
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

SB 216 (Dodd) - Contractors: workers' compensation insurance: mandatory coverage

Version: March 15, 2021
Urgency: No
Hearing Date: March 22, 2021

Policy Vote: B., P. & E.D. 14 - 0
Mandate: Yes
Consultant: Janelle Miyashiro

Bill Summary: SB 216 requires specified contractor license classifications to have valid workers' compensation insurance and, beginning January 1, 2025, eliminates all workers' compensation insurance exemptions for Contractors State License Board licensees.

Fiscal Impact: The Contractors State License Board (CSLB) anticipates minor and absorbable administrative fiscal impacts. The mechanism for contractors and insurance companies to electronically submit a workers' compensation insurance certificate is available on the Board's internet website. The CSLB does not anticipate additional staff resources needed to process the additional certificates for licensees who are currently exempt.

The CSLB notes that there may be potential decreased revenue as a result of contractors who choose to not renew their license rather than obtain workers' compensation insurance as required by this bill. While the total potential decrease in revenue is unknown, it may be significant, ranging from the hundreds of thousands to millions of dollars annually.

Background: The CSLB is responsible for overseeing and enforcing the licensure, practice and discipline of the construction industry in California. All businesses and individuals who construct or alter any building, highway, road, parking facility, railroad, excavation, or other structure in California must be licensed by the CSLB if the total cost, including both labor and materials, of one or more contracts on the project is \$500 or more.

The CSLB licenses and regulates approximately 285,000 licensees in 44 licensing classifications and 2 certifications, and registers approximately 19,000 Home Improvement Salespersons. Each licensing classification specifies the type of contracting work permitted in that classification. Licensees may not perform work outside of a classification without having the appropriate license to do so, with specified exemptions.

The CSLB currently recognizes three contracting business classifications, A-General Engineering, B-General, and C-Specialty Contractor. As a condition of initial licensure and to maintain an active license, all license classifications are required to have on file with the CSLB, a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, as specified, in the applicant's or licensee's business name. The CSLB exempts licensees from these workers' compensation requirements if the licensee certifies that they do not have any employees (BPC § 7125(b)), and if they

do not hold a C-39 roofing license. Under current law (BPC § 7125) all C-39 roofing contractors (whether or not they have employees) must carry workers' compensation insurance or have a valid Certification of Self-Insurance on file with the CSLB.

Proposed Law:

This bill:

- Additionally requires specified concrete, warm-air heating, ventilating, and air-conditioning (HVAC), and tree servicer licensees, regardless if the licensee has employees, to have a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance.
- Authorizes the CSLB registrar to remove a concrete, HVAC, or tree servicer classification from an active license until receipt of a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance.
- Authorizes the CSLB registrar to automatically suspend active licenses with a concrete, HVAC, or tree servicer classification if that licensee is found to have employees and is lacking a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance.
- Beginning January 1, 2025, requires all licensees to have a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, as specified.
- Beginning January 1, 2025, prohibits the registrar from accepting certificates of exemption from workers' compensation.

Related Legislation: AB 2705 (Holden, Chapter 323, Statutes of 2018) subjects an unlicensed person acting as a contractor to the existing criminal penalties that apply to licensed contractors for not securing the required workers' compensation, and makes this crime subject to the same two-year statute of limitations as for licensees.

AB 2219 (Knight, Chapter 389, Statutes of 2012) deleted the sunset date, thereby extending indefinitely the law requiring roofing contractors who hold a C-39 classification to maintain workers' compensation insurance, whether or not they have employees, and makes additional changes to law regarding C-39 contractors.

AB 397 (Monning, Chapter 546, Statutes of 2011) requires a licensed contractor with an exemption for workers' compensation insurance to recertify the exemption upon license renewal or provide proof of workers' compensation insurance coverage.

AB 2305 (Knight, Chapter 423, Statutes of 2010) extended the sunset date, from January 1, 2011 to January 1, 2014, on the law requiring a roofing contractor to obtain and maintain workers' compensation insurance, even if he or she has no employees, and extended the parallel sunset date requiring the Department of Insurance to report on this effect.

AB 881 (Emmerson, Chapter 38, Statutes of 2006) required all licensed roofers to have workers' compensation insurance, authorizes the Registrar to remove the roofing

classification from a contractor license for failure to maintain workers' compensation insurance, and required insurers who issue workers compensation policies to roofing contractors to perform annual audits of these policyholders.

Staff Comments: The CSLB has stated that when a similar workers' compensation requirement was imposed on C-39 roofing licensees with the passage of AB 881 (Emmerson, Chapter 38, Statutes of 2006), they identified a decline in the C-39 license population. To the extent that there is a similar decline associated with this bill, there may be unknown but potentially significant revenue losses to the CSLB. However, the CSLB notes that it is difficult to predict whether or to what extent there may be a decline.

The CSLB projects that if there was a five percent decline in their licensee population, decreased revenue is estimated to be \$115,000 annually for the first three years and approximately \$1.4 million annually thereafter. The CSLB provided the table below on their potential revenue losses.

Fiscal Year	Classifications	Potential Loss in Annual Revenue
2021-22	C-8, C-20, and D-49	\$58,000
2022-23		\$115,000
2023-24		\$115,000
2024-25	Everyone	\$758,000
2025-26		\$1,400,000

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