

CONTRACTORS' STATE LICENSE BOARD

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Protection of the public shall be the highest priority for Contractors' State License Board in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

— Business and Professions Code § 7000.6

Created in 1929, the Contractors' State License Board (CSLB) licenses and regulates construction contractors, handles consumer complaints, and enforces existing laws pertaining to contractors. A consumer protection agency within the Department of Consumer Affairs (DCA), CSLB is authorized pursuant to the Contractors' State License Law (CSLL), and Business and Professions Code section 7000 *et seq.*; the Board's regulations are codified in Division 8, Title 16 of the California Code of Regulations (CCR). CSLB licenses almost 290,000 contractors in California.

CSLB licenses general engineering contractors (classified as "A"), general building contractors ("B"), and approximately 40 specialty contractor categories ("C"); in addition, the Board registers home improvement salespersons who market contractor services to consumers. The fifteen-member Board consists of one general engineering contractor, two general building contractors, two specialty contractors, one member from a labor organization representing building trades, one local building official, and eight public members (including one who represents a statewide senior citizen organization). Under Business and Professions Code section 7002(b), a representative of a labor organization is eligible to serve as a public member of CSLB. The Board

currently maintains five committees: executive, enforcement, licensing, legislation, and public affairs.

On September 27, 2019, Governor Newsom [appointed](#) Mary Teichert as a contractor member to the Board. Teichert has served as the chief operating officer at Teichert Inc. since 2013 and has held several other positions at the company since 2004.

On October 7, 2019, Governor Newsom [appointed](#) Diana Pryor Love, as a public member to the Board. Love was a children and youth group facilitator at Parents Anonymous, Inc. from 2015 to 2017. Love is also a member of the Los Angeles County Commission for Older Adults, an ambassador for the City of Palmdale, and also holds several other community-based positions.

At this writing there are three vacancies on the Board to be appointed by the Governor: One “C” contractor member, and “A” member, and a “B” member.

MAJOR PROJECTS

Board Survives Sunset Review

On September 27, 2019, Governor Newsom signed CSLB’s sunset extension bill, [SB 610 \(Glazer\) \(Chapter 378, Statutes of 2019\)](#) (see LEGISLATION). CSLB submitted its [Sunset Review Report](#) on December 1, 2018. [\[24:2 CRLR 91\]](#) Of note, as part of the Sunset Review process, the Board raised the following issues with the legislature:

◆ **Contractor’s Bond:** Prior to 2016 all contractors were required to have proof of a \$12,500 contractor bond. However, in 2016, [SB 467 \(Hill\) \(Chapter 656, Statutes of 2015\)](#) imposed two new changes: (1) contractors were no longer required to prove that they had \$2,500 in working capital, and, (2) the contractor bond increased to \$15,000. In preparation for Sunset Review, the Board recommended that staff conduct a study to assess the adequacy of the \$15,000

contractor bond. At its June 2019 [meeting](#), the Board recommended that section 7137 of the Business and Professions Code be amended so that the study is completed by 2021, rather than by 2024.

◆ ***Unsatisfied Judgments:*** The Sunset Review Report identified an inconsistency with CSLB’s authority to suspend licenses of licensees with unsatisfied judgments. CSLB only had authority to suspend a license if it learned of an unsatisfied construction-related judgment imposed on the licensee. The suspension of the license extended to any individuals or members on the license record. However, CSLB noted in its Report that it did not have authority to suspend the license of an individual who had judgment against them, if the licensed entity was not named. At the June 2019 [meeting](#), the Board supported an amendment to section 7071.17 that would authorize CSLB to automatically suspend a licensee who is subject to an unsatisfied judgment if the person is named in the action as either an individual or an entity.

◆ ***Electrician Certification:*** At its June 2019 [meeting](#), the board considered whether to require a twenty-dollar fee on C-10 electricians in order to ensure that electricians are complying with certification requirements. The requirement is a change from existing law that *allowed* CSLB to charge a \$20 fee to both C-10 and C-7 electricians. The Board voted to support an amendment to section 7137 that would require CSLB to charge a \$20 fee on the license renewals of C-10 electricians.

Board Approves Draft Language for Regulations Related to New License Classification for Tree and Palm Contractors

At its June 2019 [meeting](#), staff presented the Board with a memo containing two options for [draft regulatory language](#) to add sections 832 and 832.49, Title 16 of the CCR to implement a new C-class license classification for tree and palm contractors [Agenda item G4]. This effort is part of the Board’s greater plan to develop an arborist health and safety certification program and the specialty “C” license classification. [[24:1 CRLR 122](#)] The alternative proposals come after the Board’s licensing committee held a stakeholder meeting in January 2019 to discuss the development of a specialty license classification specifically for tree and palm contractors. The first option is the result of the legislative committee’s May 2019 meeting, in which the committee recommended the creation of a new C-49 tree and palm contractor license.

At the June meeting, Board staff and legal counsel also presented the Board with “Option 2,” which aimed to address staff’s concerns that the language in the legislative committee’s Option 1 was too broad and would exempt groups not intended to be exempted by Business and Professions Code section 7026.1. The proposed language in Option 2 clarifies that only nurserypersons and gardeners are exempt from the license requirement when pruning trees higher than 15 feet.

After discussion, the Board voted unanimously to accept staff’s recommendation, approved the draft regulatory language in Option 2, directed staff to submit the proposed language to the Department of Consumer Affairs for review, and if no adverse comments are received, then to

begin the rulemaking process. At this writing, the Board has not formally noticed the proposed regulations.

Board Adopts Complaint Prioritization Guidelines

At its June [meeting](#), the Board voted to adopt new complaint prioritization guidelines for the Enforcement Division. [Agenda item F3]. The need for new guidelines arose during the Board’s sunset review. During Sunset Review, the legislature asked CSLB the following questions: (1) how are complaint cases prioritized (2) what is the board’s complaint prioritization policy, and (3) is it different from DCA’s *Complaint Prioritization Guidelines for Health Care Agencies*.

The updated guidelines are reflected in a [new prioritization chart](#) that uses four categories and color coding in order to indicate rank and prioritization. According to the staff [memo](#) this is important because the new guidelines would better reflect current Board priorities, remove the complaint source, include almost twice as many complaint categories, and be more user-friendly. The new chart will include the Board’s updated priorities and show that worker’s compensation insurance violations are now an enforcement priority and show that “misuse of a license” is now considered a high-priority violation.

Board Discusses Potential Fee Increase

At its June 2019 [meeting](#), the Board considered whether to propose emergency regulations to seek a statutory fee increase that would amend section 811, Title 16 of the CCR [Agenda item D(2)(C)]. [Staff reported](#) that CSLB is undergoing a structural budget imbalance because of both revenue loss and increased costs. Therefore, CSLB’s reserve is depleting faster than anticipated.

Staff reported that CSLB will have insufficient funds by the beginning of the 2021 if CSLB does not implement cutbacks or a fee increase.

As a result, staff recommended that the Board adopt emergency regulations in order to increase fees on license renewals as a way to increase revenue. The fee increase options were as follows: 14% increase, the statutory maximum, that would be achieved through regulation, 20% fee increase which would require legislation, or a 20–25% increase also achieved through legislation that if implemented in January 2021 would allow CSLB to have a stable reserve for upcoming years. The Board voted to direct staff to: (1) develop a legislative proposal for the 20–25% fee increase and seek an author that would carry the proposal and (2) develop a regulatory proposal for the 14% increase to present to the Board.

At its September 2019 [meeting](#), the Board considered a new staff recommendation for how the fee increase should be carried out. The new recommendation suggests following a 3-step process: (1) pursue emergency regulations to increase renewal fees to the statutory maximum, (2) conduct a fee study to determine the costs of processing applications for licenses, and (3) after the fee study potentially pursue legislation to increase application fees. The Board voted to approve this new course of action. At this writing the Board has not formally noticed any emergency regulations.

Energy Solar Systems

At its August 6, 2019 [meeting](#), the legislative committee directed staff to prepare regulatory language to permit the C-46 Solar Contractor classification to install battery energy storage systems (BESS) [Agenda item G1]. Currently, four licensed contractor classifications are authorized to install BESS under certain conditions. However, the Board has been considering

limiting the class of contractors permitted to install BESS in order to ensure safe installations.

[\[24:2 CRLR 93\]](#)

At the legislative committee meeting, Chair Beltran presented four options related to C-46 contractors and their authorization to install BESS and recommended that staff make a motion on one of the options. The options were as follows: (1) direct staff to prepare regulatory language to preclude the C-46 Solar classification from installing battery energy storage systems; (2) direct staff to prepare regulatory language to permit the C-46 Solar classification from installing battery energy storage systems; (3) direct staff to prepare regulatory language to permit the C-46 Solar classification from installing battery energy storage systems on residential units with restrictions; and (4) make no change to the existing C-46 Solar classification. After listening to public comment by primarily C-10 and C-46 contractors, the committee voted to recommend Option 3, directing staff to prepare regulatory language to permit the C-46 Solar classification from installing battery energy storage systems on residential units with restrictions, with further recommendation that staff study ESS size, complexity, voltage, and risk, and report those findings back to the committee.

At this writing, the full Board has not yet considered these proposed changes.

Joint Agency Solar Consumer Protection Task Force

The Task Force held its third [meeting](#) on August 19, 2019, at CSLB headquarters. [\[24:2 CRLR 100\]](#) At this meeting, the three groups presented updates on their activities. Their updates are below:

◆ ***Preventative Outreach and Education:*** This group has met five times and completed the “Thinking about Going Solar” bulletin. The bulletin will be distributed by PG&E throughout Fresno County.

◆ ***Coordinated Enforcement Opportunities:*** This group has met three times and has focused on data gathering and developing a strategy to combat misleading sales practices employed by lead generators. Additionally, this group has communicated with California Alternative Energy and Advanced Transportation Financing Authority in order to attempt developing a restitution fund for victims of predatory sales practices related to PACE funding.

◆ ***Complaint Tracking and Reporting:*** Members of this group have met five times and developed the following goals:

- Improve the collaboration among agencies with jurisdiction over various part of the solar industry
- Develop comprehensive tracking of solar related complaints in California and a streamlined process referral process
- Identify major trends and problems in California’s solar industry
- Track the outcomes of cases in the central valley

The Task Force plans to meet quarterly.

LEGISLATION

[SB 610 \(Glazer\)](#), as amended on June 25, 2019, is CSLB’s sunset legislation and amends various provisions of the Contractors’ State License Law. In addition to amending section 7000.5 of the Business and Professions Code to extend the Board’s sunset date, and its authority to appoint a Registrar, until January 1, 2024, the bill makes the following reforms:

◆ ***Contractor Bond Study:*** the bill amends section 7071.6 to require CSLB to undergo a study that evaluates whether the current \$15,000 contractor bond is sufficient and report its findings to the corresponding policy committees of the legislature by January 1, 2021.

◆ ***Unsatisfied Judgments:*** the bill amends section 7071.17 to preclude license applicants, if they were subject to an unsatisfied final judgment, from becoming licensed until that

judgment is satisfied. Additionally, the amendments to this section preclude an individual named in an unsatisfied judgment from appearing on an active license until the judgment is satisfied.

◆ ***Electrician Certification***: the bill amends section 7137 to require (not just authorize) CSLB to charge a \$20 fee for electrician certification in order to increase enforcement efforts of the electrician certification and ensure compliance with its obligations under the Labor Code.

Governor Newsom signed SB 610 on September 27, 2019 (Chapter 378, Statutes of 2019).

[SB 601 \(Morrell\)](#), as amended on June 27, 2019, adds Section 11009.5 to the Government Code to authorize any state agency to reduce or waive certain fees for licensees that have been displaced or are suffering economic hardship because of an emergency. This section requires that any agency that chooses to establish the fee waiver or reduction process specify the following: (1) methodology used by the agency for determining whether a person has been displaced or is experiencing economic hardship, (2) the procedure for a reduction or fee waiver, and (3) that the application be made within one year of the date on which the emergency was declared.

Governor Newsom signed SB 601 on October 12, 2019 (Chapter 854, Statutes of 2019).

[SB 255 \(Bradford\)](#), as amended on September 3, 2019, amends sections 366.2 and 8283 of the Public Utilities Code, relating to energy. Amended section 366.2 adds that the Public Utilities Commission will require every community choice aggregator with gross annual income exceeding 15 million dollars and their commission regulated subsidiaries to annually submit a detailed and viable plan for increasing procurement from small, local, and diverse businesses. It also requires community aggregators to present a report to the commission regarding its

procurement from women, minorities, disabled, veterans, and LBGTQ businesses related to renewable energy, energy storage systems, and smart grid projects.

Amended section 8283 requires that electric corporations, water corporations, gas corporations, wireless telecommunications providers, electric service providers, and telephone corporations with gross annual income between 15 and 25 million annually submit reports to the commission about its procurement from women, minorities, disabled, veterans, and LBGTQ businesses in renewable energy, energy storage systems, broadband, smart grid projects, vegetation management, and rail projects.

Section 8283 (g) (1) of the bill would impact CSLB by requiring the Board to assist PUC in identifying businesses licensed to install energy resource systems.

Governor Newsom signed SB 255 on October 2, 2019 (Chapter 407, Statutes of 2019).

Legislative Bills That Died

The following bills covered in the previous issue either died or are still pending in the committee: [AB 544 \(Brough\)](#), regarding reduced fees for inactive licensees; [SB 144 \(Mitchell\)](#), regarding various fees associated with the administration of criminal justice.

RECENT MEETINGS

At its June [meeting](#), the Board unanimously elected Johnny Simpson as Board Chair, David De La Torre as Board Vice Chair, and Susan Granzella as Secretary. CSLB also voted to seek a statutory change that would allow CSLB to expend all but \$50,000 of the board's Construction Management Education Account (CMEA). This change is in response to a time period when the Board could not disperse funds because of the CMEA's low balance. The CMEA account allows

the Board to issue grants to post-secondary institutions that offer construction management education programs.

At its September [meeting](#), CSLB listened to a Disaster Response presentation by Keith Woods, CEO of North Coast Builder's Exchange. Mr. Woods spoke about the impact of the fires in the Northern California in 2018 and how the slow recovery in that area has been exacerbated by a labor shortage. As a result, Mr. Woods started a program for high school seniors called the North Bay Construction Corp to attract labor. CSLB also discussed the development of a possible remodeling and home improvement license classification that would help them target the underground economy. CSLB believes that consumers would benefit from having the option to hire a contractor licensed in home improvement. The Licensing Committee recommended that Board approve the proposal for the new license classification.