
THIRD READING

Bill No: SB 216
Author: Dodd (D)
Amended: 3/15/21
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 14-0, 3/8/21
AYES: Roth, Melendez, Archuleta, Bates, Becker, Dodd, Eggman, Hurtado,
Jones, Leyva, Min, Newman, Ochoa Bogh, Pan

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/20/21
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, Wieckowski

SUBJECT: Contractors: workers' compensation insurance: mandatory coverage

SOURCE: Contractors State License Board

DIGEST: This bill expands the license classifications which are required to have a Certificate of Workers' Compensation Insurance on file with the Contractors State License Board (CSLB) to include a Concrete contractor (C-8), a Warm-Air Heating, Ventilating and Air-Conditioning contractor (C-20,) and a Tree Service contractor (D-49) until January 1, 2025. This bill, beginning January 1, 2025, extends that requirement to include all licensure classifications under the jurisdiction of the CSLB.

ANALYSIS:

Existing law:

- 1) Establishes the CSLB within the Department of Consumer Affairs (DCA) to license and regulate contractors and home improvement salespersons.
(Business and Professions Code (BPC) § 7000 *et seq.*)
- 2) Requires as a condition of initial licensure, reinstatement, reactivation, renewal or continued maintenance of a license, a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, as

specified, unless the applicant or licensee meets both of the following conditions:

- a) Has no employees and filed a statement with the CSLB certifying that they do not employ any person in any manner, as specified; and,
 - b) Does not hold a C-39 license, as specified. (BPC § 7125 (a)(b))
- 3) States that willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action by the registrar against the licensee. (BPC § 7125 (d)(3))
 - 4) Requires the registrar to remove the C-39 classification from a license unless a valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance is received by the registrar, for any license on or after January 1, 2013, as specified. (BPC § 7125 (e)(1))
 - 5) Requires a license to be automatically suspended for a license that is a C-39 Classification removed as specified in 4) above and has been found by the registrar to have employees and to lack a valid Certificate of Workers Compensation of Self-Insurance, for any licensee who is licensed after January 1, 2013. (BPC § 7125 (e)(2).
 - 6) Specifies that the filing of an exemption certificate for workers' compensation that is false, or the employment of a person subject to coverage requirements without maintaining coverage is cause for disciplinary action, as specified. (BPC § 7124.4(a))

This bill:

- 1) Adds the C-8, C-20, and D-49 license classification to the license classifications required, as a condition of initial licensure, reinstatement, reactivation, renewal or continued maintenance of a license, to have a current and valid Certificate of Workers Compensation Insurance or Certification of Self-Insurance unless the applicant or licensee does not have employees and has a statement on file with the CSLB, certifying that they do not employ persons, or does not hold the C-39, C-8, C-20 or D-49 license until January 1, 2025.
- 2) Requires all licensing classifications under the CSLB's jurisdiction to have on file with the CSLB a current and valid Certificate of Workers' Compensation Insurance or Certificate of Self-Insurance in the applicant or licensee's business name, as specified, beginning January 1, 2025.

- 3) Prohibits the Registrar from accepting certificates of exemption from workers' compensation on behalf of a licensee beginning January 1, 2025.

Background

Contractors and Contractors State License Board. 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.

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, unless they qualify for an exemption by certifying to the CSLB that they do not have any employees (BPC § 7125(b)), or if they 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 CSLB. This bill adds three specialty contractor license classifications to the requirement that they have workers' compensation insurance regardless of whether or not they have employees. The additional licensing classifications that would be required to have workers' compensation insurance, regardless of employee status is as follows: C-8 (Concrete) D-49 (Tree Service) and C-20 (Warm-Air Heating, Ventilating and Air-Conditioning).

Licensees are required to submit proof of their workers' compensation insurance coverage to the CSLB. Failure to maintain workers' compensation insurance coverage will result in a license being suspended and any work performed while the license is suspended is considered unlicensed and disciplinary action can be taken against a licensee. BPC Section 7126 specifically states that any licensee or agent thereof, who violates the workers compensation requirements, under existing law, is guilty of a misdemeanor. Further, under current law, (LAB §§ 3700, 3700.5) all employers in this state are required to obtain workers' compensation.

According to information compiled by the CSLB and presented at the December 12, 2019 board meeting, 54 percent of all licensees had an exemption from workers' compensation on file with CSLB. Further, in the board meeting materials, the CSLB noted, 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.

Additionally, beginning January 1, 2025, this bill requires all licensure classification under the CSLB to have on file with the CSLB, a certificate of workers' compensation. No licensee will be able to file an exemption.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, the 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.

SUPPORT: (Verified 5/20/21)

Contractors State License Board (source)
 American Subcontractors Association
 California Association of Sheet Metal & Air Conditioning Contractors National Association
 California Builders Alliance
 California Labor Federation
 California Landscape Contractor's Association
 California Legislative Conference of Plumbing, Heating & Piping Industry
 California State Association of Electrical Workers
 California State Council of Laborers
 California State Pipe Trades Council
 California Teamsters Public Affairs Council
 Construction Employers' Association
 Engineering & Utility Contractors Association/United Contractors
 Flasher Barricade Association
 Housing Contractors of California
 International Union of Elevator Constructors

National Electrical Contractors Association
Northern California Allied Trades
Plumbing-Heating-Cooling Contractors Association of California
Sacramento Regional Builders Exchange
Sheet Metal Workers' Local Union No. 104
Southern California Glass Management Association
Union Roofing Contractors Association
Vermeulen Governmental Relations
Wall and Ceiling Alliance
West Coast Arborists
Western Electrical Contractors Association
Western States Council Sheet Metal, Air, Rail and Transportation
Western Wall and Ceiling Contractors Association

OPPOSITION: (Verified 5/20/21)

None received

ARGUMENTS IN SUPPORT: Supporters note that this bill will help curb the underground economy and address increased costs for compliant contractors.

Prepared by: Elissa Silva / B., P. & E.D. / 916-651-4104
5/22/21 9:58:12

**** **END** ****