Date of Hearing: April 26, 2023

# ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 336 (Cervantes) – As Amended April 12, 2023

Policy Committee: Business and Professions Vote: 18 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

#### **SUMMARY:**

This bill requires an active contractor licensee to provide their workers' compensation classification codes to the Contractors State License Board (CSLB) as a condition of licensure.

# Specifically, this bill:

- 1) Beginning July 1, 2024, and at the time of renewal, requires each active licensee who has on file a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or who is required to provide those certificates, to certify on the license renewal form the workers' compensation classification codes endorsed on the licensee's policy for the three classification codes for which the highest estimated payroll is reported on the policy. If the licensee has fewer than three classification codes reported on the policy, the licensee is required to provide every classification code reported on the policy.
- 2) Prohibits renewal without the certification described in 1), but provides for retroactive renewal if the licensee complies within 30 days after notification by CSLB that the renewal was rejected.
- 3) Provides CSLB is not required to verify or investigate the accuracy of the licensee's classification codes and will not be held liable for any misreported classification codes.
- 4) When CSLB updates the public license detail on its website for an active license, requires the update to include the classification code or codes certified by the licensee.

### FISCAL EFFECT:

CSLB estimates one-time information technology (IT) costs of \$227,500 to make changes to its enterprise licensing system and website to be able to receive and post additional workers compensation classification code data (Contractors License Fund). Costs would include hiring a limited-term IT consultant to, among other things, add new classification codes to CSLB's system and allow data to post from the system to the licensee's public data portal and the CSLB's website.

## **COMMENTS**:

 Purpose. The author intends this bill to better ensure workers are properly protected by requiring contractors to provide additional information to CSLB regarding their workers' compensation insurance. 2) **Background.** CSLB is responsible for implementing and enforcing the Contractors State License Law and related regulations pertaining to the licensure, practice, and discipline of the construction industry in California. The law requires, in part, that any person or business that constructs or alters, or offers to construct or alter, any building, highway, road, parking facility, railroad, excavation, or other structure in California be licensed by CSLB if the total cost of labor and materials for one or more contracts on the project is \$500 or more

As a condition of initial licensure and to maintain an active license, an applicant or licensee in any classification is required to have on file with the CSLB, a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance 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, and the applicant or licensee does not hold a C-39 designation.

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.

The CSLB does not determine the coverage amount that is required for an entity to obtain workers' compensation insurance. As part of the licensure and renewal process, the CSLB simply verifies that the applicant or licensee has the required workers' compensation insurance on file. This bill requires licensed contractors to provide their workers' compensation insurance classification codes at the time of license renewal.

3) **Prior Legislation.** AB 2894 (Cooper), of the 2021-22 Legislative Session, was substantially similar to this bill. AB 2894 was held on the Senate Appropriations Committee suspense file.

SB 216 (Dodd), Chapter 978, Statutes of 2022, required, until January 1, 2026, asbestos abatement contractors; concrete contractors; heating, ventilation, and air conditioning (HVAC) contractors; and tree service contractors to have workers' compensation insurance regardless of whether they have employees. As of January 1, 2026, each contractor must have workers' compensation insurance regardless of whether they have employees.

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