

**MOTION:** To adjourn the July 24, 2020 Board meeting. Johnny Simpson moved; Jim Ruane seconded. The motion carried unanimously 10-0.

Board Chair David De La Torre adjourned the meeting at approximately 9:38 a.m.

\_\_\_\_\_  
David De La Torre, Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
David Fogt, Registrar

\_\_\_\_\_  
Date

## AGENDA ITEM D-2

# Registrar's Report

- a. Discussion of Response to COVID-19 and Effect on CSLB Operations
- b. Update and Discussion on CSLB's 2020 Wildfire Disaster Response
- c. Status Update on Hiring a Consultant to Study Which CSLB License Classifications Should Install Battery Energy Storage Systems
- d. Tentative Board Meeting Schedule







### Status Update on Consultant to Study Battery Energy Storage Systems

#### Background

At its December 12, 2019 meeting, the board directed staff to retain an outside consultant to study the appropriate contractor classifications to install solar-paired battery energy storage systems. On March 4, 2020, CSLB published a request for proposal (RFP) to contract with a consultant for this study, with a submission deadline of May 6, 2020.

On April 30, 2020, the California Department of Finance issued budget letter 20-11 that, among other things, precludes departments from entering into new service contracts.

In response to the budget letter, on May 11, 2020, the Department of Consumer Affairs requested an explanation from CSLB about the critical nature of this contract. That same day, CSLB submitted a formal request that this consultant contract be exempt from the budget letter prohibitions. On June 4, 2020, the Business, Consumer Services, and Housing Agency approved the exemption request.

#### Next Steps

The next steps in the process of selecting a consultant are as follows:

- **Two Phase Evaluation Process**

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

During the first evaluation phase, the evaluation committee will review the technical written proposals and, through consensus, arrive at a single score for each of the evaluation criteria. The first evaluation phase is tentatively set for August 17 and August 18, 2020.

The second evaluation phase will be the oral interview. Any bidder receiving a passing technical score will proceed to the oral interview. During the oral interview, the bidder will be asked a set series of questions related to the criteria set forth in the RFP. The bidder will be evaluated based upon the answers provided.

- **Final Selection and Award**

Proposals passing the two-phase evaluation process will be granted a cost component score based on total project cost. DCA will award the contract to the bidder who accumulates the highest final score (technical, interview, cost comparison).



## AGENDA ITEM D-3

# Budgets

- a. CSLB Budget Update
- b. Status of Fee Audit Study
- c. Update on Process Changes to Reduce Expenditures and Increase Revenue
- d. Statistics Summary







# CONTRACTORS STATE LICENSE BOARD

## CSLB BUDGET

### CSLB Budget Update

#### Fiscal Year (FY) 2019-20 CSLB Budget and Expenditures

CSLB's FY 2019-20 budget is 70.1 million. Through May 31, 2020, CSLB spent or encumbered \$62.6 million, roughly 89 percent of its FY 2019-20 budget. Through June 30, 2020, CSLB projects \$66.8 million in board budget expenditures, with an additional \$5.5 million in mandatory external costs, for a total of \$72.3 million in total expenditures.

#### Expenditures

This chart details CSLB's FY 2019-20 budget and expenditures through May 31, 2020:

EXPENDITURE DESCRIPTION	FY 2019-20 FINAL BUDGET	MAY 2020 EXPENSES	BALANCE	% OF BUDGET REMAINING
<b>PERSONNEL SERVICES</b>				
Salary & Wages (Staff)	28,092,000	23,100,688	4,991,312	17.8%
Board Members	16,000	6,300	9,700	60.6%
Temp Help	800,000	569,184	230,816	28.9%
Exam Proctor	101,000	177,676	-76,676	-75.9%
Overtime	146,000	99,479	46,521	31.9%
Staff Benefits	15,437,000	13,130,418	2,306,582	14.9%
<b>TOTALS, PERSONNEL</b>	<b>44,592,000</b>	<b>37,083,745</b>	<b>7,508,255</b>	<b>16.8%</b>
<b>OPERATING EXPENSES AND EQUIPMENT (OE&amp;E)</b>				
Operating Expenses	16,246,000	17,920,075	-1,674,075	-10.3%
Exams – Subject Matter Experts	436,000	296,563	139,437	32.0%
Enforcement	9,181,000	7,751,187	1,429,813	15.6%
<b>TOTALS, OE&amp;E</b>	<b>25,863,000</b>	<b>25,967,825</b>	<b>-104,825</b>	<b>-0.4%</b>
<b>TOTALS</b>	<b>70,455,000</b>	<b>63,051,570</b>	<b>7,403,430</b>	<b>10.5%</b>
Scheduled Reimbursements (i.e., fingerprint, public sales)	-353,000	-113,382	-239,618	
Unscheduled Reimbursements (i.e., invest. cost recovery)		-386,868	386,868	
<b>GRAND TOTALS</b>	<b>70,102,000</b>	<b>62,551,320</b>	<b>7,550,680</b>	<b>10.8%</b>

#### Revenue

CSLB received the following revenue amounts through June 30, 2020:

Revenue Category	Through 06/30/2020	Percentage of Revenue	Change from prior year (06/30/2019)*
Duplicate License/Wall Certificate Fees	\$121,023	0.2%	-12.2%
New License and Application Fees	\$13,296,992	19.8%	-14.1%
License and Registration Renewal Fees	\$48,947,616	72.9%	6.4%
Delinquent Renewal Fees	\$2,822,295	4.2%	6.7%
Penalty Assessments	\$1,711,148	2.5%	-20.6%
Misc. Revenue	\$280,201	0.4%	-30.4%
<b>Total</b>	<b>\$67,179,275</b>	<b>100.00%</b>	<b>0.6%</b>

\* License & Registration Renewal Fees are based on 2-year cycle (comparative data is from FY 2017-18, a non-peak renewal year).



**Fiscal Year 2020-21 CSLB Preliminary Budget**

The chart below details the preliminary FY 2020-21 CSLB budget and authorized positions, which was included in the 2020 Budget Bill (Assembly Bill 89, Chapter 7, Statutes of 2020):

EXPENDITURE DESCRIPTION	FY 2020-21 Approved Preliminary Budget
<b>POSITIONS</b>	
Authorized Positions	430.0
Temporary Help Positions	2.6
<b>TOTAL POSITIONS</b>	<b>432.6</b>
<b>PERSONNEL SERVICES</b>	
Salary & Wages (Staff)	28,268,000
Board Members	16,000
Temp Help	860,000
Exam Proctor	41,000
Overtime	146,000
Staff Benefits	15,620,000
<b>TOTALS, PERSONNEL</b>	<b>44,951,000</b>
<b>OPERATING EXPENSES AND EQUIPMENT (OE&amp;E)</b>	
Operating Expenses	17,604,000
Exams	436,000
Enforcement	11,011,000
<b>TOTALS, OE&amp;E</b>	<b>29,051,000</b>
<b>TOTAL APPROPRIATION</b>	<b>74,002,000</b>
Scheduled Reimbursements	-353,000
Unscheduled Reimbursements	
<b>TOTAL APPROPRIATION with Reimbursements</b>	<b>73,649,000</b>



**CSLB Fund Condition**

Below is the fund condition for the Contractors’ License Fund, which shows the projected “final” FY 2019-20 reserve (\$5.3 million – approximately 1.0 months’ reserve), along with the projected fund reduction amount for current year (CY) 2020-21 (with \$7.1 million approved reduction in expenditures) through budget year (BY) 2021-22 (see notes below):

<i>(Dollars in thousands)</i>	<b>Projected Final FY 2019-20</b>	<b>Projected CY 2020-21</b>	<b>Projected BY 2021-22</b>
<b>Beginning Balance</b> <i>(Fund/Savings Account)</i>	<b>\$10,378</b>	<b>\$5,327</b>	<b>\$4,014</b>
<b>Revenues and Transfers</b>			
Revenue	\$67,200	\$70,696	\$71,923
<b>Total Resources</b> <i>(Revenue + Fund/Savings Acct.)</i>	<b>\$77,578</b>	<b>\$76,023</b>	<b>\$75,937</b>
<b>Expenditures</b>			
Board Expenditures	\$66,800	\$73,649	\$71,649
External Costs	\$5,451	\$5,460	\$5,460
		<b><i>Reduction in Expenditures</i></b> <b>-\$7,100</b>	
<b>Total Expenditures</b>	<b>\$72,251</b>	<b>\$72,009</b>	<b>\$77,109</b>
<b>Ending Balance</b> <i>(Fund/Savings Account)</i>	<b>\$5,327</b>	<b>\$4,014</b>	<b>-\$1,172</b>
<b>Months in Reserve</b>	1.0	0.8	-0.2
<b>Dollars in Reserve</b>	\$5.3 M	\$4.0 M	-\$1.2 M

Notes:

- 1) Board Expenditures includes staff pay, benefits, and operating expenses
- 2) External Costs includes statewide pro rata and pensions
- 3) Revenue assumes no growth in new applications or renewals, and only includes increased renewal fees
- 4) Expenditures based on governor’s budget in FY 2020-21, with \$7.1 reduction, and FY 2021-22 assumes same budget from prior year with typical \$2 million reversion
- 5) Deficient fund reserve in FY 2021-22 does not consider a possible fee increase based on the outcome of fee study or continued reduction in expenditures



### **Status Update on Fee Audit Study with CPS Consultant**

At its September 24, 2019 meeting, the board directed staff to conduct a fee study to determine the potential need and appropriate fees for a possible legislative fee increase. The fee study was initiated in response to an increase in expenditures and projections of insufficient revenue for continued operations.

Following the September 2019 board meeting, staff began the process of hiring an independent contractor to conduct the fee audit study.

In March 2020, CSLB contracted with Cooperative Personnel Services HR Consulting (CPS) to conduct the audit. The scope of the audit is to perform an analysis of CSLB's fee structure to determine if the fee levels are appropriate for the recovery of the actual costs of conducting its operations.

CPS's fee study method includes a review of staff work time allocations to determine the board's current and future expenses for license issuance and maintenance, and related enforcement costs.

The fee audit study will include an analysis of the projected trends and funding gaps, identification of the revenue needed to cover the expenditures of each fee, and determination of any fee adjustments required to cover the fee specific expenditures. Potential legislation will seek to provide the revenue required for existing operations and to develop a five to six-month fund reserve for economic uncertainties.

CPS began the study in March 2020 and is scheduled to conclude its work in October 2020. CPS will present the fee audit study to the board at the December 2020 board meeting.



**CSLB FY 2020-21 Expenditure Reduction Plan - Modified**

To remain solvent until the fee study concludes and revenues increase, the board adopted the following expenditure reduction plan at its June 5, 2020 meeting. The changes in the plan below are noted in strikeout and blue; however, the total reduction of \$7.1 million remains unchanged.

**Licensing and Testing**

<b>ACTION</b>	<b>SAVINGS</b>
<ul style="list-style-type: none"> <li>• Conduct subject matter expert workshops via WebEx or other technology platform to reduce travel costs</li> </ul>	\$250,000

**Executive and Administrative**

<b>ACTION</b>	<b>SAVINGS</b>
<ul style="list-style-type: none"> <li>• <del>Delay filling positions — maintaining 45 vacant positions</del></li> <li>• Maintain 20 vacant positions (\$2 million)</li> <li>• Savings due to the 9.23 percent reduction in pay to full-time employees (\$2.5 million)</li> </ul>	\$4.5 million
<ul style="list-style-type: none"> <li>• Delay replacing three vehicles in Enforcement</li> </ul>	\$100,000

**Information Technology**

<b>ACTION</b>	<b>SAVINGS</b>
Reduce ADA compliance contract from \$250,000 to \$50,000, and have CSLB staff assume more ADA remediation functions	\$200,000
<ul style="list-style-type: none"> <li>• IT contract and purchases savings</li> </ul>	\$250,000

**Enforcement**

<b>ACTION</b>	<b>SAVINGS</b>
<ul style="list-style-type: none"> <li>• Hold Attorney General’s Office at \$7 million for the year (roughly \$580,000 monthly)</li> </ul>	\$1.0 million
<ul style="list-style-type: none"> <li>• Hold the Office of Administrative Hearings at \$1.2 million (roughly \$100,000 monthly)</li> </ul>	\$300,000
<ul style="list-style-type: none"> <li>• Modify processes to reduce arbitration costs by 40% (from \$900,000 to \$550,000)</li> </ul>	\$350,000
<ul style="list-style-type: none"> <li>• Modify procedures to reduce expenditures for industry expert consultants by 20% (from \$750,000 to \$600,000)</li> </ul>	\$150,000
<b>TOTAL SAVINGS</b>	<b>\$7.1 million</b>



# CONTRACTORS STATE LICENSE BOARD

## STATISTICS SUMMARY

### Statistics Summary

#### All Applications Received

Month	2016-17	2017-18	2018-19	2019-20
July	3,513	2,624	3,478	4,511
August	3,749	3,141	3,761	4,733
September	3,668	3,254	3,418	4,366
October	3,844	3,188	4,550	4,166
November	3,080	2,669	3,736	3,854
December	3,260	2,903	3,682	3,320
January	3,282	3,714	4,232	4,132
February	3,087	3,598	4,428	4,068
March	4,059	4,223	5,157	3,649
April	4,081	3,430	4,761	2,284
May	4,188	2,875	4,800	2,512
June	3,489	3,600	4,208	3,177
<b>Total</b>	<b>43,300</b>	<b>39,219</b>	<b>50,211</b>	<b>44,772</b>
			<i>% Change from Prior FY</i>	<i>-10.8%</i>

#### Original Applications Received (includes exam and waivers)

Month	2016-17	2017-18	2018-19	2019-20
July	1,618	1,197	1,454	1,935
August	1,811	1,141	1,815	1,967
September	1,692	1,624	1,595	1,820
October	1,842	1,429	2,182	1,616
November	1,374	1,306	1,763	1,440
December	1,453	1,522	1,697	1,245
January	1,584	1,990	1,972	1,829
February	1,090	1,766	2,047	1,697
March	1,938	1,885	2,211	1,594
April	1,969	1,401	2,217	1,060
May	1,935	1,190	2,112	1,010
June	1,761	1,653	1,837	1,368
<b>Total</b>	<b>20,067</b>	<b>18,104</b>	<b>22,902</b>	<b>18,581</b>
			<i>% Change from Prior FY</i>	<i>-18.9%</i>
			<i>% of Apps Rcvd are Original Apps</i>	<i>42.0%</i>



Original Licenses Issued

Month	2016-17	2017-18	2018-19	2019-20
July	1,245	1,150	1,394	1,426
August	1,334	1,355	1,616	1,331
September	1,329	1,095	1,377	1,293
October	1,403	986	1,580	1,383
November	1,407	1,334	1,250	1,195
December	1,036	1,170	1,244	1,181
January	1,241	1,170	1,441	1,263
February	1,072	1,065	1,374	1,118
March	1,423	1,446	1,342	1,102
April	1,111	1,438	1,416	940
May	1,390	1,545	1,441	674
June	1,376	1,570	1,343	662
<b>Total</b>	<b>15,367</b>	<b>15,324</b>	<b>16,818</b>	<b>13,568</b>

*% Change from Prior FY* -11.5%  
*% Licenses Issued of Original Apps Rcvd* 73.0%

Licenses Renewed

Month	2016-17	2017-18	2018-19	2019-20
July	10,394	8,153	8,307	11,234
August	11,069	9,283	10,544	9,631
September	9,215	9,534	8,173	9,409
October	9,842	8,805	13,154	7,901
November	7,618	5,651	7,563	6,003
December	9,147	9,651	7,362	7,846
January	8,958	7,593	11,000	9,582
February	8,800	11,586	9,698	7,163
March	12,317	9,760	11,700	12,059
April	11,853	9,830	9,011	13,174
May	11,673	13,389	8,976	10,827
June	9,393	14,167	10,871	9,806
<b>Total</b>	<b>120,279</b>	<b>117,402</b>	<b>116,359</b>	<b>114,635</b>

*% Change from FY 2017-18* -2.4%



### Original HIS Registrations Issued

Month	2016-17	2017-18	2018-19	2019-20
July	350	302	476	677
August	581	420	422	526
September	391	405	442	634
October	552	495	549	579
November	428	419	415	594
December	359	385	437	519
January	377	468	570	429
February	382	396	400	457
March	448	433	590	350
April	499	502	656	400
May	538	464	526	360
June	502	513	530	297
<b>Total</b>	<b>5,407</b>	<b>5,202</b>	<b>6,013</b>	<b>5,822</b>

*% Change from Prior FY -3.2%*

### HIS Registrations Renewed

Month	2016-17	2017-18	2018-19	2019-20
July	188	213	328	408
August	271	402	435	497
September	252	302	354	421
October	257	280	461	387
November	168	203	342	212
December	285	434	302	534
January	235	110	381	319
February	196	424	321	294
March	561	266	432	571
April	354	382	436	408
May	394	478	398	383
June	296	467	493	308
<b>Total</b>	<b>3,457</b>	<b>3,961</b>	<b>4,683</b>	<b>4,742</b>

*% Change from Prior FY 1.3%*



**License Population by Status**

Status	August 1, 2017	August 1, 2018	August 1, 2019	August 1, 2020
Active	226,242	228,810	231,714	228,432
Inactive	57,245	55,826	54,957	53,488
<b>Total</b>	<b>283,487</b>	<b>284,636</b>	<b>286,671</b>	<b>281,920</b>

*% Change from Prior FY -1.7%*

**HIS Registration Population by Status**

Status	August 1, 2017	August 1, 2018	August 1, 2019	August 1, 2020
Active	17,201	17,757	19,588	20,954

*% Change from Prior FY 7.0%*

**Complaints By Fiscal Year**

Complaints	2016-17	2017-18	2018-19	2019-20
Received	18,875	20,674	20,474	18,190
Reopened	971	969	1,124	1,133
Closed	19,390	21,584	21,644	20,272
Pending (As of June 30)	4,734	4,796	4,807	3,898



## AGENDA ITEM D-4

# Administration

- a. Update on Personnel and Facilities
- b. Information Technology Update







### ADMINISTRATION UPDATE

#### PERSONNEL UNIT

#### TRANSACTIONS

During the fourth quarter of fiscal year 2019-20 (April 1, 2020–June 30, 2020), CSLB Personnel staff completed 13 personnel transactions. This included the addition of two new employees from other state agencies and one employee new to state service. Within CSLB, five employees were promoted and two transferred to different units. One student assistant and two examination proctors were also hired.

#### Total Number of Personnel Transactions Per Quarter – FY 2019-20

Recruitment Type	Quarter 1 <i>July-Sept</i>	Quarter 2 <i>Oct-Dec</i>	Quarter 3 <i>Jan-March</i>	Quarter 4 <i>April-June</i>
From other State Agencies	8	2	5	2
New to State Service	2	7	8	1
Student Assistants	2	0	0	1
Retired Annuitants	0	0	0	0
Promotions	15	31	4	5
Transfers within CSLB	3	5	5	2
Training and Development	1	0	1	0
Examination Proctors	3	0	1	2
<b>Total Per Quarter</b>	<b>34</b>	<b>45</b>	<b>24</b>	<b>13</b>

#### Total Number of Personnel Transactions Per Quarter – FY 2018-19

Recruitment Type	Quarter 1 <i>July-Sept</i>	Quarter 2 <i>Oct-Dec</i>	Quarter 3 <i>Jan-March</i>	Quarter 4 <i>April-June</i>
From other State Agencies	9	10	5	9
New to State Service	7	7	8	1
Student Assistants	3	0	0	1
Retired Annuitants	0	0	0	0
Promotions	11	9	4	8
Transfers within CSLB	8	2	5	4
Training and Development	1	0	1	1
Examination Proctors	2	0	1	7
<b>Total Per Quarter</b>	<b>41</b>	<b>28</b>	<b>24</b>	<b>31</b>



**VACANCIES**

At its June 5, 2020, meeting the board agreed to delay filling positions and to maintain 45 vacant positions. During the fourth quarter of FY 2019-20, CSLB averaged 32 vacancies. The average for the entire 2019-20 fiscal year was 29 vacancies.

The Personnel unit continuously works with CSLB hiring managers and Department of Consumer Affairs' (DCA) Office of Human Resources to identify and minimize any delays in recruitment for key positions.

**Average Monthly Vacancies by Fiscal Year**

Fiscal Year	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2019-20	21	25	31	35	34	34	23	22	24	22	36	40
2018-19	29	33	30	24	22	21	23	22	24	22	22	19
2017-18	44	41	36	33	39	41	36	29	30	31	29	29
2016-17	44	45	42	45	44	43	47	42	37	38	38	40

**RECLASSIFICATION OF ENFORCEMENT REPRESENTATIVE SERIES**

As part of its 2019-20 strategic plan, the board requested that staff research a special investigator classification series. In November 2019, a classification study performed by CPS HR Consulting recommended utilization of the Special Investigator/Investigator classification series in place of the Enforcement Representative series. CSLB adopted the recommendations and worked with DCA on a formal plan to transition from the Enforcement Representative series.

The state control agency, CalHR approved CSLB's plan, which became effective on July 1, 2020. The plan provides for the utilization of the Special Investigator/Investigator classification series in place of the Enforcement Representative series. The more broadly known and used Special Investigator/Investigator classes will allow CSLB to effectively compete with other state agencies for the most suitable and qualified candidates to fill Enforcement division vacancies. Personnel unit staff are in the process of transitioning 142 Enforcement division employees into the Special Investigator/Investigator classifications.

**ERGONOMIC TRAINING**

In March 2020, the Personnel unit coordinated 22 office ergonomic training sessions for staff in the Sacramento office. The program is designed to identify, prevent and/or correct injuries caused by repetitive job, process, or operation of identical work activity.



**EXAMINATIONS**

DCA and CalHR offers examinations for CSLB civil service positions throughout the year, as shown below:

ENFORCEMENT	STATUS	DATE
Consumer Services Representative	Last exam date:	June 2020
	Tentative exam date:	October 2020
Enforcement Representative I	Last exam date:	November 2019
	Tentative exam date:	TBD
Enforcement Representative II	Last exam date:	June 2020
	Tentative exam date:	TBD
Investigator (Peace Officer)	N/A	Continuous
Special Investigator	N/A	Continuous
Supervising Special Investigator I	Last exam date:	November 2019
	Tentative exam date:	TBD
Supervising Special Investigator II	Last exam date:	May 2018
	Tentative exam date:	TBD

INFORMATION TECHNOLOGY	STATUS	DATE
Information Technology Series	N/A	Continuous

LICENSING AND EXAMINATIONS	STATUS	DATE
Research Data Series	N/A	Continuous

OTHER	STATUS	DATE
Information Officer I	N/A	Continuous
Management Services Technician	N/A	Continuous
Office Services Supervisor II	Last exam date:	January 2019
	Tentative exam date:	TBA
Office Assistant	Last exam date:	October 2019
	Tentative exam date:	TBD
Office Technician	N/A	Continuous
Program Technician	Last exam date:	February 2020
	Tentative exam date:	TBA



Program Technician II	Last exam date:	December 2019
	Tentative exam date:	TBD
Program Technician III	Last exam date:	October 2019
	Tentative exam date:	TBD
Staff Services Analyst Transfer Exam	N/A	March/June Sept./December
Staff Services Analyst/Associate Governmental Program Analyst	N/A	Continuous
Staff Services Manager I/II/III	N/A	Continuous
Supervising Program Technician II/III	N/A	Continuous
Warehouse Worker	Last exam date:	November 2019
	Tentative exam date:	TBA



## **BUSINESS SERVICES UNIT**

### **FACILITIES**

- **Oxnard Office** – Tenant improvements for the Enforcement and Testing suites were completed in May 2020. Improvements included:
  - New interior paint
  - Installation of new carpet
  
- **Valencia Office** – CSLB, the Department of Consumer Affairs, and the Department of General Services have identified a new location for the Valencia office. CSLB has signed the final exhibit for the new location, which included IT specifications, modular system furniture, and a floor plan. Construction in the new suite began in June 2020. Delivery of modular furniture has been delayed due to COVID-19 and is now expected to be delivered and installed in October 2020.

Projected Completion Date: **November 2020**

### **CONTRACTS AND PROCUREMENTS**

#### **Contracts in Process:**

- Contract with CPS HR Consulting to conduct an audit of CSLB’s fee structures to determine appropriateness of fees and if legislation is warranted for a future fee increase.
  - Audit began in March 2020 and should be completed in October 2020.

#### **Procurements in Process:**

In light of budget constraints, all purchases continue to be closely scrutinized and only mission critical items are processed. The following COVID-related items have been purchased:

- Over 62 gallons of hand sanitizer, which have been distributed to CSLB offices
- Over 8,000 disposable masks, which have been distributed to CSLB offices
- 75 cloth reusable masks, which were distributed to CSLB Test Centers
- Over 4,000 various sized disposable gloves, which have been distributed to CSLB offices



- On March 30, 2020, staff requested 360 3-packs of Clorox disinfecting wipes, which continue to be on backorder
- Purchased various items to ensure proper social distancing measures for all CSLB offices.

**Executed Contracts/Procurement:**

- Five-year contract with Smile Business Products Inc. to provide continued maintenance for copiers at offices in:
  - San Bernardino
  - San Diego
  - San Francisco
  - Valencia
- Purchase of 36 time and date stamp machines for CSLB's Mailroom and Cashiering units. Each machine came with a one-year warranty.
- Purchase of an inserter machine, and a five-year maintenance contract, for CSLB's Warehouse staff for large quantities of mail, including renewals. The inserter was installed in June 2020.
- Purchase of a postage meter machine, and a five-year maintenance contract, for the inserter machine.



### Information Technology Update

#### Information Technology Expenditure Reduction Plan

Through its continued cost saving efforts for fiscal year 2019-20, the Information Technology unit saved approximately 40 percent in California Department of Technology (CDT) charges compared to fiscal year 2018-19.

Fiscal year 2019-20, CSLB spent \$2,189,611 with CDT; and currently CSLB is projected to spend approximately \$1,900,000 in fiscal year 2020-21. Other major cost saving efforts include:

- Holding two IT positions vacant
- Reducing IT hardware and software spending by \$250,000
- Reducing ADA compliance contract from \$250,000 to \$50,000, and having CSLB staff assume more ADA remediation functions

#### Online Renewal

The IT unit, in conjunction with Licensing, released the sole owner online renewal in April 2020. This allowed sole owner licensees without a responsible managing employee to renew and pay through CSLB's website. This paid renewal is then processed and updated in real-time. In addition, licensees can update their address of record and contact information during the renewal process. Also, in April 2020, eKiosk functions were migrated online to allow all other licensees to pay for their renewal online. In July 2020, IT developed and released the Home Improvement Salesperson (HIS) online renewal.

Online Renewal Transactions			
	Sole Owner	eKiosk	HIS
April	1,798	1,498	*
May	3,230	1,510	*
June	3,812	1,570	*
July	3,429	1,485	107
<b>Totals</b>	<b>12,269</b>	<b>6,063</b>	<b>107</b>

#### CSLB Website Architecture Modernization

CSLB management and staff collaborated with the Department of Consumer Affairs and the California Department of Technology to create a fault tolerant web architecture to accommodate current and future business needs. This work, completed in January 2020, included:

- Securing operating system and database licenses
- Building new web, application, database, and event replicator servers



- Completing firewall rules to allow network communication between the different tiers
- Completing load balancers setup and configuration

In August 2020, IT installed new network firewalls to enhance CSLB’s security posture.

**Information Security and Risk**

As required by California Government Code section 11549.3, the State Office of Information Security (OIS) and the California Military Department (CMD) conducted a security assessment of CSLB staff in February 2019. CSLB IT staff were debriefed on the results of the assessment findings in May 2019.

CSLB management and staff continue to work with DCA and other state agencies to address all findings. As reported at the September 2019 board meeting, 10 percent of all critical findings were remediated; that number has now grown to approximately 30 percent.

Staff expect to complete all remediation efforts by December 2020. Below is an overview of these efforts, along with the percentage completed.

**Security Updates**

Remediation Effort	Complete
Network access control (NAC)	92%
Phishing awareness (DCA solution in progress)	60%
Intelligent logging	12%
Operating system and software security enhancements	93%
Vulnerability scanning enhancements and integration with intelligent logging	89%
Major firewall software upgrades and security policy enhancements	85%
Remote access-multifactor authentication (DCA solution in progress)	30%
Working group to identify the data processed within its business units and correlate that data to an accepted level of risk	0%
Firewall security policies reconciliation and tuning	75%
External website assessment	0%
Social media and internet investigation for CSLB data	3%
Internal network vulnerability scanning and remediation, including patching and services	90%
Website security vulnerability remediation	35%
Major endpoint software upgrades and security policy enhancements	85%
Access control-privileged access management (PAM) for system administrators	50%
Cloud/Office365 security enhancements	60%



**2020 IT System Enhancements**

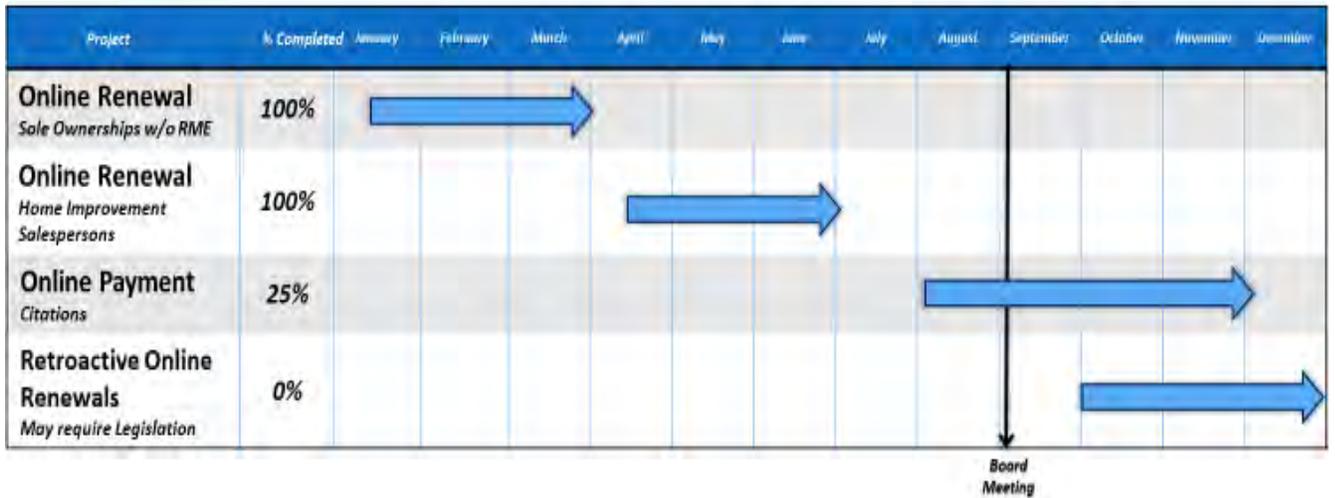
Created Business Processes	As-Is Processes: Exam Accommodations; Exam Disciplinary; Citation; Workers' Compensation Addendum, Cancellations, General Liability, Reinstatement; Bonds Cancellation; Report of Collections	January 2020
Updated e-Process Forms	Updated HIS Renewal Letter Format; Reactivation Letter Format; Cashiering RPN fee increase; C-10 \$20 Requirement for Renewal Fee Increase	January 2020
Created Business Processes	As-Is Processes: Citation Appeal; Citation Payment and Non-Payment; Fleet Management Mileage Report; Cashiering Fee Receipt and Dishonored Checks	February 2020
Updated e-Process Forms	In-House Work Certification Verification letter	February 2020
Communication	Created Licensing, Enforcement, and Call Center shared email accounts for CSLB staff to communicate with the constituents of California.	March 2020
Communication	Added Conference Call lines for Enforcement, Licensing, IT, and Legislative Divisions for internal/external staff communication.	March 2020
Remote Workforce	Converted our VPN Disaster Recovery site in Fresno as an active site to manage the extra staff working remotely.	March 2020
Remote Workforce	Deployed 30 loaner laptops to CSLB staff to work remotely.	March 2020
Remote Workforce	In partnership with DCA, deployed DCA Cloud Desktop for staff to remotely access our Teale Mainframe system.	March 2020
Online Presence	Deployed the Sole Owner Online Renewal to instantly renew contractors' licenses.	April 2020
Online Presence	Deployed eKiosk application online to receive licensee's renewal payments for non-Sole Owners.	April 2020
Remote Workforce	Deployed 91 new laptops for CSLB staff to work remotely.	April 2020
Communication	Added WebEx accounts for to allow web conferencing with consumers.	June 2020
Online Collaboration	Enabled Microsoft Teams for audio, video, chat, and collaboration among CSLB and DCA.	June 2020
Online Presence	Deployed Home Improvement Salespersons (HIS) online renewal.	July 2020



**2020-21 IT Projects**

Below is a roadmap and timeline for the IT unit’s 2020-21 modernization efforts.

# Information Technology 2020 Projects



**Information Technology 2021 Projects**

- Online Original Application: Currently holding vendor product demos
  - Duration: 18-month project
- Testing Administration Transition to Vendor: Awaiting legislative approval
  - Duration: 6-month project

## AGENDA ITEM D-5

# Review, Discussion, and Possible Action to Amend CSLB 2019-21 Strategic Plan

- a. Licensing & Testing
- b. Enforcement
- c. Legislation
- d. Public Affairs
- e. Administration
- f. Information Technology







### **2019-21 Strategic Plan**

#### **Background**

At its September 20, 2018 meeting, the board approved CSLB's 2019-21 strategic plan, which sets out long term priorities for each division and helps to guide board operations. Each identified strategic plan objective is assigned a target date for completion and board members receive updates at each meeting. The complete strategic plan is available on the CSLB website at [www.cslb.ca.gov](http://www.cslb.ca.gov).

#### **COVID-19**

CSLB's multifaceted response to COVID-19 has affected daily operations. To continue to effectively perform CSLB's most critical work for consumers, applicants, and licensees, and to successfully transition a majority of staff to telework required the development of new processes and the deployment of new technologies. As a consequence, while progress on most strategic plan objectives has continued on schedule, progress on some objectives was slowed.

The following pages include strategic plan objectives for each division where staff is requesting a revised target completion date. The 2019-21 Strategic Plan included 60 total objectives; staff requests revised target dates for 14 of these objectives. In some cases, a particular objective does not lend itself to a hard completion date but, rather, describes work that is ongoing, a change that is reflected in this request. Staff will provide a comprehensive strategic plan update for each division at the next respective committee meetings.



2019-21 Strategic Plan – Licensing & Testing Objectives

**Item 1.7**

**Description:** In partnership with Public Affairs and Information Technology, develop online original contractor license applications to reduce application return rates.

*(See Public Affairs objective 4.7 and Information Technology objective 5.15)*

**Target Date:** July 2020

**Proposed Target Date:** Begin December 2021

**Current Status:** Due to budget concerns and the ongoing pandemic, staff requests extending this objective until additional resources are available.

**Item 1.8**

**Description:** Review feasibility of continuing education or online testing for license renewal to keep licensees informed of changes to laws and codes.

**Target Date:** July 2020

**Proposed Target Date:** Begin December 2021

**Current Status:** Due to the ongoing pandemic, staff requests extending this objective until additional resources are available.



**2019-21 Strategic Plan – Enforcement**

**Item 2.4**

**Description:** Leverage social media to identify potential workers' compensation violations and unlicensed contracting.

**Target Date:** January 2020

**Revised Target Date:** Ongoing

**Current Status:** In Process



### 2019-21 Strategic Plan – Legislation

#### Item 3.2

**Description:** Seek legislation to mandate workers' compensation insurance for specified license classifications to protect workers and consumers. (Statutory)

**Target Date:** January 2020

**Proposed Target Date:** July 2021

**Current Status:** Stakeholder meetings held in April 2019 and January 2020; legislative proposal prepared for March 2020 meeting, which was canceled because of COVID-19. Proposal tabled for now due to economic conditions.

#### Item 3.3

**Description:** Review disaster-related consumer protection laws, including the hazardous substances certification requirements. (Statutory)

**Target Date:** July 2020

**Proposed Target Date:** October 2021

**Current Status:** Work is ongoing with the Licensing division; update provided at November 7, 2019, Licensing Committee meeting. No new updates to provide at this time.

#### Item 3.5

**Description:** Clarify home improvement contract requirements to improve licensee understanding and compliance. (Statutory)

**Target Date:** July 2020

**Proposed Target Date:** October 2021

**Current Status:** First of multiple stakeholder meetings held in April 2019; workgroups will continue to convene; and draft language will be proposed at a later date.



2019-21 Strategic Plan – Public Affairs

**Item 4.7**

**Description:** In partnership with the Licensing division and Information Technology unit develop online original contractor applications to reduce application return rates.

*(See Licensing objective 1.7 and Information Technology 5.15)*

**Target Date:** December 2019

**Proposed Target Date:** Begin December 2021

**Current Status:** Staff and subject matter experts met with a vendor for a product demonstration in July 2020. Due to CSLB budget shortfall, staff requests delaying this to fiscal year 2021-22.

**Item 4.8**

**Description:** Develop orientation videos for new staff, managers and Board members

*(See Administrative objective 5.8)*

**Target Date:** January 2020

**Proposed Target Date:** February 2021

**Current Status:** Script completed, Shooting has been delayed due to telework and assignment of new COVID-19-related video projects.

**Item 4.9**

**Description:** In partnership with the Information Technology unit, review and update web content to ensure information present to the public is accurate and accessible.

*(See Information Technology objective 5.16)*

**Target Date:** March 2020

**Proposed Target Date:** Ongoing

**Current Status:** Compliance with Americans with Disabilities Act (ADA) accessibility requirements completed; work to review and update website content for accuracy and ease of use is ongoing.



2019-21 Strategic Plan – Administration

**Item 5.7**

**Description:** Standardize human resource processes to increase efficiency in regard to personnel matters.

**Target Date:** January 2020

**Proposed Target Date:** July 2021

**Current Status:** Human resources processes documented. Developing fact sheets to assist hiring managers. Monthly manager meetings to be scheduled to provide additional resources and training.

**Item 5.8**

**Description:** Enhance onboarding and orientation program for new staff, managers and Board members.

*(See Public Affairs objective 4.8)*

**Target Date:** January 2020

**Proposed Target Date:** February 2021

**Current Status:** Script completed, Shooting has been delayed due to telework and assignment of new COVID-19-related video projects. Onboarding tool kit and fact sheets for managers and supervisors now available on CSLB Intranet.



2019-21 Strategic Plan – Information Technology

**Item 5.15**

**Description:** In partnership with the Licensing division and Public Affairs office develop online original contractor applications to reduce application return rates

(See Licensing objective 1.7 and Public Affairs objective 4.7)

**Target Date:** July 2020

**Proposed Target Date:** Begin December 2021

**Current Status:** Staff and subject matter experts met with a vendor for a product demonstration in July 2020. Due to CSLB budget shortfall, staff requests delaying this to fiscal year 2021-22.

**Item 5.16**

**Description:** In partnership with the Public Affairs unit, review and update web content to ensure information present to the public is accurate and accessible.

(See Public Affairs objective 4.9)

**Target Date:** March 2020

**Proposed Target Date:** Ongoing

**Current Status:** Compliance with Americans with Disabilities Act (ADA) accessibility requirements completed; work to review and update website content for accuracy and ease of use is ongoing

**Item 5.18**

**Description:** Create a mobile app of available services, including more efficient means to report unlicensed activity

**Target Date:** June 2020

**Proposed Target Date:** July 2022

**Current Status:** Proposed to be in conjunction with online original application

**Staff Recommendation**

That the board approve the proposed 2019-21 strategic plan target completion dates as noted in the preceding chart.



# AGENDA ITEM E

## Enforcement





## AGENDA ITEM E-1

# Enforcement Program Update

- a. Expense Reduction Strategy Update
- b. Staff Vacancy Update
- c. Consumer Investigation Highlights
- d. General Complaint-Handling Statistics
- e. Statewide Investigative Fraud Team Highlights and Statistics







### Enforcement Program Update

#### **EXPENSE REDUCTION STRATEGY UPDATE**

##### **Expenditure Cost Reductions Overview**

At its June 5, 2020 meeting, the board voted to approve expenditure cost reductions of \$7.1 million during fiscal year 2020-21. The proposal included:

- Holding Attorney General's Office expenses to \$7 million (roughly \$580,000 monthly)
- Holding Office of Administrative Hearings to \$1.2 million (roughly \$100,000 monthly)
- Modifying processes to reduce arbitration costs by 40 percent (from \$900,000 to \$550,000)
- Modifying procedures to reduce expenditures for industry expert consultants by 20 percent annually (from \$750,000 to \$600,000)

Enforcement Staff have Implemented the following strategies to improve legal action effectiveness and reduce costs.

##### **Attorney General and Office of Administrative Hearing Cost Reduction**

For less serious offenses, the Enforcement division has increased the issuance of letters of admonishment (LOA) rather than administrative citations. In FY 2019-20, CSLB issued 478 LOAs, and 269 fewer administrative citations compared to FY 2018-19.

Issuing LOAs allows CSLB to hold informal office conferences with affected licensees, rather than incurring the costs of attorney general representation for a formal citation appeal hearing before an administrative law judge. Informal office conferences can also be scheduled more quickly than a formal appeal hearing.

The Citation Enforcement Section (CES) conducted 276 Informal Citation Conferences between July 1, 2019 and June 30, 2020.

CSLB continues to issue administrative citations for violations that include repeated acts, health and safety violations, or that include a financial injury.

##### **Small Claims and License Bond Claims**

Additionally to reduce legal action appeals, the need for an industry expert, or referral to CSLB-sponsored arbitration, at the June 5, 2020 meeting, the board authorized staff to



refer consumers to small claims court and the license bond when the licensee does not have a history of repeated acts, CSLB mediation attempts have not been successful, and the estimated financial injury is less than \$10,000.

In August 2020, staff updated CSLB's website with the following content to adequately inform California consumers about this change:

*Due to current budget and staffing limits, if mediation attempts are not successful, the contractor does not have a history of repeated acts, and the estimated financial injury is less than \$10,000, the CSR may provide you with information about how to pursue financial compensation through small claims court and through the contractor's license bond. You can find additional information at [www.courts.ca.gov](http://www.courts.ca.gov). Just click on "Self Help" or check with the clerk of your local small claims court.*

*Consumers are encouraged to provide CSLB with the results of a small claims court victory or a successful claim against a contractor's license bond. CSLB has the authority to suspend a contractor's license if they do not comply with an outstanding civil liability or bond payout.*

## **STAFF VACANCY UPDATE**

Staff vacancies directly affect productivity and workloads in the Enforcement division. The expense reduction plan approved at the June 5, 2020 board meeting discouraged CSLB from filling 24 enforcement vacancies. However, as a result of the July 2020 statewide pay reductions, recruitment is now underway to fill critical positions in the Intake Mediation Center and Statewide Investigative Fraud Team.

## **CONSUMER INVESTIGATION HIGHLIGHTS**

CSLB's Enforcement division receive, mediate (when appropriate), and investigate more than 19,000 complaints annually.

### **CSLB Disaster Investigation Leads to 59 Felony Charges**

As of July 2020, the Sonoma County District Attorney's Office has filed almost five dozen criminal charges against a Central Valley contractor and his wife working as Chiaramonte Construction & Plumbing of Tulare, accusing them of defrauding survivors of the 2017 Tubbs Fire that devastated parts of Santa Rosa and Sonoma counties.

The charges, filed after a months-long investigation by CSLB's Special Investigations Unit, included grand theft of personal property, diversion of construction funds, and theft from elderly clients totaling a little more than \$1 million.



CSLB staff initiated four search warrants, reviewed thousands of documents seized from those warrants, interviewed multiple alleged victims, wrote extensive reports, and worked closely with the Sonoma County District Attorney's Office. The company's contractor license is currently suspended.

On August 6, 2020, the [Santa Rosa Press Democrat](#) ran a story on the case.

### **Teamwork = Successful Solar Solution for Elderly Consumer**

In 2015, an elderly, Spanish speaking consumer entered a contract with a nationwide solar company to install solar panels on his home in Atwater, California. The consumer was led to believe that, following the installation, he would save money. But, in 2017, he and his wife were left without electricity for more than a month because they were unable to afford the \$3,000 PG&E true-up bill on his Social Security income. After years of failed attempts to resolve his issues and a pending threat of another PG&E shutdown, CSLB staff partnered with the California Public Utilities Commission to reach a settlement that provided for the contractor to cancel his contract, remove the solar panels, repair the roof, grant a one-year warranty on the roof, and pay \$1,500 in restitution, for a total of \$39,827.

### **Plumbing Contractor Goes Down the Drain**

Over the last 12 months, a special investigator from the Sacramento North Investigative Center worked in conjunction with Alameda County District Attorney Inspectors to investigate Rooter Hero Plumbing. Eleven elderly homeowners who initially called Rooter Hero Plumbing because of blocked toilets had similar experiences: The Rooter Hero technicians would clear the blockage and then indicate that they needed to call their supervisors. When the supervisor arrived, homeowners were told that all the plumbing under their homes was failing and needed to be replaced at a cost of between \$15,000 and \$40,000. The frightened homeowners agreed to finance the repairs.

As part of the investigation, CSLB hired an industry expert (IE) to review each contract and inspect each plumbing system, including running a camera through the system. The IE found that much of the scope of work on the contracts was not completed, identified poor workmanship, and determined that almost all the work was unnecessary. Six administrative accusations (with a combined financial injury of \$127,146) were issued, recommending revocation of Rooter Hero Plumbing's license. On July 31, 2020, Registrar Fogt signed the order revoking the license of Rooter Hero.

**GENERAL COMPLAINT HANDLING STATISTICS (JULY 1, 2019– July 31, 2020)**

CSLB received 18,190 complaints: 2,284 fewer than in FY 2018-19.

**Pending Investigations**

- At present staffing levels, the optimum Enforcement division pending caseload is 4,090. As of July 1, 2020, the pending caseload was 3,279.

**Enforcement Representative Production Goals**

- The weighted monthly Investigative Center closing average is eight per Enforcement Representative. The board goal is a weighted average of 10 closures per month.

**Complaint-Handling Cycle Time**

- The board's goal is to appropriately disposition all but 100 complaints within 270 days of receipt. As of July 1, 2020, 99 of the 3,279 open complaints—or 3 percent— exceeded 270 days in age.

**Restitution to Financially Injured Persons**

- CSLB continues to assist consumers and help licensees resolve non-egregious consumer complaints. Complaint-negotiation efforts by Enforcement division staff have resulted in more than \$26 million in restitution to financially injured parties.

**Investigative Center Legal Actions**

- The Investigative Centers have referred 31 percent, or 535, of the 1,711 legal action investigations for criminal prosecution.

**Fiscal Year 2019-20 Case Management Activities**

- **Arbitration**
  - 848 cases initiated, resulting in over \$3 million in restitution to injured parties.
  - 85 licenses revoked for non-compliance



- **Citations**
  - 1,260 citations issued (777 licensee, 483 non-licensee)
  - 585 citations appealed (388 licensee, 197 non-licensee)
  - 1,053 citations complied with (696 licensee, 357 non-licensee)
  
- **Civil Penalties Collected**
  - Licensee Citation Civil Penalties
    - Informal settlement conferences conducted – 237 for FY 2019-20
    - Civil penalties collected – \$1,229,734
    - Restitution – \$853,928
  
  - Non-Licensee Citation Civil Penalties
    - Informal settlement conferences conducted – 175
    - Civil penalties collected – \$496,824
  
- **Accusations**
  - Accusations filed – 334
  - License revocations – 284
  - License probation - 108
  - Restitution paid to injured parties – \$771,827
  - Cost recovery collected – \$457,049

### **STATEWIDE INVESTIGATIVE FRAUD TEAM**

CSLB's Statewide Investigative Fraud Team (SWIFT) performs proactive investigation at active construction sites to confirm compliance with license and workers' compensation requirements.

From July 1, 2019 to June 30, 2020, SWIFT conducted 52 sting operations, participated in 216 sweep days, and responded to 855 leads. SWIFT closed 3,727 cases because of stings, sweeps, and leads, of which 1,002 resulted in an administrative or criminal legal action, as well as the issuance of 1,494 advisory notices for minor violations.

### **District Attorney Referrals**

From July 1, 2019 to June 30, 2020, SWIFT referred 634 cases to local district attorneys' offices for criminal prosecution – 555 for contracting without a license and 79 against licensees, primarily for failure to secure workers' compensation insurance.

### **Administrative Actions**

From July 1, 2019 to June 30, 2020, SWIFT issued 304 licensee and non-licensee citations, filed six accusations, and assessed \$347,600 in non-licensee citation civil



penalties. Administrative violations include working out of classification, working under a suspended or expired license, failing to obtain permits, and other license law violations that do not warrant a criminal referral.

**Stop Orders**

A stop order is a legal demand to cease all employee labor at any jobsite due to workers' compensation insurance violations until an appropriate policy is obtained. Failure of a contractor to comply with a stop order is a misdemeanor criminal offense, punishable by up to 60 days in county jail and/or a fine of up to \$10,000. From July 1, 2019 to June 30, 2020, SWIFT issued 239 stop orders to licensed and unlicensed individuals for using employee labor without having a valid workers' compensation policy.

**Outstanding Tax and State Agency Liability Suspensions**

CSLB can suspend a license if the licensee is delinquent in paying outstanding liabilities owed to CSLB or other state agencies. The table below summarizes liabilities owed to state agencies that were collected or resolved to avoid a license suspension or to reinstate a suspended license.

**Amounts Collected or Resolved**

	2017	2018	2019	2020 (to June 30)
CSLB	\$123,507	\$138,182	\$114,880	\$71,366
EDD	\$14,000,400	\$12,912,299	\$15,091,585	\$7,896,169
DIR-Cal/OSHA	\$445,698	\$2,085,120	\$3,270,360	\$878,568
DIR-DLSE	\$1,639,923	\$1,315,519	\$1,423,337	\$1,876,321
FTB	\$7,141,353	\$7,491,602	\$6,490,225	\$1,719,706
<b>Totals</b>	<b>\$23,350,880</b>	<b>\$23,942,722</b>	<b>\$26,390,386</b>	<b>\$12,442,130</b>

**Labor Enforcement Task Force**

The Labor Enforcement Task Force (LETF) is comprised of investigators from CSLB, the Department of Industrial Relations' (DIR) Division of Labor Standards and Enforcement (DLSE) and Division of Occupational Health and Safety (Cal/OSHA), as well as the Employment Development Department (EDD). LETF combats the underground economy in California and aims to ensure that workers receive proper payment of wages and are provided a safe work environment.



Below are LETF statistics for July 1, 2019 – June 30, 2020:

<b>CATEGORY</b>	<b>RESULT</b>
Number of Contractors Inspected	180
Number of Contractors Out of Compliance	160
Percentage of Contractors Out of Compliance	89%
Total Initial Assessments	\$684,050

*Note: The results reflect joint LETF inspections with Cal/OSHA, CSLB, DLSE & EDD. Total initial assessments reflect the amount assessed by Cal/OSHA and DLSE at the time of the inspection. These amounts are subject to change.*



## AGENDA ITEM E-2

# Solar Taskforce Update

- a. Review and Discussion Regarding Public Utility Commission Consideration of a Solar Residential Recovery Fund
- b. Review and Discussion Regarding Solar Investigation Enforcement Strategies







### **Solar Taskforce Update**

#### **Public Utility Commission Consideration of a Residential Solar Recovery Fund**

On August 4, 2020, the Interagency Solar Taskforce met via WebEx. The morning closed session was attended by Registrar David Fogt, California Public Utilities Commission (CPUC) Commissioner Martha Guzman Aceves, Department of Business Oversight (DBO) Commissioner Manuel Alvarez, and staff representatives from the respective agencies. As with previous meetings, the afternoon session was opened for the public to join the morning session attendees.

In total, 76 participants joined the afternoon session where the discussion focused on improving the industry's understanding of home improvement contract requirements as specified in Business and Professions Code (BPC) section 7159. CSLB staff specifically addressed the following:

- The need for home improvement salespeople (HIS) to register with the prime contractor – the licensee the consumer signed a contract with – not a third party.
- The need for commencement and completion dates defined by a calendar date, not an “event,” such as the approval of plans or issuance of a permit.
- That the payment schedule must comply with BPC section 7159.5 and cannot allow for payments in advance of materials supplied or work performed.

Due to the unique degree of financial harm incurred by homeowners when they enter into residential solar contracts that provide for lender payments directly to the contractor and/or in advance of work performed, the CPUC has proposed establishing a recovery fund to provide restitution when other remedies have been exhausted. This can occur when a contractor is subject to license revocation or files for bankruptcy, leaving homeowners with no financial redress.

The initial proposal provides for the recovery fund to be funded by an assessment issued by the CPUC at the time of interconnection to the grid and that a Recovery Fund Administrator would control distributions. Any restitution would be dependent on the final order of a CSLB-issued administrative action.

#### **Solar Investigation Enforcement Strategies**

CSLB received an average of 90 new solar-related complaints per month in FY 2019-20. One hundred twenty-two complaints were referred to legal action and many successful settlements resulted in over \$2.4 million in savings to the public. However, the volume of incoming complaints as it relates to residential solar installations has not slowed as the Interagency Solar Taskforce had hoped.



In an effort to better understand the underlying issues, CSLB collaborated with the Public Utilities Commission to execute nondisclosure agreements with investor owned utilities to provide for the review of contracts submitted to the utilities for connecting to the electrical grid (i.e., interconnection packets).

During July 2020, CSLB staff reviewed 153 interconnection packets to confirm that the contractors were appropriately licensed, that the salespersons (if applicable) were registered to the prime contractor, and that the contracts complied with home improvement contract requirements.

The review determined that all of the contractors appear to be licensed, but that in 50 cases the contract was negotiated by an unregistered home improvement salesperson (HIS). In an additional 12 contract negotiations, the HIS was registered but not to the prime contractor. Both scenarios violate California contractors' state license law.

Most of the contracts shared a similar template, which, unfortunately, failed to comply with home improvement contract requirements:

- a. One hundred six of the contracts did not include a commencement or completion date, and an additional 35 did not include an appropriate commencement and completion date that would comply with BPC section 7159.

For example, many contracts state that work will commence after the permit is issued. However, issuance of a permit is contingent on the contractor applying for one.

- b. One hundred of the interconnection packets did not include a contract page with a payment schedule; and 49 requested payments in advance of work performed. One of the contracts collected \$22,251 at design, \$15,785 at material delivery, and an additional \$6,765 at inspection, prior to the permission to operate.

In summary, the review of the 153 interconnection packets determined that over 90 percent of the contracts did not comply with HIS and/or home improvement contract requirements.

Staff plan to distribute an industry bulletin and conduct a webinar addressing the issues detailed above. Formal enforcement actions will be taken for repeat and egregious offenders and an update provided at future meetings.

## AGENDA ITEM E-3

# Workers' Compensation Insurance Enforcement and CSLB Legislative Proposal

- a. Update Regarding Workers' Compensation Policies/  
Exemptions and Statistics
- b. Review and Discussion Regarding Workers'  
Compensation Enforcement Strategies
- c. Review and Possible Approval of a CSLB Legislative  
Proposal Mandating Workers' Compensation Insurance  
for Specified License Classifications





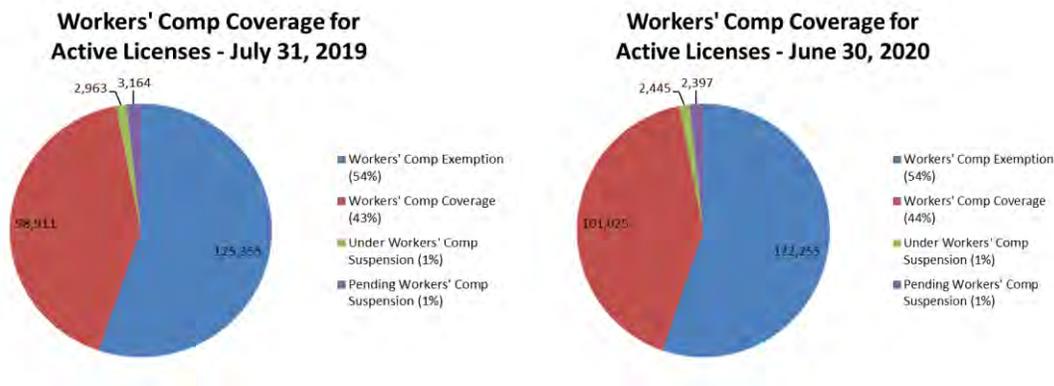


### Workers' Compensation Insurance Enforcement

#### Workers' Compensation Policies/Exemptions and Statistics

To maintain an active California contractor license, licensees are required to have on file with CSLB either a Certificate of Workers' Compensation Insurance (WC) or a Certificate of Self-Insurance issued by the Department of Industrial Relations. With the exception of C-39 (Roofing) contractors, a contractor who does not employ anyone subject to the workers' compensation laws of California may file an exemption request with CSLB and certify that they are not required to carry workers' compensation insurance because they do not have employees.

The charts below provide a snapshot of workers' compensation coverage for active licenses in July 2019 and June 2020.



The chart on the following pages shows the workers' compensation coverage (policies and exemptions) on file as of June 30, 2020, for active licenses by classification and the percentage of exemptions per classification.

**Active License Classifications Workers' Comp Status – As of June 30, 2020**

Classification	Exemptions on File	WC Policies on File	Total Policies & Exemptions	% of Total with Exemptions
A General Engineering	5,240	9,113	14,353	37%
B General Building	60,901	39,949	100,850	60%
C-2 Insulation and Acoustical	288	887	1,175	25%
C-4 Boiler Hot Water	195	562	757	26%
C-5 Framing / Rough Carp	472	381	853	55%
C-6 Cabinet-Millwork	2,707	1,910	4,617	59%
C-7 Low Voltage Systems	1,986	2,777	4,763	42%
C-8 Concrete	2,478	3,632	6,110	41%
C-9 Drywall	1,205	1,777	2,982	40%
C10 Electrical	13,696	11,441	25,137	54%
C11 Elevator	40	171	211	19%
C12 Earthwork & Paving	946	1,389	2,335	41%
C13 Fencing	663	924	1,587	42%
C15 Flooring	3,590	3,391	6,981	51%
C16 Fire Protection	716	1,403	2,119	34%
C17 Glazing	1,058	1,804	2,862	37%
C20 HVAC	6,483	5,407	11,890	55%
C21 Building Moving Demo	485	1181	1,666	29%
C22 Asbestos Abatement	4	285	289	1%
C23 Ornamental Metal	441	605	1,046	42%
C27 Landscaping	4,698	6,619	11,317	42%
C28 Lock & Security Equipment	145	229	374	39%
C29 Masonry	999	1,348	2,347	43%



C31	Construction Zone	40	258	298	13%
C32	Parking Highway	179	305	484	37%
C33	Painting	8,615	6,820	15,435	56%
C34	Pipeline	161	352	513	31%
C35	Lath & Plaster	599	1,187	1,786	33%
C36	Plumbing	8,645	6,808	15,453	56%
C38	Refrigeration	907	928	1,835	49%
C39	Roofing	1	4,484	4,485	0%
C42	Sanitation	371	580	951	39%
C43	Sheet Metal	382	1,021	1,403	27%
C45	Signs	380	472	852	45%
C46	Solar	460	751	1,211	38%
C47	Gen Manufactured House	210	196	406	52%
C50	Reinforcing Steel	58	191	249	23%
C51	Structural Steel	401	1,054	1,455	28%
C53	Swimming Pool	1,128	1,359	2,487	45%
C54	Tile	3,630	2,751	6,381	57%
C55	Water Conditioning	125	174	299	42%
C57	Well Drilling	313	490	803	39%
C60	Welding	521	451	972	54%
C61	Limited Specialty	7,701	10,218	17,919	43%
ASB	Asbestos Cert	273	692	965	28%
HAZ	Hazardous Cert	532	1,329	1,861	29%



Violations for non-compliance with workers compensation requirements include:

- **Labor Code 3700.5** – Failure to secure workers' compensation insurance is a misdemeanor. The Department of Industrial Relations Division of Labor Standards Enforcement is primarily responsible for enforcing this statute.
- **Business and Professions Code (BPC) 7110** – Provides CSLB authority to take an administrative action to suspend or revoke a license for violation of LC 3700.5.
- **BPC 7125.2** – CSLB may suspend a license for failure to obtain or maintain workers' compensation insurance.
- **BPC 7125.4**– Filing a false workers' compensation insurance certificate is a misdemeanor and can be charged as an administrative action to suspend or revoke a license.
- **BPC 7127** – CSLB may issue a stop order, which prohibits employee labor, to a license that fails to obtain a worker' compensation insurance policy.

CSLB staff in the Intake and Mediation Centers check the workers' compensation status of a licensee when reviewing incoming complaints. The complaint form asks the complainant to note if the contractor had any employees/workers on the project, information that is verified during the mediation process. CSLB can cancel a WC exemption if staff can confirm employee labor on a project. Through the efforts of the IMCs, during FY 2019-20, CSLB canceled 374 false workers' compensation exemptions, effectively canceling the license. To remove the suspensions, contractors obtained 113 new policies.

Also, during FY2019-20, CSLB's Investigative Centers investigated 1,112 complaints that involved a violation of BPC section 7125.4. This led to the issuance of 38 letters of admonishment and the referral of 326 complaints for legal action.

Additionally, during FY 2019-20, CSLB's proactive enforcement arm, SWIFT, performed 592 workers' compensation insurance compliance investigations, resulting in 48 letters of admonishment and 329 administrative disciplinary actions (citations or accusations) for administrative workers' compensation violations. SWIFT made 215 referrals to prosecutors for misdemeanor violations of Labor Code 3700.5



## Workers' Compensation Enforcement Strategies

As shown in the charts above, 54 percent of all licensees have an exemption from workers' compensation on file with CSLB.

A study performed by Enforcement staff in 2018 found that 59 percent of contractors contacted in four targeted classifications that perform outdoor construction likely to employ workers (Concrete, Earthwork/Paving, Landscaping, and Tree Trimming) had false workers' compensation exemptions on file with CSLB.

Acknowledging the importance of this issue to both protect construction workers and to ensure fair competition among contractors, staff have considered additional strategies to enforce compliance with workers' compensation insurance requirements. These possible strategies include:

1. Provide training to Investigation Center staff to support suspension of licenses pursuant to BPC section 7125.2 when the complaint is closed to a non-legal action. Given their focus on settling licensee complaints or supporting formal administrative disciplinary actions, when appropriate, Investigative Center staff have not previously pursued BPC section 7125.2 suspensions.

Remind licensees in the next *California Licensed Contractors* newsletter that a failure to have a valid workers' compensation policy may lead to non-payment for work (BPC section 7031 – a contractor is not entitled to compensation on a construction contract if they were not duly licensed at any time during performance.) At least one California Appellate Court case has held that the of failure of a contractor to obtain or maintain workers' compensation insurance pursuant to BPC 7125.2 precludes a contractor from maintaining a breach of contract action against property owners (see *Wright v. Issak*, 149 Cal.App.4th 1116 (2007)).

### 2. Legislative Options

- Preclude licensees from filing a new workers' compensation exemption with CSLB for a period of one year if they are found to have violated Labor Code 3700.5 (employing workers without a workers' compensation insurance policy).
- Add a mandatory workers' compensation insurance requirement for certain classifications in addition to the existing C-39 Roofing contractor.



**Legislative Background Information on Mandating Workers' Compensation Insurance for additional classifications.**

In 2018, as part of CSLB's Sunset Review Report for the 2019 Joint Sunset Review Oversight Hearings, the board identified as its first "new issue" concern about the high number of workers' compensation exemptions claimed by licensed contractors. The report identified the C-8 Concrete contractor and the D-49 Tree Service contractor as two of the classifications under consideration for mandatory workers' compensation. As a result, seeking legislation to mandate workers' compensation insurance for specified license classifications to protect workers and consumers is part of the board-approved 2019-21 strategic plan.

CSLB held meetings in April 2019 and January 2020 with the State Compensation Insurance Fund, California Department of Insurance, and various construction industry stakeholders to collect information and discuss solutions to this problem.

At the April 2019 meeting that included CSLB workers compensation task force board members, Kevin Albanese and Jim Ruane, industry representatives identified the C-20 Warm-Air Heating, Ventilating and Air-Conditioning (HVAC) contractor as an additional classification to the C-8 Concrete; C-20 HVAC; and, D-49 Tree Service classifications. It was determined that all four classifications are likely to have employees. Representatives of these industries were present and supported the measure. Industry representatives at the meeting also recommended that CSLB slowly extend this requirement to more and more licensees, until every licensed contractor is required to have workers' compensation by 2025.

In response to this feedback, CSLB staff prepared a legislative proposal for board consideration for the March 30, 2020 meeting, which was ultimately canceled in response to the COVID-19 pandemic. The staff report follows:



### Mandated Workers' Compensation for Certain License Classifications

#### BACKGROUND

There are two primary ways an employer can cheat California workers' compensation laws: 1) by not having workers' compensation at all; or 2) by committing premium fraud.

CSLB's jurisdiction relates to contractors employing workers without workers' compensation insurance. Other jurisdictions are responsible for investigating premium fraud, which occurs when an employer inaccurately reports the number of workers it has to the insurance company (paying "off the books") or misclassifies the work employees do to obtain a lower premium. A contractor's failure to accurately report or classify employees or wages, nor their misclassification of workers, are issues within CSLB's jurisdiction; nor does CSLB receive general fund support to investigate or enforce such violations.

#### Workers' Compensation—CSLB Jurisdiction

Contractors' state license law provides administrative authority for CSLB to discipline licensees that employ workers without obtaining a worker's compensation insurance policy and/or who file a false exemption from workers compensation insurance:

- Labor Code §3700 (in part): "Every employer . . . shall secure the payment of compensation in one or more of the following ways: (a) By being insured against liability to pay compensation by one or more insurers duly authorized to write compensation insurance in this state. (b) By securing from the Director of Industrial Relations a certificate of consent to self-insure either as an individual employer, or as one employer in a group of employers. . . ."
- Business and Professions Code §7125.4 (in part) ". . . The filing of (an) exemption certificate . . . that is false, or the employment of a person subject to . . . workers' compensation laws after the filing of an exemption certificate . . . or the employment of a person subject to . . . workers' compensation laws without maintaining coverage for that person, constitutes cause for disciplinary action."

CSLB routinely takes disciplinary action against licensees discovered to have employees while having a false exemption on file, either through a consumer complaint or during a compliance sweep at an active construction site.

#### Workers' Compensation—Other State Agency Jurisdiction

The Labor Code, the California Insurance Code, and the Unemployment Insurance Code provide that the Department of Industrial Relations, the Insurance Commissioner, and the Employment Development Department are agencies with authority over the following premium fraud issues.



- Insurance Code §1871.4 (in part): “(a) It is unlawful to do any of the following: (1) Make or cause to be made a knowingly false or fraudulent material statement or material representation for the purpose of obtaining or denying any compensation. . . . Every person who violates subdivision (a) shall be punished by imprisonment in a county jail for one year. . . .”
- Unemployment Insurance Code §1088.5 (in part): “(a) . . . each employer shall file, with the department, the information provided for . . . on new employees . . . (d) (1) Employers shall submit a report...within 20 days of hiring any employee whom the employer is required to report pursuant to this section.”

### Workers' Compensation—Uninsured Employers Benefit Trust Fund

To offset the costs and impact on owners and employees of employers who do not have sufficient workers' compensation insurance, the Labor Code provides for the Uninsured Employers Benefits Trust Fund (UEBTF).

The UEBTF was created to ensure that workers employed by illegally uninsured employers are not deprived of workers' compensation benefits. Although the UEBTF obligation is coextensive with that of the uninsured employer, once the UEBTF pays the entire award, it may make a claim against the uninsured employer to recover the entire amount of the award. Should the employer prove to be insolvent, the UEBTF bears the entire financial burden of the award.<sup>1</sup>

The 2020 UEBTF rate is 0.001274 percent of the premium.<sup>2</sup> Assuming a \$5,000 premium (which is the approximate amount of a minimum policy for a roofer), the fee the contractor pays for the UEBTF is about \$6.37 a year, or about 53 cents a month.<sup>3</sup>

### **CSLB WORKERS' COMPENSATION ENFORCEMENT EFFORTS**

A licensee's failure to obtain a workers' compensation insurance policy and/or having a false exemption on file is a widespread issue among contractors. CSLB has worked to address the problem for many years.

At the end of 2017, the board established a two-person advisory committee to develop strategies to address workers' compensation insurance avoidance, which involved collaborating with other industries, increasing enforcement, and discussing legislative solutions.

In 2018, as part of CSLB's Sunset Review Report for the 2019 Joint Sunset Review Oversight Hearings the board identified as its first “new issue” concern about the high number of workers' compensation exemptions (approximately 55 percent) claimed by licensed contractors. The report identified the C-8 Concrete contractor and D-49 Tree Service contractor as two of the classifications under consideration for mandatory workers' compensation.



CSLB held meetings in April 2019 and January 2020 with the State Compensation Insurance Fund, California Department of Insurance, and various construction industry stakeholders to collect information and discuss solutions to this problem.

At the April 2019 meeting, industry representatives identified the C-20 Warm-Air Heating, Ventilating and Air-Conditioning (HVAC) contractor as an additional classification appropriate for the mandatory workers' compensation requirement.

In addition to requiring workers' compensation for certain identified classifications, industry stakeholders have advocated legislation to phase in a requirement that all licensees have workers' compensation insurance by 2025.

### **CSLB'S PRIOR LEGISLATIVE EFFORTS TO ADDRESS WORKERS' COMPENSATION**

- AB 2282 (Chapter 1386, Statutes of 1990): Added authority to automatically suspend a license for failing to carry workers' compensation when required and made having a certificate of insurance on file with CSLB a "condition precedent" to the "issuance, reinstatement, reactivation, renewal, or continued maintenance of a license." Provided the opportunity for a contractor to file an exemption, under penalty of perjury, if they contend to have no employees.
- AB 3355 (Chapter 331, Statutes 1996): Provides that a licensee filing a false workers' compensation exemption is cause for disciplinary action. Previously, not complying with general workers' compensation requirements resulted only in automatic license suspension.
- AB 264 (Chapter 311, Statutes 2002): Made the automatic suspension date for failing to provide a current certificate of insurance effective on "either the date the coverage lapsed or the date the coverage was required to be obtained" (as opposed to when CSLB merely finds out about the failure to provide workers' compensation).
- AB 878 (Chapter 686, Statutes of 2011): Requires an insurer to report to CSLB any licensed contractors whose policies are cancelled for failure to pay workers' compensation premiums when due; failure to report payroll or payroll audit; misrepresentation; or failure to reimburse insurer and provides that willful or deliberate disregard and violation of workers' compensation laws is cause for disciplinary action.
- SB 560 (Chapter 389, Statutes of 2015): Authorizes CSLB Enforcement Representatives to issue a written notice to appear (NTA) to individuals who fail to secure workers' compensation insurance. (An NTA is a court order mandating an individual's presence at a hearing to answer to a misdemeanor charge.)



- AB 2705 (Chapter 323, Statutes of 2018): Increases from one year to two years the statute of limitations during which an unlicensed contractor can be prosecuted for failing to obtain workers' compensation insurance for employees.

Other legislative efforts that were industry, rather than CSLB-sponsored, made it a requirement in 2007 that licensed C-39 Roofing contractors, as a condition of licensure, maintain workers' compensation at all time regardless of whether or not they have employees. The requirement began as a "pilot program" and eventually became permanent. (See: Stats. 2006, Ch. 38 § 1 (AB 881), effective January 1, 2007, repealed January 1, 2011, Stats. 2010, Ch. 423 § 1 (AB 2305), effective January 1, 2011, repealed January 1, 2013, and Stats. 2012, Ch. 389 § 1 (AB 2219), effective January 1, 2013.)

### EFFECT OF MANDATORY WORKERS' COMPENSATION REQUIREMENT ON C-39 ROOFING CONTRACTORS

The stated intent of the legislature when it imposed a workers' compensation requirement on roofers was to reduce workers' compensation rates among roofers, identify and eliminate cheating contractors, protect workers and owners, and level the playing field between legitimate and illegitimate contractors.

Data from workers' compensation insurance companies reveals that the legislation did not result in a reduction in roofing insurance premiums. Many factors influence rates over time; however, rates do not appear to have decreased since the C-39 requirement was put into place in 2007. Though 2007 rate data is not available, the chart below shows that the average rates steadily climbed between 2010 and 2015, despite a static hourly wage rate for roofers during that time period. According to the State Compensation Insurance Fund (SCIF), roofing remains the construction trade with the highest workers' compensation insurance premium rates.<sup>4</sup>

#### 5552 - Roofing Classification Code (hourly wage < \$27.00 (WCIRB)

Base Rate (per every \$100 paid to an employee)<sup>5</sup>

Year	Lowest to Highest Insurer at the Time	SCIF	Avg. Rate	Hourly Wage
2010	\$21.64 - \$61.25	\$69.24	\$50.71	\$23.00
2011	\$26.90 - \$59.87	\$64.15	\$50.30	
2012	\$27.97 - \$63.01	\$67.92	\$52.96	
2013	\$37.83 - \$78.64	\$71.13	\$62.53	
2014	\$37.73 - \$94.83	\$67.86	\$66.80	
2015	\$32.44 - \$118.42	\$88.08	\$79.64	
2016	\$37.28 - \$111.93	\$88.08	\$79.09	\$23.00
2017	\$32.25 - \$104.23	\$58.44	\$64.97	
2018	\$24.34 - \$80.81	\$58.41	\$54.52	\$25.00
2019	\$23.06 - \$87.83	\$59.81	\$56.90	\$25.00
2020	N / A	\$59.18	N / A	\$27.00

With regard to premium fraud, a 2016 Workers Compensation Insurance Rating Bureau (WCIRB) report found “very high claim frequency and loss to payroll ratios” by employers with the lowest amount of roofing payroll, which may be “indicative of underreporting of payroll” by these employers.<sup>6</sup>

This data shows that the roofing requirement did not lower workers’ compensation rates in the roofing industry or reduce premium fraud, as intended by the legislation.

### **EFFECT OF MANDATORY WORKERS’ COMPENSATION REQUIREMENT ON C-39 ROOFING LICENSE POPULATION**

The data shows that the workers’ compensation insurance requirement contributed to a 27 percent decline in total roofing license population.

<b>Year</b>	<b>Active C-39 Contractors</b>
2005 (Jun)	5,898
2006 (Dec)	5,912
2007 (Feb) (Ins. Requirement Imposed)	5,293
2008 (Dec)	5,100
2009 (Dec)	4,899
2010 (Dec)	4,807
2011 (Dec)	4,791
2012 (Dec)	4,671
2013 (Dec) (Ins. Req. made permanent)	4,499
2014 (Dec)	4,386
2015 (Dec)	4,382
2016 (Dec)	4,370
2017 (Dec)	4,403
2018 (Dec)	4,525
2019 (Dec)	4,657
2020 (March)	4,654
<b>Percent Change in population between 2005 and 2020</b>	<b>- 27%</b>

The decline in the number of licensed roofing contractors was probably not the result of the economy or a recession for two reasons: 1) the decline was steady both before and after known periods of recession; and 2) the licensed roofing population declined significantly compared to the active licensed population as a whole.<sup>7</sup> The decline in the numbers of licensed roofers does not necessarily mean fewer contractors are doing roofing work but, rather, that more of them have moved into the underground economy or are performing roofing “out of class.”<sup>8</sup>

The loss of license renewal revenue to CSLB from a declining population of C-39 roofing contractors between 2007 and 2020 is approximately \$120,000 per year.



## **WORKERS' COMPENSATION LAWS IN OTHER STATES**

It is sometimes useful to analyze what other states have done in response to workers' compensation fraud in the construction industry, which is undoubtedly a national issue. CSLB issued a workers' compensation insurance poll to the National Association of State Contractors Licensing Agencies (NASCLA) to learn if other states require workers' compensation for a single license classification whether or not they have employees, as is the case in California. Rhode Island, South Carolina, North Carolina, Oregon, Arkansas, Mississippi, Hawaii, Arizona, and Nevada responded.

All but one of the states (South Carolina) requires a contractor to have workers' compensation if they have employees. Oregon is unique in requiring commercial contractors to have workers' compensation regardless of whether or not they have employees but allows residential contractors to have an exemption.<sup>9</sup> All the states polled provide some form of exemption for contractors without employees.

California is the only state (in this poll) that requires a contractor of a certain license class (roofing) to have workers' compensation whether or not they have employees.

## **LEGISLATIVE PROPOSAL**

Despite CSLB's efforts, the number of workers' compensation exemptions on file has remained consistent. As a result, seeking legislation to mandate workers' compensation insurance for specified license classifications to protect workers and consumers is part of the board-approved 2019-21 strategic plan, with a January 2020 target date.

At a January 2020 meeting of industry, CSLB staff, and the two members of the board's WC Advisory Committee, staff presented a proposal to mandate workers' compensation for three classifications most likely to have employees: C-8 Concrete contractors; C-20 HVAC contractors; and, D-49 Tree Service contractors. Representatives of these industries were present and supported the measure.

Representatives at the meeting also recommended that CSLB slowly extend this requirement to more and more licensees until every licensed contractor is required to have workers' compensation.

### **Projected Fiscal Impact**

The projected fiscal impact of this proposal is broken into two sections.

The first section describes the fiscal impact of imposing the workers' compensation requirement on three classifications (C-8, C-20, and D-49). The second section describes the fiscal impact of imposing the workers' compensation requirement on all active licensees who currently have an exemption from workers' compensation on file.



The projections presume that CSLB will lose 10 percent of a given license population (as opposed to the 27 percent seen with licensed roofers) for whom the requirement is imposed. The presumption is that this 10 percent will not renew their license and either stop working as a licensed contractor or work “underground” rather than pay for the required workers’ compensation insurance. Other presumptions are made in the following calculations that are explained in their corresponding endnotes.

### Fiscal Impact of Proposal for Three Classifications

**Annual Cost to CSLB in Lost License Renewal Fees:** \$356,625 or \$1,069,875 over three years

**Annual Cost to C-8, C-20, D-49 Licensees in Premiums:** \$25,637,500 or \$76,912,500 over three years

These figures are based on the numbers below:

- D-49 Tree Service
  - Active D-49 contractors: 3,038
  - D-49 contractors with WC insurance: 1,913
  - D-49 contractors required to obtain WC insurance: 1,125 (37%)
  - Annual cost to D-49 licensees in aggregate<sup>10</sup>: \$2,812,500
  - Two-year revenue loss to CSLB in license renewals<sup>11</sup>: \$138,600
  
- C-8 Concrete
  - Active C-8 contractors: 6,160
  - C-8 contractors with WC insurance: 3,639
  - C-8 contractors required to obtain WC insurance: 2,521 (41%)
  - Annual cost to C-8 licensees in aggregate: \$6,302,500
  - Two-year revenue loss to CSLB in license renewals: \$277,200
  
- C-20 HVAC
  - Active C-20 contractors: 12,050
  - C-20 Contractors with WC insurance: 5,441
  - C-20 contractors required to obtain WC insurance: 6,609 (55%)
  - Annual cost to C-20 licensees in aggregate: \$16,522,500
  - Two-year revenue loss to CSLB in license renewals: \$297,450

### Fiscal Impact of Proposal for All License Classifications Starting 2025<sup>12</sup>

**Annual Cost to CSLB in Lost License Renewal Fees:** \$5,625,000

**Annual Cost to All Licensees in Premiums:** \$312,520,000

These figures are based on the numbers below.



- Active licensed contractors: 232,085 (October 2019)
  - Licensed contractors with WC insurance: 99,650
  - Licensed contractors with WC exemptions: 125,008 (54%)
  - Licensed contractors required to obtain WC insurance: 125,008
  - Annual cost to licensees in aggregate: \$312,520,000
  - Two-year revenue loss to CSLB in license renewals: \$5,625,000

### **WORKERS' COMPENSATION ADVISORY COMMITTEE RECOMMENDATION**

Recommend that the full board direct staff to pursue legislation that would immediately require workers' compensation insurance for C-8 Concrete contractors, C-20 HVAC contractors, and D-49 Tree Service contractors and within three years would require workers' compensation for every actively licensed contractor.



## LEGISLATIVE LANGUAGE

**Require workers' compensation for the C-8, C-20, and D-49 for the first three years, and then require it for everyone by no longer accepting exemptions in 2025.**

### **Section I - Amend BPC § 7125 as follows:**

- a) Except as provided in subdivision (b), the board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by an insurer duly licensed to write workers' compensation insurance in this state. A Certification of Self-Insurance shall be issued and filed by the Director of Industrial Relations. If reciprocity conditions exist, as provided in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to ensure compliance with this section.
- b) This section does not apply to an applicant or licensee who meets both of the following conditions:
  - 1) Has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.
  - 2) Does not hold a ~~C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations.~~ a C-8 license, as defined in Section 832.08 of Title 16 of the California Code of Regulations, a C-20 license, as defined in Section 832.20 of Title 16 of the California Code of Regulations, a C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations, or a C-61/D-49 license, as defined in Section 832.61 of Title 16 of the California Code of Regulations.
- c) No Certificate of Workers' Compensation Insurance, Certification of Self-Insurance, or exemption certificate is required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive.
- d)
  - 1) The insurer, including the State Compensation Insurance Fund, shall report to the registrar the following information for any policy required



under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable.

- 2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:
    - A. The insurer has completed a premium audit or investigation.
    - B. A material misrepresentation has been made by the insured that results in financial harm to the insurer.
    - C. No reimbursement has been paid by the insured to the insurer.
  - 3) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee.
- e)
- 1) For any license ~~that, on January 1, 2013,~~ that is active and includes a ~~C-39 classification~~ a C-8, C-20, C-39, or a C-61/D-49 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension otherwise required under this article, remove ~~C-39 classification~~ the C-8, C-20, C-39, or a C-61/D-49 classification from the license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar.
  - 2) For any licensee whose license, ~~after January 1, 2013,~~ is active and has had the ~~C-39 classification~~ C-8, C-20, C-39, or a C-61/D-49 classification removed as provided in paragraph (1), and who is found by the registrar to have employees and to lack a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, that license shall be automatically suspended as required under this article.
- f) The information reported pursuant to paragraph (2) of subdivision (d) shall be confidential, and shall be exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).
- g) This section shall remain in effect only until January 1, 2025, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2025, deletes or extends that date.**

**Section II – Amend BPC § 7125 as follows:**

- a) ~~Except as provided in subdivision (b), the board~~ The board shall require as a condition precedent to the issuance, reinstatement, reactivation, renewal, or continued maintenance of a license, that the applicant or licensee have on file at all times a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in the applicant's or licensee's business name. A Certificate of Workers' Compensation Insurance shall be issued and filed, electronically or otherwise, by an insurer duly licensed to write workers' compensation insurance in this state. A Certification of Self-Insurance shall be



issued and filed by the Director of Industrial Relations. If reciprocity conditions exist, as provided in Section 3600.5 of the Labor Code, the registrar shall require the information deemed necessary to ensure compliance with this section.

~~b) This section does not apply to an applicant or licensee who meets both of the following conditions:~~

- ~~1) Has no employees provided that he or she files a statement with the board on a form prescribed by the registrar prior to the issuance, reinstatement, reactivation, or continued maintenance of a license, certifying that he or she does not employ any person in any manner so as to become subject to the workers' compensation laws of California or is not otherwise required to provide for workers' compensation insurance coverage under California law.~~
- ~~2) Does not hold a C-39 license, as defined in Section 832.39 of Title 16 of the California Code of Regulations.~~

c) No Certificate of Workers' Compensation Insurance, ~~Certification of Self-Insurance, or exemption certificate~~ Certification of Self-Insurance is required of a holder of a license that has been inactivated on the official records of the board during the period the license is inactive.

d)

- 1) The insurer, including the State Compensation Insurance Fund, shall report to the registrar the following information for any policy required under this section: name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable.
- 2) A workers' compensation insurer shall also report to the registrar a licensee whose workers' compensation insurance policy is canceled by the insurer if all of the following conditions are met:
  - A. The insurer has completed a premium audit or investigation.
  - B. A material misrepresentation has been made by the insured that results in financial harm to the insurer.
  - C. No reimbursement has been paid by the insured to the insurer.
- 3) Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee.

e)

- ~~1) For any license that, on January 1, 2013, is active and includes a C-39 classification in addition to any other classification, the registrar shall, in lieu of the automatic license suspension otherwise required under this article, remove the C-39 classification from the license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar.~~
- ~~2) For any licensee whose license, after January 1, 2013, is active and has had the C-39 classification removed as provided in paragraph (1), and who is found by the registrar to have employees and to lack a valid~~



~~Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, that license shall be automatically suspended as required under this article.~~

- f) The information reported pursuant to paragraph (2) of subdivision (d) shall be confidential, and shall be exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).
- g) *This section shall become operative on January 1, 2025, after which date the registrar shall no longer accept certificates of exemption from workers' compensation on behalf of a licensee.*

**Section III – Amend BPC § 7125.4 as follows:**

(a) The filing of the ~~exemption~~ certificate prescribed by this article that is false, or the employment of a person subject to coverage under the workers' compensation laws ~~after the filing of an exemption certificate~~ without first filing a Certificate of Workers' Compensation Insurance or Certification of Self-Insurance in accordance with the provisions of this article, or the employment of a person subject to coverage under the workers' compensation laws without maintaining coverage for that person, constitutes cause for disciplinary action.

(b) Any qualifier for a license who, under Section 7068.1, is responsible for assuring that a licensee complies with the provisions of this chapter is also guilty of a misdemeanor for committing or failing to prevent the commission of any of the acts that are cause for disciplinary action under this section.

(c) *This section shall become operative on January 1, 2025, after which date the registrar shall no longer accept certificates of exemption from workers' compensation on behalf of a licensee.*

**ENDNOTES**

<sup>1</sup> This paragraph is drawn from Smith v. Workers' Compensation Appeals Bd. (2002), 96 Cal.App.4th 117, 121.

<sup>2</sup> Workers' Comp Executive. Flash Report: Here's the 2020 Workers' Comp Assessment Rates. December 2, 2019. Last accessed March 10, 2020. <https://www.wcexec.com/flash-report/heres-the-2020-workers-comp-assessment-rates/>

<sup>3</sup> This assumes an experience modification of 1.0 for a new employer.

<sup>4</sup> February 20, 2020 email from SCIF

<sup>5</sup> California Department of Insurance. Workers' Compensation Rate Comparison. Last accessed March 10, 2020. [www.insurance.ca.gov/01-consumers/105-type/9-compare-prem/wc-rate/](http://www.insurance.ca.gov/01-consumers/105-type/9-compare-prem/wc-rate/)

<sup>6</sup> WCIRB Report of Payroll and Loss Data for C-39 Contractors — Roofing Classifications – Policy Year 2016

<sup>7</sup> Between 2005 and 2007 there were between 278,000 and 295,000 licensed contractors, and today there are 283,971 actively licensed contractors

<sup>8</sup> This concern was particularly shared by the California Applicants' Attorneys Association in its opposition to AB 2305 (2010) which extended the roofing requirement from January 2011 to January 2013; CAAA



stated that requiring the C-39s to carry workers' compensation and removing the C-39 classification of those licensees that didn't comply would merely incentivize bad actors to go underground and unfairly shift costs to law-abiding contractors. (June 21, 2010 Senate Business, Professions and Economic Development Committee analysis)

<sup>9</sup> It was pointed out by a member of the advisory committee that residential projects in California, particularly in the bay area, are of a size and scope that much more resemble commercial operations.

<sup>10</sup> Assuming a minimum policy cost of \$2,500; assumes all obtain a policy (as opposed to dropping the license); does not assume additional payroll as opposed to having a minimum policy (which would be additional cost).

<sup>11</sup> Assuming 10% drop the license class rather than get insurance (based on the 27% drop over 13 years in the C-39 classification). Two years because active license renewals are every two years.

<sup>12</sup> This calculation does not factor in the totals from the previous analysis about the C-8, C-20 and D-49 because it will be unknown how much of that population will exist in three years. It also does not factor in projected increased or decreased costs of workers' compensation premiums or rates as they would be in 2025. Therefore, this calculation is based on the requirement as if it were being imposed on all licensees today.



# AGENDA ITEM F

## Licensing and Testing





## AGENDA ITEM F-1

# Licensing Program Update

- a. Application Processing Statistics
- b. Renewal Processing Statistics
- c. Fingerprinting/Criminal Background Unit Statistics
- d. Experience Verification Statistics
- e. Licensing Information Center Statistics
- f. Judgment Unit Statistics
- g. Examination Administration Unit
- h. Examination Development Unit







**Licensing Program Update**

**APPLICATION PROCESSING STATISTICS**

The charts below provide the total number of incoming applications received by the application units each month, quarter, and calendar year.

**Total Number of Applications Received Per Month**

	2019						2020					
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Original Exam	1,274	1,305	1,158	939	910	650	1,185	988	1,080	609	572	908
Original Waiver	661	662	662	677	530	595	644	709	514	451	438	460
Add Class	393	351	358	372	328	312	334	311	181	257	261	287
Qualifier Replacer	207	238	245	209	234	195	214	176	129	183	186	167
Home Improvement	988	972	929	1,005	812	650	927	892	892	352	455	804
<b>Total Per Month</b>	<b>3,523</b>	<b>3,528</b>	<b>3,352</b>	<b>3,202</b>	<b>2,814</b>	<b>2,402</b>	<b>3,304</b>	<b>3,076</b>	<b>2,796</b>	<b>1,852</b>	<b>1,912</b>	<b>2,626</b>
<b>3 – Month Totals</b>	<b>Jul - Sep: 10,403</b>			<b>Oct - Dec: 8,418</b>			<b>Jan - Mar: 9,176</b>			<b>Apr - Jun: 6,390</b>		

**Total Applications Received – Prior Calendar Years**

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Original Exam	11,749	13,471	13,642	15,500	15,244
Original Waiver	8,109	8,603	8,462	9,327	8,796
Add Class	4,176	4,064	3,974	4,220	4,526
Qualifier Replacer	2,462	2,374	2,488	2,706	2,792
Home Improvement	13,945	10,373	9,522	9,720	11,122
<b>Total Received</b>	<b>40,441</b>	<b>38,885</b>	<b>38,088</b>	<b>41,473</b>	<b>42,480</b>



The chart below provides the total number of applications processed by the application units each month.

### Total Number of Applications Processed Per Month

	2019						2020					
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Original Exam	2,047	2,048	2,053	2,669	1,790	1,776	1,700	1,785	1,909	2,029	1,539	1,530
Original Waiver	1,106	1,264	1,230	1,119	842	847	1,006	943	899	1,153	964	966
Add Class	501	532	424	625	458	509	361	354	514	574	468	452
Qualifier Replacer	293	323	309	378	328	292	257	230	279	326	283	304
Home Improvement	1,036	1,002	1,000	1,089	928	679	559	808	488	1,313	510	646
<b>Total Per Month</b>	<b>4,983</b>	<b>5,169</b>	<b>5,016</b>	<b>5,880</b>	<b>4,346</b>	<b>4,103</b>	<b>3,883</b>	<b>4,120</b>	<b>4,089</b>	<b>5,395</b>	<b>3,764</b>	<b>3,898</b>

The chart below provides the total number of applications processed by the application units each calendar year.

### Total Applications Processed – Prior Calendar Years

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Original Exam	17,223	22,035	20,795	28,185	26,824
Original Waiver	12,378	14,190	13,564	15,084	14,470
Add Class	5,314	5,925	5,133	6,128	6,613
Qualifier Replacer	2,945	3,157	3,035	3,580	3,952
Home Improvement	15,240	11,077	10,365	10,063	11,821
<b>Total Processed</b>	<b>53,100</b>	<b>56,384</b>	<b>52,892</b>	<b>63,040</b>	<b>63,680</b>

Application processing includes one or more of the following tasks:

- Application review is completed; application is returned for correction.
- Application review is completed; application is accepted or “posted” and exam(s) are scheduled.
- Application review is completed; bond and fee notification letter requesting issuance requirement(s) sent.
- Application review is completed; all issuance requirements are met, and license issued.
- Enforcement division flags a member of the application personnel; application is referred to Case Management.
- Application is referred to Judgment unit; application personnel are matched with an outstanding liability, judgment, or payment of claim on an existing license.
- Application is referred to Family Support unit; member of application personnel is out of compliance with child or family support judgment or order.



CSLB management closely monitors processing times for the various licensing units on a weekly and monthly basis.

The chart below provides the “weeks-to-process” for applications, license transactions, and public information unit documents (i.e. record certification) received each month. “Weeks to process” refers to the average number of weeks before an application or document is initially pulled for processing by a technician after it arrives at CSLB.

	2019 Jul	Aug	Sep	Oct	Nov	Dec	2020 Jan	Feb	Mar	Apr	May	Jun
Original Exam	2.8	3.4	3.9	3.0	2.9	3.4	4.8	4.2	4.4	4.6	2.7	3.0
Original Waiver	1.5	1.5	1.3	1.3	2.0	2.8	3.7	3.7	4.7	5.5	4.2	2.7
Add Class	1.3	1.5	1.9	1.4	1.2	1.6	2.4	3.2	4.1	4.1	2.9	2.4
Qualifier Replacer (Exams & Waiver)	1.2	1.3	1.7	1.4	1.2	1.5	2.2	3.0	3.8	3.1	2.8	2.8
Home Improvement	1.2	1.4	1.5	1.3	1.3	1.5	1.9	2.8	4.0	4.1	1.1	1.4
Renewal	1.6	1.4	1.2	1.4	2.0	2.4	2.4	2.5	3.1	2.4	2.6	3.1
Add New Officer	2.4	0.9	0.8	1.0	1.0	1.6	1.6	1.0	2.1	2.6	1.8	2.0
Address/ Name Change	2.4	0.9	1.0	1.1	1.1	1.6	1.2	1.1	2.2	3.0	1.6	1.8
Bond / Bond Exemption	1.9	0.9	0.7	0.7	0.8	1.1	1.0	0.6	0.6	0.5	1.5	0.5
Workers' Comp / Exempt	3.3	1.8	1.5	1.9	2.6	3.1	3.3	2.2	1.8	2.5	2.1	1.9
Certified License History	1.3	0.0	0.0	0.6	0.9	0.0	0.3	9.0	5.0	4.5	3.5	4.0
Copies of Documents	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	1.5	1.1	1.0	1.0
CORI Review*	2.5	3.7	3.6	2.9	2.4	2.6	2.7	1.8	1.2	1.4	1.6	1.7

\*Outside CSLB Control—  
DOJ /FBI timeframe

The time-to-process for applications and renewals includes an approximate two-day processing timeframe that accounts for the required cashing and image-scanning tasks that CSLB staff must complete before an application or document can be processed.



The chart below shows the average total application processing time from receipt to license issuance. Processing times are most affected by applications that staff return for correction, which can occur multiple times, as well as the criminal background check. These delays are outside of CSLB’s control. The chart does not include the average processing time of voided applications.

Average processing time is monitored whenever any of the following actions occur:

- Received Date to First Returned for Correction – Application review is completed; application is not acceptable and returned for correction.
- Received Date to First Exam – Application review is completed; application is accepted, and exams scheduled.
- Last Exam to Issuance – Exam requirement is met; applicants are sent a bond and fee notice requesting submission of issuance requirement(s).
- Received Date to Issuance – All issuance requirements are met, and license issued.

### Average Weeks for Total Processing by Month

		2019						2020					
		July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>ORIGINAL EXAM</b>	Received Date to First Returned for Correction	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	Received Date to First Exam	11.0	13.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	14.0	16.0	14.0
	Last Exam to Issuance	6.0	6.0	7.0	6.0	6.0	7.0	7.0	7.0	7.0	8.0	13.0	13.0
	Received Date to Issuance	23.0	27.0	26.0	26.0	25.0	26.0	26.0	29.0	28.0	30.0	35.0	36.0
<b>QUALIFIER REPLACER EXAM</b>	Received Date to First Returned for Correction	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0	1.0
	Received Date to First Exam	8.0	9.0	9.0	10.0	9.0	9.0	12.0	10.0	4.0	11.0	11.0	16.0
	Last Exam to Issuance	2.0	4.0	3.0	3.0	2.0	3.0	4.0	4.0	4.0	11.0	13.0	5.0
	Received Date to Issuance	16.0	14.0	15.0	14.0	14.0	15.0	18.0	17.0	18.0	25.0	24.0	21.0
<b>ORIGINAL WAIVER</b>	Received Date to First Returned for Correction	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	3.0	3.0	4.0	4.0
	Received Date to Issuance	10.0	11.0	10.0	11.0	11.0	11.0	12.0	12.0	13.0	11.0	13.0	13.0
<b>QUALIFIER REPLACER WAIVER</b>	Received Date to First Returned for Correction	0	0	1.0	1.0	1.0	0	1.0	1.0	2.0	3.0	3.0	3.0
	Received Date to Issuance	4.0	5.0	5.0	4.0	4.0	4.0	5.0	7.0	6.0	6.0	7.0	6.0
<b>HOME IMPROVEMENT</b>	Received Date to First Returned for Correction	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0
	Received Date to Issuance	6.0	7.0	6.0	7.0	7.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0

Note: Approximately 5 percent of all applications processed are pulled for judgment, legal action review, or have a dishonored check, which affects the overall weeks to process. These applications are not processed further until the judgment, enforcement, or cashing issue is cleared.



The chart below illustrates the number of applications received in the previous fiscal years and the final disposition of these applications, regardless of the year they were processed. This is the combined total for all exam, waiver, add class, qualifier replacement, and home improvement salesperson applications. This report allows staff to monitor the disposition of applications and to identify any applications that require special attention.

**Disposition of Applications by Fiscal Year**

Fiscal Year	Number of Apps Received	Processed & Issued	Voided	Pending*
2016-2017	38,737	24,598	10,748	3,391
2017-2018	39,118	20,132	6,562	12,424
2018-2019	42,344	20,379	6,766	15,199
2019-2020	38,251	16,415	4,161	17,675

\* These are the total number of applications pending at the close of each fiscal year. An application may be classified as pending because:

- The applicant does not pass the exam but is still within the 18-month window during which they must pass the examination. Note, the closing of CSLB test centers from March to June 2020, resulted in approximately 6,000 applicants being delayed in taking an examination.
- The application is in the experience verification process.
- The application is not yet cleared by CSLB's Criminal Background unit.
- The applicant has not submitted final issuance requirements (proof of bond, workers' compensation insurance, asbestos open book examination results, and/or fees).



**RENEWAL PROCESSING STATISTICS**

The charts below provide the number of incoming renewals received by the Renewal unit each month, quarter, and calendar year.

**Total Number of Renewals Received Per Month**

	2019						2020					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Reactivation	120	106	119	96	99	121	106	81	101	68	86	86
Active	10,211	7,609	7,034	8,166	6,926	7,474	4,935	7,376	9,601	9,395	5,891	8,146
Inactive	1,303	940	917	1,025	936	1,063	765	980	1,192	1,170	747	913
Delinquent Active	922	877	820	959	772	837	899	525	847	540	406	483
Delinquent Inactive	183	130	119	131	121	140	139	76	113	107	70	71
<b>Received Per Month</b>	<b>12,739</b>	<b>9,662</b>	<b>9,009</b>	<b>10,377</b>	<b>8,854</b>	<b>9,635</b>	<b>6,844</b>	<b>9,038</b>	<b>11,584</b>	<b>11,280</b>	<b>7,200</b>	<b>9,699</b>
<b>3 - Month Totals</b>	<b>Jul - Sep: 31,410</b>			<b>Oct - Dec: 28,866</b>			<b>Jan - Mar: 27,466</b>			<b>Apr - Jun: 28,179</b>		

**Total Renewals Received – Prior Calendar Years**

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Reactivation	1,913	1,846	1,558	1,421	1,358
Active	101,774	103,659	97,884	104,330	98,901
Inactive	15,495	16,064	14,280	13,757	13,007
Delinquent Active	12,792	11,853	11,211	11,091	10,721
Delinquent Inactive	2,230	2,195	1,945	1,892	1,734
<b>Total Received</b>	<b>134,204</b>	<b>135,617</b>	<b>126,878</b>	<b>132,491</b>	<b>125,721</b>



**FINGERPRINTING/CRIMINAL BACKGROUND UNIT STATISTICS**

As mandated in January 2005, CSLB continues to fingerprint all applicants for licensure. The California Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI) conduct criminal background checks and provide criminal offender record information to CSLB for in-state convictions and for out-of-state and federal convictions, respectively.

DOJ and FBI typically provide responses to CSLB within a day or two of an applicant’s being fingerprinted, but occasionally the results are delayed. This does not necessarily indicate a conviction, as sometimes the results reveal a clear record. Most delays are resolved within 30 days; however, some continue for 60 or 90 days, or longer because the DOJ and FBI must obtain court records. Since DOJ and FBI are independent agencies, CSLB has no control over these delays and must wait for the fingerprint results before issuing a license, though staff do follow-up with DOJ regarding delayed responses to confirm the review has commenced and that DOJ requires no further information.

Below is a breakdown of Criminal Background unit statistics for the past five calendar years.

**CRIMINAL BACKGROUND UNIT STATISTICS**

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	TOTALS
DOJ Records Received	27,863	32,470	29,189	34,599	33,553	<b>157,674</b>
CORI RAPP Received	5,658	6,926	6,022	6,828	6,860	<b>32,294</b>
Denials	52	49	62	65	63	<b>291</b>
Appeals	29	26	39	42	31	<b>167</b>
Probationary Licenses Issued (conditional license; requires periodic review)	68	90	83	61	86	<b>388</b>

**EXPERIENCE VERIFICATION UNIT STATISTICS**

Business and Professions Code section 7068(g) and California Code of Regulations 824 require that the CSLB registrar conduct a comprehensive investigation of a minimum of 3 percent of applications. Such investigations shall include those areas of experience claimed and other areas the registrar deems appropriate for the protection of the public.



Since implementation in September 2014, Experience Verification unit staff have been assigned and reviewed 3,587 applications.

The following chart provides a monthly breakdown of actions taken for applications referred to the Experience Verification unit for the past 12 months.

	2019						2020					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Withdrawn	18	19	22	17	12	17	26	1	6	4	2	1
Verified	43	27	23	29	20	25	37	17	24	3	5	10
Denied	12	10	9	9	7	7	7	0	1	0	1	5
Appealed	1	0	0	0	1	0	0	0	0	0	0	0
Pending	107	96	78	107	92	99	68	87	36	33	37	32

The chart on the next page provides the breakdown for appeals, denials, withdrawals, experience verification, and pending applications by classification for the past 24 months.



### Experience Verification by Classification June 1, 2018 – June 30, 2020

Classification	Appealed	Withdrawn	Verified	Denied	Total
A General Engineering	3	14	26	10	53
B General Building	4	140	183	90	417
C2 Insulation and Acoustical	0	0	2	1	3
C4 Boiler Hot Water	0	2	2	0	4
C5 Framing / Rough Carp	0	2	3	1	6
C6 Cabinet-Millwork	0	5	13	2	21
C7 Low Voltage Systems	0	2	10	1	13
C8 Concrete	1	5	16	7	29
C9 Drywall	0	2	7	1	10
C10 Electrical	0	18	40	12	70
C11 Elevator	0	0	1	0	1
C12 Earthwork & Paving	0	3	4	3	10
C13 Fencing	0	4	4	1	9
C15 Flooring	0	9	20	6	35
C16 Fire Protection	1	1	1	5	8
C17 Glazing	0	4	9	1	14
C20 HVAC	2	11	30	12	55
C21 Building Moving Demo	0	8	3	6	17
C22 Asbestos Abatement	0	1	1	0	2
C23 Ornamental Metal	0	1	3	0	4
C27 Landscaping	0	14	19	3	36
C28 Lock & Security Equipment	0	1	0	1	2
C29 Masonry	0	1	2	1	4
C31 Construction Zone	0	0	1	0	1
C32 Parking Highway	0	0	0	0	0
C33 Painting	1	29	41	14	85
C34 Pipeline	0	0	0	0	0
C35 Lath & Plaster	0	1	6	1	8
C36 Plumbing	3	9	42	6	60
C38 Refrigeration	0	3	2	0	5
C39 Roofing	2	10	17	7	36
C42 Sanitation	0	1	4	0	5
C43 Sheet Metal	0	0	0	0	0
C45 Signs	0	1	0	0	1
C46 Solar	1	2	3	3	9
C47 Gen Manufactured House	0	0	0	0	0
C50 Reinforcing Steel	0	0	0	0	0
C51 Structural Steel	0	2	2	1	5
C53 Swimming Pool	0	4	2	6	12
C54 Tile	0	8	14	6	28
C55 Water Conditioning	0	0	0	0	0
C57 Well Drilling	0	0	3	0	3
C60 Welding	2	0	5	0	7
C61 Limited Specialty	3	23	33	7	66
ASB Asbestos Cert	0	0	0	0	0
HAZ Hazardous Cert	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>341</b>	<b>574</b>	<b>215</b>	<b>1,154</b>



### LICENSING INFORMATION CENTER (LIC) STATISTICS

#### LIC Support Services

CSLB's Licensing Information Center is the first point of contact for applicants, consumers, licensees, and governmental agencies needing information about licensing laws, hiring a contractor, licensing application information, and the status of an application. The LIC receives, on average, 13,000 calls monthly. Staff that respond to calls must have knowledge of all licensing transaction processes in order to assist callers with correct and complete information.

Inbound Activity	2019						2020					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Calls Received	13,780	12,613	12,013	12,815	10,139	11,286	15,055	13,607	13,095	10,393	10,235	11,814
Calls Answered	11,892	11,472	11,078	11,973	9,350	10,575	12,806	11,684	10,723	5,441	3,953	6,536
Caller Abandoned	1,147	648	593	597	530	478	1,320	1,110	1,274	2,736	3,733	4,694
Longest Wait Time	11:44	07:59	09:25	04:43	08:06	09:03	12:36	11:36	24:00	59:48	58:01	1:28:20
Shortest Wait Time	01:06	01:05	00:43	01:03	00:36	00:06	02:19	01:23	02:33	01:06	01:08	06:08
Avg. Wait Time	06:01	03:55	03:23	02:59	03:15	03:13	06:19	05:52	07:10	26:39	46:08	38:42

#### Licensing Information Center Call Data - Prior Calendar Years

Inbound Activity	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Calls Received	158,409	163,076	166,918	152,845	149,462
Calls Answered	153,258	158,778	147,074	137,270	136,776
Caller Abandoned	5,124	4,178	16,527	9,426	7,859
Average Longest Wait Time	07:28	05:39	01:36	10:48	08:33
Average Shortest Wait Time	00:19	00:22	00:12	01:04	00:48
Average Wait Time	04:17	02:45	06:46	04:21	03:34



## **JUDGMENT UNIT STATISTICS**

Judgment unit staff process all outstanding liabilities, judgments, and payment of claims reported to CSLB by licensees, consumers, attorneys, credit recovery firms, bonding companies, CSLB's Enforcement division, and other governmental agencies. In addition, the Judgment unit processes all documentation and correspondence related to resolving issues such as satisfactions, payment plans, bankruptcies, accords, motions to vacate, etc.

Outstanding liabilities are reported to CSLB by:

- Employment Development Department
- Department of Industrial Relations
  - Division of Occupational Safety and Health
  - Division of Labor Standards Enforcement
- Franchise Tax Board
- State Board of Equalization
- CSLB Cashiering Unit

Unsatisfied judgments are reported to CSLB by:

- Contractors
- Consumers
- Attorneys

Payments of claims are reported to CSLB by bonding (surety) companies.

The charts on the following page provide the number of notifications mailed to licensees related to outstanding liabilities, judgments, and payment of claims affecting their license status, including the savings to the public as a result of compliance.



### Judgment Unit

#### Number of Reimbursements to State Agencies and Public

	2019 Jul	Aug	Sep	Oct	Nov	Dec	2020 Jan	Feb	Mar	Apr	May	Jun
<b>OUTSTANDING LIABILITIES (FROM CALIFORNIA STATE AGENCIES)</b>												
Initial	106	86	70	61	71	73	65	95	79	13	12	6
Suspend	66	67	87	62	54	45	58	53	49	83	63	12
Reinstate	53	49	52	60	48	59	75	64	52	29	46	30
<b>Total</b>	<b>225</b>	<b>202</b>	<b>209</b>	<b>183</b>	<b>173</b>	<b>177</b>	<b>198</b>	<b>212</b>	<b>180</b>	<b>125</b>	<b>121</b>	<b>48</b>
<b>FINAL JUDGMENTS (FROM COURT ACTIONS)</b>												
Initial	55	56	48	61	25	39	62	33	78	59	24	53
Suspend	23	12	37	18	13	27	23	6	15	25	17	44
Reinstate	67	52	50	61	34	50	50	41	41	38	37	44
<b>Total</b>	<b>145</b>	<b>120</b>	<b>135</b>	<b>140</b>	<b>72</b>	<b>116</b>	<b>135</b>	<b>80</b>	<b>134</b>	<b>122</b>	<b>78</b>	<b>141</b>
<b>PAYMENT OF CLAIMS (FROM BOND SURETY COMPANIES)</b>												
Initial	187	165	147	176	181	183	188	153	142	112	132	137
Suspend	125	78	97	85	79	92	84	92	98	101	64	95
Reinstate	136	155	120	108	122	127	126	119	122	76	124	116
<b>Total</b>	<b>448</b>	<b>398</b>	<b>364</b>	<b>369</b>	<b>382</b>	<b>402</b>	<b>398</b>	<b>364</b>	<b>362</b>	<b>289</b>	<b>320</b>	<b>348</b>

#### Reimbursement Amounts to State Agencies and Public Prior Calendar Years

	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Outstanding Liabilities	\$25,435,065	\$21,294,139	\$23,282,397	\$23,899,670	\$26,277,077
Final Judgments	\$45,605,109	\$21,075,805	\$20,175,529	\$12,167,435	\$16,514,073
Payment of Claims	\$9,965,960	\$8,852,480	\$8,850,173	\$9,580,600	\$11,080,053
<b>Total Monetary Savings</b>	<b>\$81,006,134</b>	<b>\$51,222,424</b>	<b>\$52,308,099</b>	<b>\$45,647,705</b>	<b>\$53,871,203</b>



### State Agency Outstanding Liabilities Collected

	Employment Development Department (EDD)	Franchise Tax Board (FTB)	Department of Industrial Relations (DIR) Division of Labor Standards Enforcement (DLSE) Division of Occupational Safety & Health (DOSH) Office of the Director – Legal Unit (ODL)	Total Liabilities Collected
July 2019	\$1,547,022	\$720,009	\$681,171	<b>\$2,948,202</b>
August	\$2,154,872	\$890,757	\$125,870	<b>\$3,171,499</b>
September	\$1,740,412	\$754,771	\$147,242	<b>\$2,642,425</b>
October	\$1,633,541	\$504,964	\$523,452	<b>\$2,661,957</b>
November	\$1,285,787	\$645,909	\$125,137	<b>\$2,056,833</b>
December	\$1,905,936	\$308,865	\$181,744	<b>\$2,396,545</b>
January 2020	\$2,599,050	\$162,266	\$625,820	<b>\$3,387,136</b>
February	\$1,527,709	\$415,563	\$260,417	<b>\$2,203,689</b>
March	\$1,673,255	\$475,932	\$953,755	<b>\$3,102,942</b>
April	\$793,586	\$79,769	\$342,183	<b>\$1,215,538</b>
May	\$1,082,441	\$194,609	\$182,472	<b>\$1,459,522</b>
June	\$220,128	\$391,568	\$390,242	<b>\$1,001,938</b>
<b>TOTALS</b>	<b>\$18,163,739</b>	<b>\$5,544,982</b>	<b>\$4,539,505</b>	<b>\$28,248,226</b>



## AGENDA ITEM F-2

# Testing Program Update

- a. Examination Administration Unit
- b. Examination Development Unit







# CONTRACTORS STATE LICENSE BOARD

## TESTING PROGRAM UPDATE

### EXAMINATION ADMINISTRATION UNIT (EAU)

The Testing division’s EAU administers CSLB’s 46 examinations at eight computer-based test centers. Most test centers are allocated two full-time test monitors, with part-time proctors filling in as needed. Test monitors also respond to all interactive voice response messages received by CSLB related to testing.

EAU currently has one vacancy for an Associate Governmental Program Analyst.

#### Number of Examinations Scheduled Per Month July 2019 - June 2020

Jul 2019	Aug	Sep	Oct	Nov	Dec	Jan 2020	Feb	Mar*	Apr*	May*	Jun**	Total
4,584	4,424	4,066	4,635	3,839	3,894	4,061	3,861	2,549	0	0	2,635	38,503

\*Due to COVID-19 shelter-in-place orders, all testing was halted in mid-March. San Jose and Berkeley Test Centers stopped testing on March 18, 2020, and the other six stopped testing on March 20, 2020.

\*\*Test centers reopened on June 15, 2020.

CSLB maintains test centers in the following locations:

- Sacramento
- Berkeley
- San Jose
- Fresno
- Oxnard
- Norwalk
- San Bernardino
- San Diego

#### Number of Examinations Scheduled by Test Center July 2019 – June 2020

Test Center	Number of Examinations Scheduled
Berkeley	4,038
Fresno	2,056
Norwalk	10,099
Oxnard	4,400
Sacramento	5,320
San Bernardino	5,777
San Diego	3,475
San Jose	3,298
<b>Total</b>	<b>38,503</b>

### EXAMINATION DEVELOPMENT UNIT (EDU)

The Testing division’s EDU ensures that CSLB’s 46 examinations are written, maintained, and updated in accordance with testing standards and guidelines, Department of Consumer Affairs policies, CSLB regulations, as well as federal and California state law.



**Exam Development**

State law requires that all license exams be updated at least every five to seven years. All CSLB examination programs meet this standard. The revision process takes approximately one year and is conducted in two phases: 1) occupational analysis; and 2) item bank development.

The occupational analysis determines what topics are relevant to each contractor classification and in what proportion it should be tested. This process starts with interviews of a statewide sample of active California licensees in each specific classification. The interviews result in a draft list of the job tasks performed by contractors in that trade and the knowledge needed to work safely and competently. EDU staff then hold a workshop with licensees who act as subject matter experts to finalize the task and knowledge statements. These statements are then developed into a large-scale online survey that is sent to a greater number of licensees. A second workshop is then held to review the survey data and develop a validation report, which includes an exam outline that serves as a blueprint for constructing examination versions/forms. Whenever feasible, staff will use video conferencing to conduct these workshops.

The item bank development phase involves numerous workshops with subject matter experts to review and revise existing test questions, write, and review new test questions, and determine the passing score for exams from that point forward.

EDU currently has one vacancy for a Graduate Student Assistant.

**Examination Programs in Progress as of September 1, 2020**

Occupational Analysis	Item Bank Development
Asbestos Certification	Law and Business
C-20 Warm-Air Heating, Ventilating	A General Engineering
C-27 Landscaping	C-6 Cabinet, Millwork and Finish Carpentry
C-29 Masonry	C-9 Drywall
C-31 Construction Zone Traffic Control	C-11 Elevator
C-32 Parking and Highway Improvement	C-15 Flooring and Floor Covering
	C-20 Warm-Air Heating, Ventilating, and Air Conditioning
	C-23 Ornamental Metal
	C-28 Lock and Security Equipment
	C-36 Plumbing
	C-43 Sheet Metal



### **Ongoing Consumer Satisfaction Survey**

EDU conducts an ongoing survey of consumers whose complaint cases have been closed to assess overall satisfaction with the Enforcement division's handling of complaints related to eight customer service topics. The survey is emailed to all consumers with closed complaints who provide CSLB with their email address during the complaint process.

Consumers receive the survey in the first or second month after their complaint is closed. To improve the survey's response rate, Testing incorporated a reminder email into the process so that non-responsive consumers now receive an email one month after the initial request is sent.

Statistics based on survey responses are compiled and presented to the board annually.



## AGENDA ITEM F-3

# Internal Policy and Procedure Changes Related to License Application Review







# CONTRACTORS STATE LICENSE BOARD

## LICENSE APPLICATION REVIEW

### License Application Review

#### **Background**

CSLB staff perform a comprehensive review of all applications received to ensure that they are complete and meet minimum professional qualifications. A minimum of 3 percent of applications are subject to a more rigorous review, pursuant to Title 16 of the California Code of Regulations (CCR) section 824, which reads:

In addition to a review and verification of all applications for licensure, the Registrar shall conduct a comprehensive field investigation of a minimum of 3% of all such applications. Such investigation shall include those areas of experience claimed and such other areas as the Registrar deems appropriate for the protection of the public.

All claimed experience shall be supportable by documentation satisfactory to the Board. The Registrar shall provide to the Board, for its approval, acceptable forms of such documentation and shall inform the applicant in the application form that such documentation may be requested by the Board.

When 16 CCR section 824 was initially implemented, Enforcement division staff handled the 3 percent of applications subject to comprehensive review because they had the ability to meet with the applicant and perform a “field investigation.” Approximately six years ago, the Licensing Division established an Experience Verification Unit (EVU) to perform application investigations to meet the 3 percent requirement. EVU staff perform more of an audit rather than a field investigation.

#### **Recent Changes in Response to COVID-19**

Since the pandemic, the Licensing division has had to redirect staff to ensure licensing timelines remain as efficient as possible. As a consequence, EVU staff have assisted with issues related to license renewals and the more difficult applications CSLB receives, while staff within the Enforcement division have investigated the majority of the EVU applications.

#### **Long Term Evaluation of Application Reviews**

This shift in work is temporary and staff is treating the change as a “pilot” project to evaluate which division is most appropriate to conduct this work in the long term.

Staff is not proposing any permanent alterations in board policy or procedures related to application review at this time. Instead, staff will continue to note the benefits and drawbacks of having application review conducted by the Enforcement division and may recommend this for a Licensing Committee agenda item.



## AGENDA ITEM F-4

# Review, Discussion, and Possible Action on Canceling CSLB License Reciprocity Agreement with Utah







# CONTRACTORS STATE LICENSE BOARD

## CSLB LICENSE RECIPROCITY AGREEMENT WITH UTAH

### CSLB License Reciprocity Agreement with Utah

#### Background

CSLB currently has a reciprocity agreement with Utah so that individuals actively licensed and in good standing in Utah for five years in the following classifications do not need to take a trade examination to obtain a California contractor license:

Utah		California	
Class Code and Description		Class Code and Description	
E100	General Engineering Contractor	A	General Engineering
B100	General Building Contractor	B	General Building
R100	Residential and Small Commercial Contractor	B	General Building
S280	General Roofing Contractor	C-39	Roofing
S290	General Masonry Contractor	C-29	Masonry
S320	Steel Erection Contractor	C-51	Structural Steel
S350	HVAC Contractor	C-20	Warm-Air Heating Ventilating and Air Conditioning
S360	Refrigeration Contractor	C-38	Refrigeration
S370	Fire Suppression Systems Contractor	C-16	Fire Protection

#### Issue

In 2019, Utah passed H.B. 187, which eliminated trade exam requirements for general contractors, general engineering contractors, and specialty contractors.

In 2020, Utah also passed S.B. 23, which allows a contractor to get a Utah license so long as they have a license in good standing in another state for at least one year.

Under current law, CSLB may enter into reciprocity agreements with other states under limited circumstances. California Business and Professions Code Section 7065.4 states:

The registrar may accept the qualifications of an applicant who is licensed as a contractor in a similar classification in another state if that state accepts the qualifications of a contractor licensed in this state for purposes of licensure in that other state, and if the board ascertains, on a case-by-case basis, that the professional qualifications and conditions of good standing for licensure and continued licensure are at least the same or greater in that state as in California.



**CSLB**

**CSLB LICENSE RECIPROCITY AGREEMENT WITH UTAH**

The registrar may waive the trade examination for an applicant if the applicant provides written certification from that other state in which he or she is licensed, that the applicant's license has been in good standing for the previous five years (emphasis added).

Because the recent changes in Utah law mean that an applicant in Utah can obtain a license without passing a trade exam or demonstrating four years of at least journey-level experience, the current reciprocity agreement between CSLB and the Utah Division of Occupational and Professional Licensing no longer complies with the requirements of BPC section 7065.4, staff recommend rescinding CSLB's agreement with Utah.

### **Staff Recommendation**

That the board direct staff to rescind is license reciprocity agreement with the State of Utah.

## AGENDA ITEM F-5

Review, Discussion, and Possible Action to Initiate a Rulemaking to Add Title 16, California Code of Regulations Section 829 to Establish Criteria for Expediting Review of License Applications







# CONTRACTORS STATE LICENSE BOARD

## Expediting Review of License Applications

### **Expediting Review of License Applications**

#### **Background**

Each year CSLB receives thousands of license applications, most of which are reviewed and processed in the order received. However, in some instances, an application is accompanied by a formal request expedited processing. When staff expedite an application, it can significantly speed up the application process.

#### **Current Application Expedite Policy**

Currently, CSLB expedites applications for veterans and spouses of active duty service members to meet the requirements of legislation affecting all Department of Consumer Affairs' licensing boards and bureaus (Business and Professions Code sections 115.4 and 115.5, respectively). In addition, CSLB expedites applications received:

- To perform work in declared disaster areas
- To perform work on energy conservation projects for or with public utilities
- To perform work on public works contracts

#### **Issue**

Business and Professions Code section 7137 states, in part:

(n) The board shall, by regulation, establish criteria for the approval of expedited processing of applications. Approved expedited processing of applications for licensure or registration, as required by other provisions of law, shall not be subject to this subdivision.

CSLB's current expedite policy is not established in law. Therefore, staff proposes codifying CSLB's existing policy in regulation.

#### **Staff Recommendation**

To direct staff to codify its existing expedite policy by adding Title 16, California Code of Regulations section 829 through the formal rulemaking process to establish criteria for expediting the review of license applications.



## AGENDA ITEM F-6

# Review and Discussion Regarding Strategies to Increase Licensure





# AGENDA ITEM G

## Public Affairs





## AGENDA ITEM G-1

# Public Affairs Program Update

- a. Online Highlights
- b. Video/Digital Services
- c. Social Media Highlights
- d. Media Relations Highlights
- e. Publications/Graphic Design Highlights
- f. Industry/Licensee Outreach Highlights
- g. Consumer/Community Outreach Highlights
- h. Intranet/Employee Relations







### Public Affairs Program Update

CSLB's Public Affairs Office (PAO) is responsible for media, industry, licensee, and consumer relations, as well as outreach. PAO provides a wide range of services, including proactive public relations; response to media inquiries; community outreach, featuring Senior Scam Stopper<sup>SM</sup> and Consumer Scam Stopper<sup>SM</sup> seminars, and seminars for both disaster survivors and contractors; speeches to service groups and organizations; publication and newsletter development and distribution; contractor education and outreach; social media outreach to consumers, the construction industry, and other government entities; and website and employee Intranet content, including webcasts, video, and audio production.

### STAFFING UPDATE

PAO is staffed with seven full-time positions and a part-time student assistant.

- Rick Lopes, Chief of Public Affairs
- Claire Goldstene, Information Officer II
- Kevin Durawa, Information Officer I
- Amber Foreman, Graphic Designer III
- Amy Lawrence, Television Specialist
- Natalie Watmore, Information Officer I
- VACANT/ON-HOLD, Associate Governmental Program Analyst (Outreach Coordinator)
- Leslie Gutierrez, Student Assistant

### ONLINE HIGHLIGHTS

#### **Promotion of Online Renewal Feature**

PAO worked with Licensing and Information Technology to promote the launch of CSLB's first online renewal features. The first phase involved promoting online renewal for sole ownerships licenses where the licensee was also the qualifier. The second phase centered on promoting online renewal for Home Improvement Salesperson (HIS) registrations.

Promotion was done through the CSLB website, social media, and industry bulletins to various CSLB mass email lists.

### VIDEO/DIGITAL SERVICES

#### **Webcasts / Videos Produced**

- *Live/Recorded Webcasts*
  - December 12, 2019: CSLB Quarterly Board Meeting
  - January 7, 2020: Paradise (Camp Fire) Community Meeting



- January 31, 2020: Paradise (Camp Fire) Undercover Sting Press Conference
- February 20, 2020: CSLB Solar Taskforce Meeting
- February 25, 2020: Solar Taskforce Press Conference, Parlier
- April 28, 2020: CSLB Regulatory Public Hearing
- May 12, 2020: *Get Licensed to Build* Workshop, Episode #1
- May 29, 2020: *Get Licensed to Build* Workshop, Episode #2
- June 5, 2020: CSLB Quarterly Board Meeting
- June 26, 2020: *Get Licensed to Build* Workshop, Episode #3
- July 24, 2020: CSLB Board Meeting
- August 4, 2020: CSLB Solar Taskforce Meeting
- August 7, 2020: *Get Licensed to Build* Workshop, Episode #4



• *Videos Created/Posted Online*

- January 31, 2020: Paradise (Camp Fire) Undercover Sting Press Conference
- February 25, 2020: Solar Taskforce Press Conference, Parlier
- May 6, 2020: Building Permit Training Course
- May 12, 2020: What Seniors Should Know Before Hiring a Contractor
- May 12, 2020: 10 Tips for Hiring a Contractor
- June 17, 2020: What to Expect on Test Day
- July 2, 2020: Rebuilding After a Disaster



**Consumer and Licensee Tips and Training Videos**

PAO staff have been creating and promoting on social media a series of consumer tips videos, such as tips on hiring a contractor, information for seniors on how to avoid getting scammed, and guidelines on rebuilding after a natural disaster.

In addition, staff is also producing an ongoing live webcast of the *Get Licensed to Build* workshop for those interested in a contractor license. These live webcasts have been well attended via WebEx, Facebook, and YouTube, and are also archived on CSLB’s website.

**CSLB Video Webpage Updates**

PAO and IT staff have updated CSLB’s video webpage and created a more user-friendly and visually-engaging page that includes thumbnail photos of CSLB’s most recent or relevant videos and links to organized YouTube playlists to make it easier for viewers to locate specific videos.



**New Digital Media Center**



The construction of a new Digital Media Center (DMC) at CSLB’s Sacramento headquarters is complete. Prior to the COVID-19 health emergency it was used to broadcast CSLB meetings, conduct media interviews, take staff photos, and for employee training.

In addition to a studio and control room with video encoder, switcher, audio board, and camera controls, this system also includes four remote controlled cameras, 26 wireless microphones, and 12 speakers, installed in the adjacent John C. Hall Hearing Room.

CSLB purchased upgraded video and audio production equipment, including lighting, a teleprompter, camera, lenses, gimbal (for steady moving shots), microphones, and audio podcast recorder and mixer. The equipment has assisted PAO staff with the shift to producing all live webcasts remotely and enabled staff to shoot videos with fewer staff members participating.



The new system and equipment will continue to aid PAO staff in live streaming public meetings and developing trainings, podcasts, and other outreach videos for consumers, licensees, and license applicants.

**Social Media Highlights**

**Followers on CSLB’s Social Media**

Date	Facebook	Twitter	Twitter (@CSLBNews)	YouTube	LinkedIn	Instagram	Flickr
November 2010	86	50	-	2	-	-	-
November 2011	731	638	-	20	-	-	-
November 2012	1,139	1,040	-	282	-	-	-
November 2013	1,457	1,349	-	343	-	-	-
November 2014	1,796	1,622	-	352	-	-	-
November 2015	2,228	1,824	-	434	14	-	-
November 2016	2,909	2,123	-	600	59	12	7
November 2017	3,312	2,405	-	702	105	99	10
November 2018	3,680	2,471	-	832	153	210	12
August 2019	4,602	2,602	(created)	955	236	399	12
November 2019	4,714	2,637	11	991	280	521	12
February 2020	4,900	2,680	20	1,042	324	648	13
July 30, 2020	5,313	2,743	23	1,212	409	867	13

**COVID-19 Social Media Posts**

PAO used social media to inform licensees and consumers about the changing availability of CSLB services because of COVID-19. Posts were used to update the public on licensing and testing changes after several CSLB buildings were closed because of the health emergency. Social media was also used to convey expert guidance on construction site safety during COVID.



### **Social Media Posts with the Department of Consumer Affairs**

CSLB also regularly posts on its social media channels COVID-related public information from the Department of Consumer Affairs (DCA). The number of people reached on each post is tracked and reported to DCA on a weekly basis.

### **Social Media Questions on Status of CSLB services**

CSLB receives an average of 12-25 questions a week through its social media channels. Questions are typically related to licensing, testing, and the status of CSLB services. CSLB also receives tips on suspected unlicensed activity through social media, which are forwarded to Enforcement.

### **Nextdoor Partnership**

Nextdoor is a private social network for neighborhoods. This network serves over 158,000 neighborhoods across the country and is used as a source of local information.

CSLB is a Nextdoor public agency partner, which allows PAO to create targeted messages to reach residents in communities of declared disaster areas. CSLB's agency account can currently reach all active neighborhoods in Napa, Sonoma, Yuba, Butte, Lake, Mendocino, Nevada, Orange, and Solano counties.

Between March 1, 2020 and July 30, 2020, 91,772 people joined CSLB's reachable Nextdoor network, bringing the total number of verified residents in CSLB's network to 1,082,365.

### **Facebook Growth**

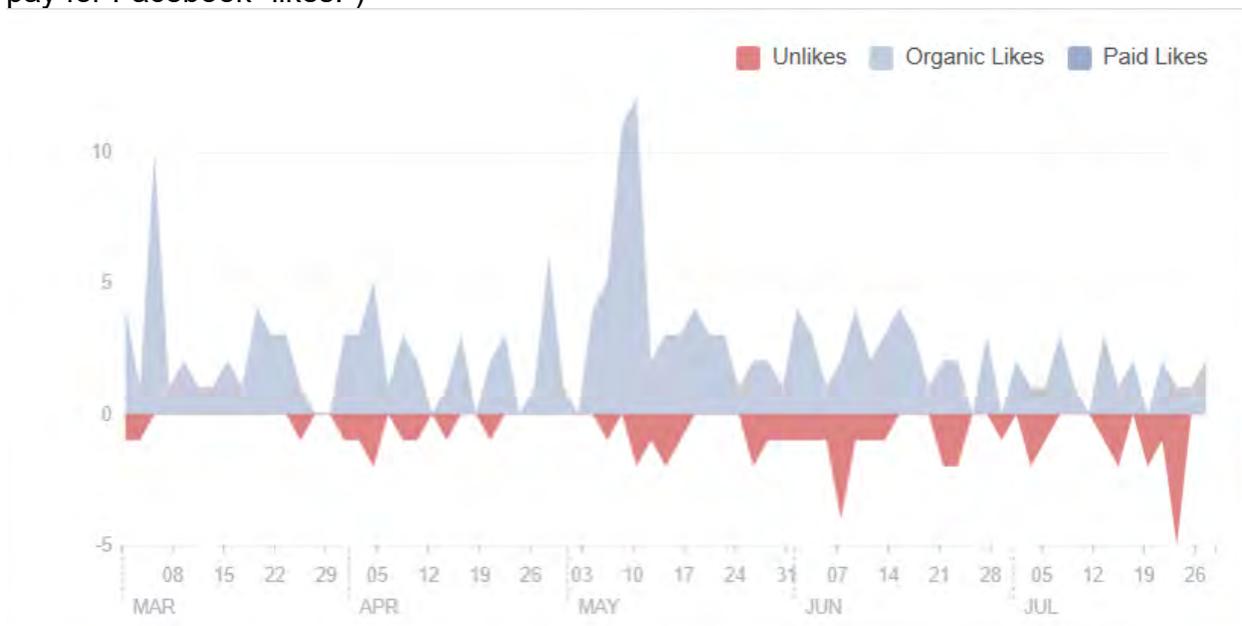
Between March 1, 2020 and July 30, 2020, CSLB "reached" 56,593 people on its Facebook page.

- 67 percent of those who follow CSLB on Facebook are male; 32 percent female
- 55 percent of CSLB's Facebook followers are between the ages of 35 and 54
- Most viewed posts:



- Press Release: [Contractors State License Board](#) Sting in L.A. County Nets 11 Alleged Unlicensed Contractors– “reached” 9,889 people
- All home improvement projects over \$500 require a written contract. – “reached” 3,555 people

The chart below shows the net growth per day from March 1, 2020 through July 30, 2020 for CSLB’s Facebook page, during which CSLB gained more than 270 likes, bringing the total number of likes to 4,591. The gray line represents individuals who have “liked” CSLB, and the red areas represent individuals who have “liked” CSLB at one point, but subsequently “un-liked” CSLB. (There is no blue line, as CSLB does not pay for Facebook “likes.”)





### Twitter Growth

In August 2019, CSLB launched a second Twitter page. This page (@CSLBnews) contains only news release information and other items of interest to the media. While at this time there are only 23 followers, it has earned more than 42,849 impressions (the number of times a post was seen on Twitter). Sting press releases typically earn more than 1,000 impressions per tweet.



Impressions times people saw this Tweet on Twitter	9,441
Total engagements times people interacted with this Tweet	424

On CSLB’s main Twitter account, between March 1, 2020 and July 30, 2020, CSLB had 179K impressions. In total, CSLB has 2,743 Twitter followers.

- At the end of January 2020, Twitter stopped providing much of its analytic data. Prior that, in November 2019, 54 percent of CSLB’s Twitter followers were female; 46 percent male.
- The most popular categories of Twitter posts are COVID-related service updates, disaster recovery, sting operations, and news releases.

### Top tweets:

- **Attention:** In response to the #COVID-19 health emergency, all CSLB public counters & test centers are closed. – 3,212 impressions





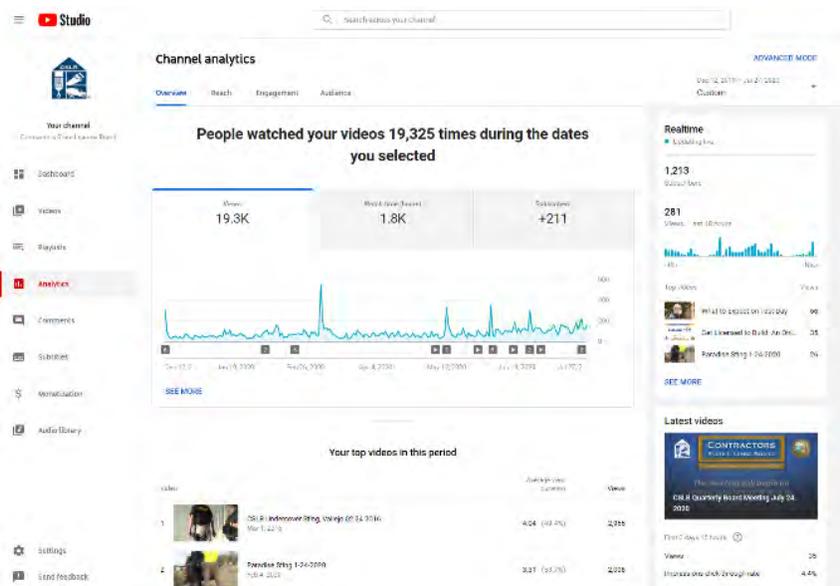
- CSLB is offering a FREE licensing workshop on Facebook live! – 1,853 impressions



### YouTube Channel Growth

CSLB’s YouTube channel continues to grow, with an increase of 211 subscribers, 1,800 hours of watch time, and over 19,300 more views since December 2019.

The channel has a total of 497,500 views (28,400 hours watched) and 1,213 subscribers since the page was created in 2009.





## **Instagram Growth**

CSLB has 867 Instagram followers, an increase of 232 since March 1, 2020.

- 70 percent of CSLB Instagram followers are between the ages of 25-44
- 72 percent of CSLB Instagram followers are male; 28 percent female
- CSLB's audience is most likely to be on Instagram between 12:00 p.m. and 9:00 p.m.

## **Flickr Growth**

CSLB is expanding its portfolio of photographs on Flickr, a no-cost, photo-sharing social media website.

Flickr allows PAO staff to upload and post high-resolution photos as individual photographs or in album format. Flickr also permits professional media and industry followers of CSLB to download photographs at the resolution level of their choosing.

As of July 30, 2020, CSLB had 375 photos available for download on Flickr.

## **LinkedIn Growth**

PAO actively posts current job vacancies to LinkedIn, a business-oriented social networking site primarily used for professional networking. LinkedIn can increase exposure and act as an effective recruiting tool to attract quality employees for CSLB positions.

## **Email Alert Feature**

In May 2010, PAO launched a website feature that allows people to subscribe to various CSLB email alerts. Today, these choices include:

- *California Licensed Contractor* Newsletters
- News Releases/Consumer Alerts
- Industry Bulletins
- Public Meeting Notices/Agendas
- CSLB Job Openings
- Podcasts/Webcasts
- Surveys

The total subscriber database currently stands at 23,473 contacts.

PAO also utilizes a database consisting of email addresses voluntarily submitted on license applications and renewal forms. This database now consists of addresses for 145,511 licensees, which brings the combined database contacts to 168,984 email addresses.



PAO is currently working with IT and DCA’s Office of Information Services to update the licensee list, and to create a new list with email addresses for Home Improvement Salespersons (HIS).

Date	Industry Bulletins	Meeting Notices	CLC Newsletter	News Releases	Surveys	Job Openings
May 2010	185	187	103	277	57	-
May 2011	2,390	1,531	3,141	2,361	137	-
May 2012	4,387	2,879	5,212	4,015	284	-
May 2013	5,089	3,341	5,975	4,660	398	-
May 2014	6,027	4,017	6,947	5,538	476	-
May 2015	6,459	4,273	7,293	5,852	591	-
May 2016	6,866	4,479	7,575	6,096	673	17
May 2017	7,410	4,573	7,857	6,468	760	305
May 2018	7,525	4,653	8,017	6,720	843	462
May 2019	7,923	4,783	8,210	6,962	976	647
May 2020	8,214	5,012	8,601	7,267	1,112	906
August 1, 2020	8,378	5,111	8,704	7,378	1,197	972

**MEDIA RELATIONS**

**Media Calls**

Since the COVID-19 health emergency began in March 2020, CSLB has seen a decline in the volume of media calls. Between December 1, 2019 and February 29, 2020, PAO staff responded to 29 media inquiries, providing information and/or interviews to a variety of media outlets. Since March 1, 2020, PAO has responded to 17 media inquiries.

**News Releases**

With the outbreak of the COVID-19 health emergency, the number of enforcement actions and undercover sting operations was reduced significantly. As a result, the number of news releases released by PAO between March 1, 2020 and July 31, 2020, was limited to just one, covering a sting operation that took place before COVID.



## **INDUSTRY/LICENSEE OUTREACH**

### **Industry Bulletins**

Since March 2020, the majority of PAO updates have been released as Industry Bulletins, which are email updates sent out on an as-needed basis to almost 8,200 people who signed-up via CSLB's Email Alert System. Between March 1, 2020 and July 30, 2020, PAO distributed 12 industry bulletins, with topics ranging from CSLB's new online license renewals to personal protective equipment (PPE) donations that contractors can make to help medical professionals during COVID.

### **Press Events**

On January 31, 2020, CSLB hosted a press conference in Paradise (Butte County) to announce the results of an undercover sting operation. The sting took place at the site of a home destroyed in the November 2018 Camp Fire. Also appearing at the press conference were Butte County District Attorney Mike Ramsey, Paradise Mayor Greg Bolin, and John Barlow from the California Department of Insurance. The press event received widespread coverage throughout Northern California.

## **PUBLICATION/GRAPHIC DESIGN**

Since the December 2019 board meeting, PAO's Graphic Design unit has completed the following projects:

### Employee ID Photo Shoot

- Photo shoot for new employee identification cards. These sessions are now on-hold.

### Publications

- December 14, 2019 board meeting packet
- 2019 Accomplishments & Activities Report
- Mandatory Arbitration Program Guide (Spanish Version)
- Voluntary Arbitration Program Guide (Spanish Version)
- Senior Scam Stopper<sup>SM</sup> Mailers
- July 24, 2020 teleconference board meeting packet
- June 5, 2020 board meeting packet
- Blueprint for Becoming a Licensed Contractor (2020 Edition)
- Voluntary Arbitration Program Guide (NEW Spanish version)
- Mandatory Arbitration Program Guide (NEW Spanish version)
- Description of Classifications



### 2020 California Contractor License Law & Reference Book

- The 2020 edition of the *California Contractor License Law & Reference Book* arrived in January and was distributed to CSLB staff around the state as well as deputy attorneys general.

### Spring 2020 California Licensed Contractor Newsletter

- On March 5, 2020, PAO completed and sent out the Spring 2020 licensee newsletter to more than 154,000 email addresses in the CSLB database and to those who signed-up to receive the newsletter.

### Podcast

- Get Licensed to Build podcast logo

### COVID 19/Social Distancing Materials (Testing Center / Front Counter / Field Offices)

- Visitor protocol posters
- Visitor protocol & information flyers
- Examination mail inserts

### WebEx Backgrounds

- Virtual backgrounds for WebEx meetings/events

## CONSUMER/COMMUNITY OUTREACH

### Senior Scam Stopper<sup>SM</sup> Seminars

In mid-March CSLB suspended its popular Senior Scam Stopper<sup>SM</sup> (SSS) program due to continuing concerns about the spreading COVID-19 virus. CSLB has now moved to telephone town halls and virtual seminars via Zoom and Facebook Live. CSLB's first virtual seminar was held in May with Speaker Pro Tem Kevin Mullin, former CSLB



Outreach Coordinator Jane Kreidler, and San Mateo County District Attorney Steve Wagstaffe. Most recently, CSLB took part in a virtual Savvy Senior outreach event hosted by a Bay Area realtor that was attended by 35 people.

These seminars are very popular, and it is important to continue outreach in a safe manner for both seniors and sponsoring legislators, who find the seminars useful

outreach to their constituents. Seven previously scheduled sessions have been



canceled. CSLB will resume offering in-person SSS seminars as soon as health concerns subside. In the meantime, CSLB has several virtual seminars scheduled through the fall.

The following seminars were conducted or scheduled through September 2020:

Date	Location	Legislative/Community Partner(s)
January 10, 2020	Poway	Asm. Brian Maienschein
January 14, 2020	Walnut Creek (Rossmoor)	Asm. Rebecca Bauer Kahan
January 16, 2020	Antioch	Asm. Jim Frazier
January 24, 2020	Lakewood	Asm. Speaker Anthony Rendon
February 7, 2020	Paramount	Asm. Speaker Anthony Rendon
February 12, 2020	Lodi	Asm. Jim Cooper
February 19, 2020	Menifee	Menifee Senior Advisory Committee
February 20, 2020	Menifee	Menifee Senior Advisory Committee
March 11, 2020	Claremont	Asm. Chris Holden
May 27, 2020	Zoom/Facebook Live	Speaker Pro <del>Tom</del> Kevin Mullin
August 5, 2020	Zoom	Realtor Dayna Wilson
August 14, 2020	Zoom/Facebook/YouTube	<del>Asm. Cottie</del> Petrie Norris
August 21, 2020	Phone	<del>Asm. Al</del> Muratsuchi
September 24, 2020	Zoom	<del>Asm. Adin</del> Nazarian

Before the COVID health emergency, CSLB staff also participated in a number of other outreach events from January 2020 through early March 2020:

Date	Location	Organization/Event
January 7, 2020	Paradise	Paradise Community Information Meeting
January 15, 2020	Redlands	Redlands Building & Safety Dept.
January 28, 2020	Yorba Linda	Keller Williams Realty
January 30, 2020	Sacramento	Plumbing Heating Cooling Trade Show
February 5, 2020	Oakland	Oakland Planning & Building Dept.
February 11-12, 2020	Los Angeles	L.A. Build Expo
March 3, 2020	Redding	Shasta County District Attorney Roundtable
March 4, 2020	San Diego	County of San Diego, Dept. of Agriculture, Weights, and Measures
March 4, 2020	Redding	Shasta County District Attorney Veteran & Senior Fraud Fair
March 5, 2020	Los Angeles	LA County Dept. of Consumer & Business Affairs Natl. Consumer Prot. Week Resource Fair



## **INTRANET/EMPLOYEE RELATIONS**

### **Intranet (*CSLBin*)**

*CSLBin*, the employee-only Intranet site, was launched in November 2013. Stories and photos highlight employee and organizational accomplishments. In addition to employee news, the site is also kept up-to-date with the latest forms, policies, reports, and other information used by CSLB staff around the state.

Recent articles and video included updates on board member appointments and reappointments, COVID's impact on CSLB services, and staff retirements.

### **Daily Briefing Emails**

In mid-March when the majority of CSLB employees began teleworking, the Public Affairs Office sent out daily emails to staff. The *Daily Briefing* kept staff updated on CSLB services effected by COVID, including when CSLB front counters and test centers were closed and reopened.

Later, the *Daily Briefing* email also featured lighter material that was generated by employees themselves, including recipes, pet photos, and gardening tips. PAO received positive feedback from employees working from home and trying to adjust to a new routine.

The briefing is now issued on weekly basis, on the first day of each work week.

# AGENDA ITEM H

## Legislation





## AGENDA ITEM H-1

# Update on Previously Considered 2019-2020 Pending Legislation







## CONTRACTORS STATE LICENSE BOARD

### UPDATE ON PREVIOUSLY CONSIDERED 2019-20 LEGISLATION

The following information is current as of August 11, 2020. Any updates to this information will be provided orally at the September 1, 2020 board meeting.

The board last voted on the following bills at its June 5, 2020 meeting. This is a status update only; no further action is required from the Board at this time.

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

**Board Position:** SUPPORT; **Status:** Referred to Senate Committee on Appropriations on August 10, 2020 for August 17, 2020 hearing.

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

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

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

**Board Position:** SUPPORT. **Status:** Senate Floor, ordered to third reading August 11, 2020.

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

**Board Position:** SUPPORT. **Status:** Referred to Senate Committee on Appropriations on August 10, 2020 for August 17, 2020 hearing.



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

**Board Position:** SUPPORT. **Status:** Referred to Assembly Committee on Appropriations on August 10, 2020.

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

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

**Board Position:** SUPPORT. **Status:** Referred to Assembly Committee on Appropriations on August 10, 2020.

## AGENDA ITEM H-2

Review, Discussion, and Possible  
Action on Draft Residential Solar  
Energy System Disclosure Document,  
Supporting Information Pages  
(Business and Professions Code  
section 7169 subdivision (c))







### Solar Energy System Disclosure Documents – Mandatory and Discretionary

#### **Background**

On October 11, 2017, Governor Brown signed Assembly Bill 1070 (Gonzalez Fletcher). Among other requirements, AB 1070 enacted Business and Professions Code (BPC) section 7169, which required that CSLB collaborate with the Public Utilities Commission (PUC) to develop a “solar energy system disclosure document.” A copy of AB 1070 follows this update.

AB 1070 provides, in part, that the solar disclosure document and any supporting materials be printed on the front page or cover page of every solar energy contract. The provisions only apply to residential solar installations that are not installed as a standard feature on new construction.

The bill provides two ways for CSLB to comply with its requirements, one of which is mandatory and one discretionary, which are explained below. The CSLB has complied with the mandatory requirement; in this update, staff is seeking approval of a plan to comply with the discretionary provision.

(1) **Mandatory:** BPC section 7169(b) required that CSLB collaborate with PUC to develop and make available on its website, by July 1, 2018, a solar disclosure document that includes the total cost and payments for the system as well as information about how to file complaints and the consumer’s right to a three day “cooling off” period.

In the summer of 2018, CSLB and PUC developed the required document and posted it on CSLB’s website in [English and Spanish](#). (CSLB began enforcing the disclosure requirements of BPC section 7169 on January 1, 2019.)

(2) **Discretionary:** BPC section 7169(c) provides that other types of “supporting information” that CSLB and PUC deem “appropriate or useful” to the solar energy system disclosure document may be included.

#### **Discretionary “Supporting Information” Documents**

##### **Development**

At the advice of board counsel, staff informed the board at its June 7, 2018 meeting that the rulemaking process, which is subject to the Administrative Procedures Act and can take two years or longer, is required to implement the discretionary portion of AB 1070.

At that meeting, the board voted to authorize the registrar to conduct, as necessary, stakeholder meetings for the review of and to seek expert input on the “discretionary”



portion of the disclosure document. A public stakeholder meeting was held on August 24, 2018.

Following the August 2018 meeting, staff developed a draft document and distributed it to interested parties over the next few months. The document evolved in response to feedback from the PUC, consumer, and industry groups. Multiple “rounds” of the draft were distributed to the PUC and the public for feedback in February, April, and July 2019. By summer 2019, the draft consisted of six separate “supporting information” documents that would be provided to consumers, depending on the type of purchase they made for their solar energy system.

**Implementation**

Once the various stakeholders agreed on the content of the supporting information documents, CSLB staff planned to present a draft to the board for edits or approval and to seek authority to begin the regulatory rulemaking process. However, consensus on the content of the documents was not formally reached among the different stakeholders.

With the goal of ensuring that a document could be in circulation for the benefit of consumers, CSLB staff returned to counsel to seek a solution that would expedite completion of the “supporting information” documents.

On June 23, 2020, CSLB staff was advised by DCA board counsel that if the “supporting information” documents were developed to mirror the information provided in BPC section 7169(c) regulations would not be necessary. Staff developed a draft of the “supporting information” document accordingly.

If approved by the board, staff will forward the document to the PUC for a review process, which will allow stakeholders to make suggestions for edits. The “supporting information” document could then be distributed and enforced immediately, rather than undergoing a multi-year regulatory process.

**Summary of Draft**

A draft of the “supporting information” document follows this update.

The draft solar information document includes only what is enumerated in BPC section 7169(c)(1) through (c)12. The table below describes each section and the subdivision that justifies its inclusion.

<b>Supporting Information Document</b>	<b>BPC §7169 Subdivision Justification</b>
Section 1 – Solar Energy System Company Information	BPC § 7169(c)(7)
Section 2 – Solar Energy System Agreement	BPC § 7196 (c) 10)
Section 3 – Inputs and Assumptions Used to Calculate Savings	BPC § 7169(a) and Public Utilities Code § 2854.6 (from Section 3 of AB 1070)
Section 4 – Purchase Price	BPC § 7169(c)(6)



Section 5 – Financing Agreement	BPC § 7169(c)(1), (c)(6), (c)(11), and (e)
Section 6 – Lease Agreement	BPC § 7169(c)(6), (c)(10) and (c)(11)
Section 7 – Power Purchase Agreement	BPC § 7169(c)(6) and (c)(11)
Section 8 – Fees and Rebates	BPC § 7169(c)(4) and (c)(5)
“Note” Section at End of Document	BPC § 7169(c)(8) and (c)(9)

The draft document does NOT incorporate subdivisions (c)(2), (c)(3), or (c)(12) of BPC section 7169. These subdivisions relate to any “calculations” used by the contractor or salesperson to determine the number of panels needed, the amount of energy they will generate, and their expected performance. Various input from consumer and industry stakeholders noted that the calculations are: 1) not useful for consumers to understand their purchase; (2) often proprietary; and/or 3) difficult to incorporate into a standardized disclosure document. The PUC agrees with the decision not to include these subdivisions related to calculations; however, if the board believes they should be included, the draft will be redrawn.

**STAFF RECOMMENDATION**

1. In lieu of commencing the lengthy regulatory process required to develop a unique solar disclosure document, authorize staff to proceed with implementing the discretionary requirements of Business and Professions Code §7169(c), as written, by limiting the content of the “supporting information” document to that enumerated in subdivision (c), to the exclusion of subparagraphs (2), (3), and (12).
2. Authorize staff to forward the draft to the Public Utilities Commission for review and sharing with stakeholders, and, following the stakeholder review process, authorize staff to finalize the document by making any edits suggested by PUC or stakeholders if they are consistent with the requirements of Business and Professions Code §7169(c).



## 2. SOLAR ENERGY SYSTEM AGREEMENT

**IS THIS A PURCHASE?** *(This means that the consumer is paying cash for the system, or using financing provided by or through a contractor, or obtaining financing through a third party. The consumer will own the system and pay back the balance owed with interest if the system is financed by a third-party lender. See Section 5 for more information about financing.)*

Yes

No

**OR**

**IS THIS A LEASE?** *(Under a lease, the consumer will not own the system but may be charged the owner's cost to service or maintain the system. It may be a prepaid lease or a monthly lease. Depending on the terms, the lease will be, 1) paid up front in total and exist for a term of years, after which the system can be repossessed or assigned to the consumer; or 2) there will be monthly payments for the life of the lease that can increase over time with an "escalator clause.")*

Yes

No

**OR**

**IS THIS A POWER PURCHASE AGREEMENT?** *(Under a power purchase agreement (PPA), the consumer enters into an agreement to purchase power at a negotiated rate for a specified term; the consumer is not purchasing the system and will not own the system affixed to your property. Under a PPA, the solar provider builds, operates, and maintains the system.)*

Yes

No

## 3. INPUTS AND ASSUMPTIONS USED TO CALCULATE SAVINGS

**Inputs and Assumptions Used in the Calculation and Presentation of Electric Utility Bill Savings to the Consumer that can be Expected by Using a Solar Energy System**

*Will be provided by CPUC Pursuant to Rulemaking 14/-7-002/Application 16-07-015*





**7. Power Purchase Agreement (or N/A)**

**Total Purchase Power Agreement (PPA) Payments are: \$**

**Initial Rate Per Kilowatt-Hour For Electricity Produced by the System: \$**

*(Monthly payments will be the amount of energy the system produces multiplied by this rate.)*

**Will this PPA Involve a Lien Against the Home?**  Yes  No *(Failure to make payments may result in a lien or other encumbrance on your property to secure payment.)*

**Will the Solar Provider or Contractor File a UCC-1 or a “Fixture Filing” to Claim Ownership of the System?**  Yes  No *(Failure to make payments may result in a lien or other encumbrance on your property to secure payment.)*

**Will the Solar Provider or Contractor file a “Notice of Independent Solar Energy Producer Contract” Against the Title of My Property?**  Yes  No *(Failure to make payments may result in a lien or other encumbrance on your property to secure payment.)*

**Information About These Issues is in My Contract Here (page number(s) and paragraph(s) in contract):**

**8. FEES AND REBATES**

**Turn on Charges: \$**

**Interconnection Fees: \$**

**Any Additional Fees that May be Charged by the Electric Company: \$**

**List any Tax Credits/Incentives or Rebates Included in or Deducted from the Purchase Price and if These Must be Claimed by the Consumer:**

**NOTE:** *Building codes set minimum standards for structures and buildings to protect public health, safety, and welfare. All solar energy system installations and any modifications must be performed according to all applicable local and state building codes. Failure to comply with applicable codes could result in system malfunction, safety issues and/or warranty problems.*

## Assembly Bill No. 1070

### CHAPTER 662

An act to add Sections 7169 and 7170 to the Business and Professions Code, and to add Section 2854.6 to the Public Utilities Code, relating to solar energy systems.

[Approved by Governor October 11, 2017. Filed with  
Secretary of State October 11, 2017.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1070, Gonzalez Fletcher. Solar energy systems: contracts: disclosures.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law, the Contractors' State License Law, provides for the licensure and regulation of contractors by the Contractors' State License Board. Existing law requires licensed contractors to be classified and authorizes them to be classified as, among other things, a solar contractor. Under existing law, a solar contractor installs, modifies, maintains, and repairs thermal and photovoltaic solar energy systems. Existing law prohibits a solar contractor from performing building or construction trades, crafts, or skills, except when required to install a thermal or photovoltaic solar energy system.

Existing law authorizes the legislative body of a public agency, as defined, to determine that it would be convenient, advantageous, and in the public interest to designate an area within which authorized public agency officials and property owners may enter into voluntary contractual assessments to finance certain improvements, and to utilize Property Assessed Clean Energy (PACE) financing for the installation of distributed generation renewable energy sources and energy or water efficiency improvements, as specified. Existing law requires a financing estimate and disclosure form to be completed and delivered to a property owner before the property owner consummates a voluntary contractual assessment pursuant to one of these programs.

This bill would require the board, in collaboration with the Public Utilities Commission, on or before July 1, 2018, to develop and make available on its Internet Web site a disclosure document that provides a consumer with accurate, clear, and concise information regarding the installation of a solar energy system, as specified. The bill would require this disclosure document to be provided by the solar energy systems company to the consumer prior to completion of a sale, financing, or lease of a solar energy system, as defined, and that it, and the contract, be written in the same language as was principally used in the sales presentation and marketing material. The bill would also require, for solar energy systems utilizing PACE financing, that

the financing estimate and disclosure form satisfy these requirements with respect to the financing contract, as specified. The bill would also require the board to post the PACE Financing Estimate and Disclosure form on its Internet Web site.

The bill would require the Contractors' State License Board to receive and review complaints and consumer questions, and complaints received from state agencies, regarding solar energy systems companies and solar contractors. The bill would, beginning on July 1, 2019, require the board annually to compile a report documenting complaints it received relating to solar contractors that it shall make available publicly on the board's and the Public Utilities Commission's Internet Web sites.

The California Constitution establishes the Public Utilities Commission and authorizes the commission to exercise ratemaking and rulemaking authority over all public utilities, as defined, subject to control by the Legislature.

This bill would require the Public Utilities Commission, on or before July 1, 2019, to develop standardized inputs and assumptions to be used in the calculation and presentation of electric utility bill savings to a consumer that can be expected by using a solar energy system by vendors, installers, or financing entities and to post them on its Internet Web site. The bill also would require electrical corporations to post the standardized inputs and assumptions.

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

SECTION 1. Section 7169 is added to the Business and Professions Code, to read:

7169. (a) The board, in collaboration with the Public Utilities Commission, shall develop and make available a "solar energy system disclosure document" or documents that provide a consumer, at a minimum, accurate, clear, and concise information regarding the installation of a solar energy system, total costs of installation, anticipated savings, the assumptions and inputs used to estimate the savings, and the implications of various financing options.

(b) On or before July 1, 2018, the board, in collaboration with the Public Utilities Commission, shall develop, and make available on its Internet Web site, the disclosure document described in subdivision (a) that a solar energy system company shall provide to a consumer prior to completion of a sale, financing, or lease of a solar energy system. The "solar energy system disclosure document" shall be printed on the front page or cover page of every solar energy contract. The "solar energy system disclosure document" shall be printed in boldface 16-point type and include the following types of primary information:

- (1) The total cost and payments for the system, including financing costs.
- (2) Information on how and to whom customers may provide complaints.

(3) The consumer's right to a cooling off period of three days pursuant to Section 7159 of the Business and Professions Code.

(c) At the board's discretion, other types of supporting information the board and the commission deem appropriate or useful in furthering the directive described in subdivision (a) may be included in the solar energy disclose document following the front page or cover page, including, but not limited to:

- (1) The amounts and sources of financing obtained.
- (2) The calculations used by the home improvement salesperson to determine how many panels the homeowner needs to install.
- (3) The calculations used by the home improvement salesperson to determine how much energy the panels will generate.
- (4) Any additional monthly fees the homeowner's electric company may bill, any turn-on charges, and any fees added for the use of an Internet monitoring system of the panels or inverters.
- (5) The terms and conditions of any guaranteed rebate.
- (6) The final contract price, without the inclusion of possible rebates.
- (7) The solar energy system company's contractor's license number.
- (8) The impacts of solar energy system installations not performed to code.
- (9) Types of solar energy system malfunctions.
- (10) Information about the difference between a solar energy system lease and a solar energy system purchase.
- (11) The impacts that the financing options, lease agreement terms, or contract terms will have on the sale of the consumer's home, including any balloon payments or solar energy system relocation that may be required if the contract is not assigned to the new owner of the home.

(12) A calculator that calculates performance of solar projects to provide solar customers the solar power system's projected output, which may include an expected performance-based buydown calculator.

(d) A contract for sale, financing, or lease of a solar energy system and the solar energy system disclosure document shall be written in the same language as was principally used in the oral sales presentation made to the consumer or the print or digital marketing material given to the consumer.

(e) For solar energy systems utilizing Property Assessed Clean Energy (PACE) financing, the Financing Estimate and Disclosure form required by subdivision (b) of Section 5898.17 of the Streets and Highways Code shall satisfy the requirements of this section with respect to the financing contract only, but not, however, with respect to the underlying contract for installation of the solar energy system.

(f) The board shall post the PACE Financing Estimate and Disclosure form required by subdivision (b) of Section 5898.17 of the Streets and Highways Code on its Internet Web site.

(g) For purposes of this section, "solar energy system" means a solar energy device to be installed on a residential building that has the primary purpose of providing for the collection and distribution of solar energy for the generation of electricity, that produces at least one kW, and not more

than five MW, alternating current rated peak electricity, and that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code.

(h) This section does not apply to a solar energy system that is installed as a standard feature on new construction.

SEC. 2. Section 7170 is added to the Business and Professions Code, to read:

7170. (a) The Contractors' State License Board shall receive and review complaints and consumer questions regarding solar energy systems companies and solar contractors. The board shall also receive complaints received from state agencies regarding solar energy systems companies and solar contractors.

(b) Beginning on July 1, 2019, the board annually shall compile a report documenting consumer complaints relating to solar contractors. The report shall be made available publicly on the board's and the Public Utilities Commission's Internet Web sites. The report shall contain all of the following:

- (1) The number and types of complaints.
- (2) The ZIP Code where the consumer complaint originated.
- (3) The disposition of all complaints received against a solar contractor.

(c) For purposes of this section, "solar energy system" means a solar energy device to be installed on a residential building that has the primary purpose of providing for the collection and distribution of solar energy for the generation of electricity, that produces at least one kW, and not more than five MW, alternating current rated peak electricity, and that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code.

SEC. 3. Section 2854.6 is added to the Public Utilities Code, to read:

2854.6. (a) On or before July 1, 2019, the commission shall develop standardized inputs and assumptions to be used in the calculation and presentation of electric utility bill savings to a consumer that can be expected by using a solar energy system by vendors, installers, or financing entities, and the commission and each electrical corporation shall post these standardized inputs and assumptions on their Internet Web sites.

(b) For purposes of this section, "solar energy system" means a solar energy device to be installed on a residential building that has the primary purpose of providing for the collection and distribution of solar energy for the generation of electricity, that produces at least one kW, and not more than five MW, alternating current rated peak electricity, and that meets or exceeds the eligibility criteria established pursuant to Section 25782 of the Public Resources Code.

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## AGENDA ITEM H-3

Update on Board Study to  
Evaluate Sufficiency of Current  
\$15,000 Contractor Bond Amount  
(Business and Professions Code  
Section 7071.6 subdivision (e))







## **CONTRACTORS STATE LICENSE BOARD**

### **UPDATE ON BOARD STUDY TO EVALUATE CONTRACTOR BOND AMOUNT**

#### **Background**

On September 27, 2019, the governor approved Senate Bill (SB) 610, which became effective January 1, 2020. The bill extended the “sunset” date of CSLB and its authority to appoint a registrar until January 1, 2024. In addition to making technical, non-substantive changes to contractors’ state license law, SB 610 requires CSLB to conduct a study of the contractor license bond.

Current law (Business and Professions Code section 7071.6) requires that an applicant, as a condition of issuance, renewal, reinstatement, reactivation, or continued maintenance of a license, is required to file or have on file with CSLB a \$15,000 contractor bond.

During CSLB’s 2016 sunset review, the amount of the contractor bond was raised from \$12,500 to \$15,000. During CSLB’s February 26, 2019 sunset review hearing, the sufficiency of the current bond amount was questioned in a letter from a constituent to the Committee on Business, Professions, and Economic Development, as well as in the oral testimony of a stakeholder at the hearing.

SB 610 requires CSLB to conduct a study to evaluate if the current \$15,000 bond amount is sufficient, or whether an increase may be necessary by January 1, 2021.

#### **Update**

Staff will provide an oral update on the progress of this study at the September 1, 2020 board meeting. No board action is required.



# AGENDA ITEM I

Adjournment

