

# 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

**C**reated 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 15 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. At this writing, there is currently one public member vacancy on the board to be appointed by the Governor.

## **HIGHLIGHTS**

### **New Law Allows Expedited Review of Contractor License Applications for Refugees and Asylum Seekers**

On January 1, 2021, [AB 2113 \(Low\) \(Chapter 186, Statutes of 2020\)](#) took effect. The bill adds section 135.4 to the Business and Professions Code to require any board within the DCA, including CSLB, to expedite the licensure process for any applicant who is a refugee, has been granted asylum, or who has certain types of special immigration visas. Prior to the effective date of this bill, the Business and Professions Code simply prohibited denial of licensure based on immigration or citizenship status.

According to the author, this law is vitally important because California is a state that frequently provides safe haven for immigrants and refugees, but that these families often struggle to rebuild their lives once in the state, and that the challenges they face have only been worsened by the global pandemic. In response to this issue, this new law allows refugees, asylees, and special immigrant visa holders to apply for expedited professional licensure. In this way, these groups of people can more easily pursue sustainable careers as they rebuild here in California.

On January 11, 2021, CSLB issued [Industry Bulletin #21-01](#), informing license applicants of the new change. The Bulletin clarifies that under the new law only *sole owner entity applicants* are eligible for this benefit if they meet the criteria outlined by the law and included in the bulletin. In order to meet the criteria required, an applicant must fall into one of three categories: 1) the applicant has a special immigration visa and was granted status pursuant to the specific sections

outlined in the bulletin, 2) the applicant was granted asylum by the Secretary of Homeland Security or the Attorney General, or 3) the applicant was admitted to the United States as a refugee.

Additionally, the bulletin explains that even if an applicant qualifies under the new law, in order to receive the benefits therein, they must attach evidence of their status as a member of one of the above-mentioned groups. Acceptable Evidence includes: Form I-94; a special immigrant visa that includes “SI” or “SQ”; Permanent Resident Card (Form I-551) with a category designation indicating that the person was admitted as a refugee or asylee; or an order from a court or other documentary evidence that provides reasonable assurance that the applicant qualifies for expedited licensure.

The Board also noted that the new law does not guarantee licensure, but only grants an expedited review process, and that if applicants have any questions, they should contact the Board at [licensing@cslb.ca.gov](mailto:licensing@cslb.ca.gov).

## **Board Enforcement Committee Moves Forward With Consumer Protection Strategies for Solar Consumers at the Recommendation of the California Public Utilities Commission**

At its February 4, 2021 [meeting](#), CSLB’s Enforcement Committee heard a presentation from the California Public Utilities Commission (CPUC) seeking CSLB’s comments on two proposals for enhancing protections for solar consumers (Agenda item C). The proposals arise from the CPUC’s ongoing rulemaking proceeding, [R.14-07-002](#), in which the Commission is implementing a process, known as “net energy metering” (NEM), that allows solar customers to earn utility bill credit for the unused electricity generated by their systems and returned to the grid. The proposals are designed to protect solar consumers who are participants in the NEM

program from solar providers and their agents who use unscrupulous tactics to evade detection and enforcement action by various regulatory agencies.

These proposals are the latest products of the longstanding partnership between CSLB and the CPUC following the passage of [AB 1070 \(Gonzalez Fletcher\) \(Chapter 662, Statutes of 2017\)](#), which required the two agencies to collaborate on the development of materials to provide consumers with clear and concise information about the installation of solar energy systems in their homes. [[23:1 CRLR 107–109; 118–120](#)] Since then, CSLB and the CPUC have partnered on various issues regarding private solar installation and interconnectivity to the grid. A major product of this partnership has been the combined CSLB and CPUC Interagency Solar Taskforce. Since its establishment, the task force has been analyzing contracts known as “interconnection packets” that have been submitted to the utilities for connecting to the electrical grid. [[see 23:2 CRLR 123–125; 24:1 CRLR 124–125; 24:2 CRLR 100](#)]

The first proposal for discussion responds to CPUC Commissioner Martha Aceves’ January 5, 2021 [ruling](#) seeking comments on a proposal by the California Solar & Storage Association for enhanced audits by the electric investor-owned utilities (IOU) and for development by the electric IOUs of solar transaction record databases as a component of an enhanced audits program. Specifically, it would require IOUs to provide CSLB with contract information for consumers participating in NEM, including a record of every interconnection application to connect to the grid. This proposal would expand and formalize a process that CSLB and the CPUC have already been engaging in by requiring IOUs to create databases for the agencies to better access this information. The proposal would also allow for the creation

of a contractor “watch list” to keep track of contractors who violate solar installation and interconnectivity requirements or for whom the agencies have received consumer complaints.

The second proposal responds to Commissioner Aceves’ September 3, 2020 [ruling](#) soliciting comments on a proposed recovery fund for NEM solar customers. This proposal would provide an avenue for solar consumers who have been harmed to recover their losses when other remedies have failed to provide restitution. According to the Interagency Solar Task Force’s September 2020 Update at CSLB’s September 9, 2020 meeting ([Agenda item E-2](#)), this happens when a contractor is subject to license revocation, files for bankruptcy, or is unlicensed, leaving homeowners with no financial redress.

The CPUC’s proposal is largely based on data CSLB shared at the Interagency Solar Taskforce meeting in August 2020, including its report that it received an average of 90 new solar-related complaints per month in Fiscal Year 2019–20. This monthly average complaint count is the highest CSLB has experienced since 2015. Out of 251 solar-related complaints that CSLB investigated and referred to legal action, 141 were closed without redress because a contractor’s license had been or was imminently going to be revoked, and 17 more cases involved unlicensed contractors.

In its order proposing the recovery fund, the CPUC also cited the results of CSLB’s audit of solar contracts collected by IOUs. CSLB’s initial review of these contracts revealed that over 90 percent of the 153 contracts it reviewed demonstrated a clear violation of the Contractors State License Law, particularly Article 10, the Home Improvement Business (sections 7150–7170 of the Business and Professions Code). The most concerning trends included: 1) the Home Improvement Salesperson (HIS) listed on the contract was not

registered or the HIS was registered but not to the prime contractor, both of which are violations of the law; 2) the commencement and completion dates did not comply with section 7159 of the Business and Professions Code; and 3) the payment schedules stated in the contract requested payments in advance of work performed, also in violation of section 7159. While the CPUC recognized that the sample size of the contracts audited was not representative, it found that the percentage of contracts showing violations of laws regarding basic practices and data from recent CSLB complaints provides additional context about the scope of the challenge that its proposal seeks to address. According to the CPUC, solar fraud has particularly harmed low-income, elderly, and non-English speaking consumers and communities.

Based on this data, the CPUC estimated the recovery fund to require \$1,631,763 annually and proposed that the recovery fund be funded by an additional fee of between \$10 and \$20 per connection to the grid. Commissioner Aceves' September 3 order also sets out specific parameters and details with respect to the guiding principles and operations of the fund.

After the CPUC's presentation of both proposals to CSLB's Enforcement Committee, despite some committee member concern about potential contractor backlash towards the additional fees to support the \$1,631,763 fund, the committee voted unanimously to recommend that the full board support both proposals as modified by CSLB staff to reduce the number of contracts CSLB would be required to audit on an annual basis.

At its March 25, 2021 [meeting](#), Enforcement Committee chair Kevin Albanese presented both options to the full Board for approval as set forth in the staff memo [[Agenda item E-3](#)]. The Board unanimously voted to adopt both recommendations.

## **Increases to Civil Penalty Amounts Against Contractors on the Horizon as AB 569 Moves Through the Legislature.**

[AB 569 \(Grayson\)](#), as introduced on February 11, 2021, is a CSLB-sponsored bill that would amend sections 7099.2 and 7099.9 of the Business and Professions Code relating to the Board's ability to assess civil penalties on its licensees.

The proposed amendment to section 7099.2 would increase the maximum civil penalty amounts against contractors for the majority of violations of CSLL from \$5,000 to \$8,000, and for the most severe violations (such as aiding, abetting, or conspiring with an unlicensed person to evade the law) from \$15,000 to \$30,000. According to the author, the increased maximum penalty amounts will better reflect current economic conditions. The \$5,000 maximum civil penalty amount was last increased in 2003, for what was only the second time in the history of CSLB. The \$15,000 violation-specific cap has not been increased since its institution in 1992. The proposed increases to \$8,000 and \$30,000 would reflect the change in the Consumer Price Index (CPI) since the amounts were last set. The CPI has increased 51% since 2003 and 94% since 1992.

In addition, the bill would amend section 7099.9 to allow CSLB to issue single Letters of Admonishment (LOAs) for multiple violations. Existing law requires that CSLB issue one LOA per violation. LOAs are an intermediate level of corrective action and are not considered discipline but exist to enhance public protection by requiring corrective action by the licensee and disclosing the violation to the public. According to the committee analysis, because LOAs can only be used against a single action, field investigators who may establish multiple minor violations during an investigation will select only one of those violations to admonish while any others go disregarded. This is an unintended consequence of the establishment of LOAs that came with the passage of

[SB 486 \(Monning\) \(Chapter 308, Statutes of 2017\)](#). Amending section 7099.9 of the Business and Professions Code would correct this oversight and allow the issuance of individual LOAs for multiple minor violations.

On March 23, 2021, the Assembly Business and Professions Committee passed the bill, and on April 14, 2021, the Appropriations Committee passed it. At this writing, it is pending on the Assembly floor.

## MAJOR PUBLICATIONS

The following studies have been conducted by or about CSLB during this reporting period:

- [License Bond Study](#), Contractors State License Board, January 1, 2021 (Pursuant to the Board's 2019 sunset legislation, [SB 610 \(Glazer\) \(Chapter 378, Statutes of 2019\)](#), evaluates sufficiency of the \$15,000 contractor bond, including the impact of any increase on barriers to licensure, underwriting, and the cost of projects in a typical home. Also studies CSLB's Qualifying Individual's Bond, license bonds in other states; and the results of a survey of Licensed Contractors. Finds that the number of residential complaints reflecting contract values between \$15,000 and \$25,000 as well as between \$25,000 and \$50,000 have steadily increased each year for the last six years, with a corresponding decline in the number of complaints valued at less than \$5,000; the average home remodel project is just over \$60,000; the \$15,000 bond covers slightly over half of the residential construction contracts subject to CSLB complaints; ultimately concludes that an increase is necessary to ensure public protection.)

## RULEMAKING

The following is a status update on recent rulemaking proceedings that CSLB has initiated:



- **New Contractor Classification C-49- Tree and Palm Contractor:** On April 12, 2021, CSLB published [notice](#) of its intent to [amend](#) section 832 and adopt section 832.49, Title 16 of the CCR to add a new contractor classification, C-49, for contractors authorized to perform arboreal work. According to the [Initial Statement of Reasons](#), the Board has been considering establishing a new contractor classification since 2017, after reports of a substantial increase in tree maintenance related accidents, and the proposed regulations seek to address the health and safety issues relating to existing licensure for tree care work. [*See also* [23:2 CRLR 126–128](#); [24:1 CRLR 122–123](#); [24:2 CRLR 93](#); [25:1 CRLR 103–104](#)] The 45 day public comment expires on June 8, 2021.

- **Licensing Renewal Procedures:** On February 8, 2021, the Office of Administrative Law [approved](#) CSLB’s proposed amendments to section 853, Title 16 of the CCR to clarify provisions regarding timely and delinquent license renewals and their related submission deadlines consistent with Business and Professions Code sections 7137, 7140, and 7141. The Board originally published notice of its intent to amend section 853 on March 2, 2020. [[25:2 CRLR 73](#); [26:1 CRLR 88](#)] The amended regulation became effective April 1, 2021.

## LEGISLATION

- [AB 569 \(Grayson\)](#), as introduced on February 11, 2021, would amend sections 7099.2 and 7099.9 of the Business and Professions Code to increase the maximum civil penalty amounts that CSLB may assess against contractors who have violated the CSLL (*see HIGHLIGHTS*). [*A. Floor*]

- [AB 646 \(Low\)](#), as amended on April 14, 2021, would add section 493.5 of the Business and Professions Code to require DCA boards and bureaus, including CSLB, that post

information on their website about a revoked license due to a criminal conviction, to update or remove information about the revoked license within 90 days should the Board receive an expungement order related to the conviction. According to the author, this bill intends to reduce employment barriers for people with criminal records who have been successfully rehabilitated, and whose conviction has been dismissed or expunged through the judicial process. *[A. Appr]*

- [AB 899 \(Cunningham\)](#), as introduced on February 17, 2021, would amend section 7027.2 of the Business and Professions Code to increase the minor and inconsequential work exemption to the CSLL from its existing threshold of \$500. This bill would require CSLB to annually adjust by regulation the \$500 threshold under which an unlicensed contractor may perform work to reflect the rate of inflation. According to the author, who is also the sponsor of the bill, this threshold has not been changed in 25 years, and given the rising cost of materials, this is making it more difficult for individuals to perform minor repairs and handy work. At its March 25, 2021 [meeting](#), CSLB held a lengthy discussion about this bill, and a similar bill in the Senate, SB 304 (Archuleta) (see below). Ultimately the Board voted 8 to 5 to oppose the bill, citing concerns about the risk to consumers posed by expanding the ability of unlicensed contractors to perform work. *[A. B&P]*

- [AB 1026 \(Smith\)](#), as introduced on February 18, 2021, would amend section 115.4 of the Business and Professions Code to require all DCA Boards and bureaus, including CSLB, to grant a 50% fee reduction for an initial license to an applicant who has served as an active-duty member of the United States Armed Forces. According to the author, this bill is designed to reduce the financial barriers for veterans looking to enter licensed professions, bring skilled labor into California, and help reduce the growing issue of veteran homelessness. *[A. B&P]*

- [AB 1386 \(Cunningham\)](#), as introduced February 19, 2021, would amend section 115.5 of the Business and Professions Code to prohibit DCA licensing boards, including CSLB, from charging an initial licensing fee to an applicant who is an active-duty member of the United States Armed Forces who is assigned to a duty station in this state and who holds a current license in another state or territory in the vocation or profession for which the applicant is seeking a license. According to the author, who is also the sponsor of the bill, this bill is intended to relieve the burden on military families from having to pay a new licensing fee each time they relocate to a different state. *[A. B&P]*

- [SB 216 \(Dodd\)](#), as amended March 15, 2021, is a Board-sponsored bill that would amend, repeal, and add sections 7125 and 7125.4 of the Business and Professions Code to require specified contractor license classifications to have valid workers' compensation insurance. Additionally, it would eliminate all workers compensation insurance exemptions for CSLB licensees by 2025. The Board voted to pursue this legislative proposal at its September 2020 meeting after a recommendation by the Board's Workers' Compensation Advisory Committee. *[See [26:1 CRLR 84–85](#)] [S. Appr]*

- [SB 304 \(Archuleta\)](#), as amended April 5, 2021, would amend sections 7027.2, 7048, 7090, 7151.2, 7159, 7159.10, and 7159.14 of the Business and Professions Code, and amend section 19825 of the Health and Safety Code to increase the value of a construction contract that is not subject to regulation under the CSLL from \$500 to \$1,000, so long as the nature of the work performed is considered casual, minor, or inconsequential. At its March 25, 2021 [meeting](#), CSLB held a lengthy discussion about this bill, and ultimately voted 8 to 5 to oppose the bill, citing concerns about the risk to consumers posed by expanding the ability of unlicensed contractors to perform work. *[S. Appr]*

- [SB 757 \(Limón\)](#), as amended April 12, 2021, would amend sections 7151, 7152, 7156, 7159.5, and 7170 of the Business and Professions Code to add the installation of solar energy systems to the definition of “home improvement” in the code, and impose additional oversight over home improvement sales persons related to solar energy systems. Specifically, this bill would permit a home improvement salesperson to be employed by one or more than one home improvement contractor provided that the salesperson identifies to the owner or tenant, specified information about the contractor. According to the author, the purpose of this bill is to protect consumers as the number of people installing solar systems into their homes and businesses rises.

*[S. Appr]*

- [SB 826 \(Committee on Business, Professions and Economic Development\)](#), as amended April 13, 2021, and as it applies to CSLB, would amend sections 7011.4, 7017.3, 7058.5, 7058.6, 7124.6, and 7169 of the Business and Professions Code to makes technical and clarifying changes related to the CSLLf. Specifically, the bill would replace the reference “enforcement representative” with “investigator” for purposes of CSLB’s enforcement division personnel, clarify that a contractor may not engage in asbestos related work without holding the appropriate C-22 Asbestos Abatement classification, and update the information required in the solar energy disclosure document to specify the applicable cancellation period instead of the three-day cooling off period. *[S. BP&ED]*