

# CONTRACTORS STATE LICENSE BOARD

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*Protection of the public shall be the highest priority for the 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 300,000 contractors in California.

CSLB licenses and regulates contractors in 44 classifications that make up the construction industry. 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 labor organization representative is eligible to serve as a public member of CSLB. The Board currently maintains five committees: executive, enforcement, licensing, legislation, and public affairs.

On February 29, 2024, Governor Newsom [appointed](#) Henry Nutt III. Mr. Nutt has been a Preconstruction Executive for Southland Industries since 2019 and a Sheet Metal General Superintendent for Southland Industries since 2007. Mr. Nutt will serve as the "C" Specialty Contractor Member. Mr. Nutt's term continues through June 1, 2028.

At this writing, there is currently one public member vacancy.

## HIGHLIGHTS

### **Contractors State License Board Sunset Review Oversight Hearing**

On December 21, 2023, CSLB published its [Sunset Review Report](#) in preparation for its Sunset Review Oversight hearing before the Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committee. The Board's enabling act, section 7000, et seq. of the Business and Profession Code, is scheduled to "sunset" or be repealed on January 1, 2025, if it is not extended during sunset review.

CSLB's report includes a summary of the Board's activities over the past four years, updates the legislature regarding issues raised during its previous sunset review, and identifies six new issues the Board would like the legislature to consider during this sunset review period. Of note, the Board seeks to adopt enforcement of fine minimums in statute. CSLB states the "maximum" amounts by statute allows greater administrative law judge (ALJ) fine reductions during citation appeals. The report further states the minimum fine of \$100 has not increased in fifteen years. Out of 5,597 citations issued between 2019 and 2023 (totaling \$18,091,356 in fines), ALJs reduced 2,014 fines on appeal to an average of \$1,840 compared to the pre-appeal average

fine of \$3,232 (a difference of \$3,706,540 total). CSLB suggests an increase to the statutory minimum fine based on the violation's egregiousness and adjusted every five years.

In preparation for CSLB's Joint Sunset Review Oversight hearing, committee staff issued a [background paper](#) for members of the respective Business and Professions committees, which provides background about the Board, updates the committees on the changes and improvements CSLB made regarding the 17 issues from the previous sunset review, and identifies 18 new issues to raise with the Board during the sunset review process.

On Monday, March 11, 2024, pursuant to Government Code Title 2, Division 2, Part 1, Chapter 1.5, Article 7.5, the Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committee held a [joint oversight hearing](#) regarding CSLB's Sunset Review. The Board's Registrar of Contractors, David R. Fogt, the Board's Secretary, Miguel Galarza, and a public member, Board Chair Diana Love, appeared on behalf of the Board.

Mr. Galarza commented on CSLB enforcement, specifically CSLB's active and aggressive investigation of unlicensed contractor practices in the state, with help from other relevant state agencies. The result has been the successful recovery of over \$29.4 million for the public, which represented a 6% increase over the prior year. Mr. Galarza further stated that CSLB prioritizes emergency response in areas affected by disasters to assist the most vulnerable consumers.

Senator Roth opened questions regarding SB 216, which required contractors to carry worker's compensation insurance regardless of whether the contractors had employees. Specifically, Senator Roth asked whether CSLB had observed a decrease in the number of licensed contractors in the state as a result of SB 216 requirements, and whether CSLB observed an increase

in compliance regarding unlicensed contractors. Previous reports showed fewer contractor license renewals and some of those contractors chose to practice unlicensed instead of complying with the worker's compensation mandate. Mr. Galarza stated CSLB noticed SB 216 resulted in a large increase in necessary paperwork and that, as a result, CSLB increased outreach efforts to contractors to ensure they are aware of the relevant requirements. Mr. Galarza continued to state that CSLB is aware of concerns that contractors without employees will be paying for workers' compensation policies that would not benefit these contractors directly. Nonetheless, CSLB has continued to enforce these requirements to protect consumers across the state.

Senator Roth further inquired on the decrease in licensing renewals, potentially as a response to SB 216 requirements. Mr. Fogt stated CSLB did have a roughly 8–10% decrease in such renewals. Senator Roth asked whether CSLB was aware of a subsequent increase in unlicensed contractors practicing in the state. Mr. Fogt responded that CSLB has not performed a study on the increase in unlicensed practices, but overall unlicensed practices remain steady.

Senator Archuleta then asked what steps CSLB has taken or considered to protect consumers from contractors that start new projects without completing previous projects which cause undue delays, as well as relief available to those consumers. Mr. Galarza responded that CSLB spends about \$42 million in enforcement to ensure that contractors are performing adequate work for consumers. However, Mr. Galarza also noted that enforcement fines often result in appeals that cost the CSLB roughly \$9,000 for each appeal. Further, Mr. Galarza stated that the fines are often reduced to the minimum level, which results in a net loss for CSLB and the consumers the Board protects. These fine limits have not been adjusted since 2007 and CSLB's

solution would be to adjust these fines in tandem with the cost-of-living increase to ensure the fines are effective and compensatory to the damage incurred by the consumer.

[SB 1455 \(Ashby\)](#), as introduced February 16, 2024, would amend section 7068.1 of the Business and Professions Code to continue the existence of CSLB. At this writing, the bill has not been updated to include the new sunset date or any additional amendments. The bill is set for hearing on April 22, 2024, in the Senate Business, Professions and Economic Development Committee.

## MAJOR PUBLICATIONS

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

- [\*Sunset Review Report\*](#), CSLB, December 21, 2023 (summary of the Board's activities over the past four years, updates the legislature regarding issues raised during its previous sunset review, and identifies six new issues the Board would like the legislature to consider during this sunset review period).
- [\*2023 Leadership Accountability Act Report\*](#), CSLB, December 29, 2023 (In accordance with the State Leadership Accountability Act, CSLB submits this report on the review of its internal control and monitoring systems for the biennial period ending December 31, 2023.).
- [\*FY 2022–2023 Enforcement Report\*](#), CSLB, Sept 2023 (CSLB annual statistical report on complaints and other licensee issues).
- [\*Industry Bulletin #23-08\*](#), CSLB, December 28, 2023 (CSLB reminds licensees of new laws beginning January 1, 2024).

# LEGISLATION

- [AB 2622 \(Juan Carrillo\)](#), as introduced on February 14, 2024, would amend sections 7027.2 and 7048 of the Business and Professions Code to expand the licensing exemption and the advertisement authorization for unlicensed contractors by increasing the maximum aggregate contract price to \$5,000. The original limit was \$500, except as specified. [*A. B&P*]
- [AB 2993 \(Grayson\)](#), as amended on April 17, 2024, and as it applies to CSLB, would amend sections 7159 and 7159.5 of the Business and Professions Code to prohibit contractors from requesting or accepting full payment from a finance lender until the contractor has received written confirmation from the owner that acknowledges that a home improvement project has been completed in accordance with the contract, and other specified requirements. [*A. Jud*]
- [SB 1071 \(Dodd\)](#), as introduced on February 12, 2024, would amend section 7125 of the Business and Professions Code to add an additional exception to the requirement for a valid Certificate of Worker's Compensation Insurance or Certification of Self-Insurance, if the applicant or licensee provides both and affidavit to the Board affirming the applicant or licensee has no employees, and adequate proof demonstrating they are operating without employees. [*S. B&P*]
- [SB 1455 \(Ashby\)](#), as amended April 18, 2024, would amend several sections of the Business and Professions Code to continue the existence of CSLB and their relevant duties and requirements until January 1, 2029, and would remove specified fees for scheduling examinations and instead require that such examination fees be no greater than the actual cost of administration of the examination, and be paid directly to the organization providing the examination. [*S. Appr*]