

ASSEMBLY THIRD READING  
AB 336 (Cervantes and Megan Dahle)  
As Amended April 12, 2023  
Majority vote

## SUMMARY

Requires active contractor licensees, at the time of license renewal, to report their workers' compensation insurance classification code or codes to the Contractor State License Board (CSLB) as a condition of licensure.

### Major Provisions

- 1) Beginning July 1, 2024, requires all active licensees who have a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance on file, or who are required to provide those certificates, to additionally certify on their license renewal form the three workers' compensation insurance 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 shall provide all the classification codes reported on the policy.
- 2) Specifies that CSLB shall not be required to verify or investigate the accuracy of the licensee's classification code or codes.
- 3) Prohibits renewal of a license unless the licensee complies. However, a license may be renewed retroactively if the licensee complies within 30 days after notification by CSLB that the renewal was rejected.
- 4) Requires CSLB, when it update the public license detail on its website for an active licensee, to include the classification code or codes certified by the licensee.

## COMMENTS

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. That 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 licensure by CSLB, applicants and active licensees must have workers' compensation insurance unless 1) they do not have any employees and file a statement with the board attesting to that fact, and 2) are not a C-8 (Concrete), C-20 (Heating, Ventilating, and Air Conditioning), C-22 (Asbestos Abatement), C-39 (Roofing), or D-49 (Tree Service) license holder. These specialty contractor license holders are currently required to carry workers' compensation insurance regardless of whether they have any employees. Beginning January 1, 2026, every licensee other than those that are joint ventures will be required to have workers' compensation insurance even if they do not have any employees. Willful or deliberate disregard and violation of workers' compensation insurance laws constitutes a cause for disciplinary action against the licensee. However, CSLB does not verify whether contractors have an appropriate workers' compensation insurance policy for the work that their employees do. CSLB simply

verifies that the applicant or licensee has a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance on file.

The author and sponsor of this bill contend that unscrupulous contractors do not purchase the appropriate workers' compensation insurance policies for the types of work they do. In an effort to curb that unlawful practice, this bill would require CSLB to collect licensees' workers' compensation insurance classification codes at the time of license renewal. Classification codes are trade specific and used to calculate insurance premiums. By requiring licensed contractors to provide their workers' compensation insurance classification codes at the time of license renewal, the author and sponsors assert that this bill will level the playing field between contractors and reduce workers' compensation insurance fraud, thereby protecting construction workers in California, approximately 67.4% of whom identify as Hispanic, according to American Community Survey data from 2021.

### **According to the Author**

"Current law does not require the Contractors State License Board (CSLB) to publicly post which of three workers' compensation classifications their licensee contractors are in. This lack of transparency incentivizes intentional misclassification by unscrupulous contractors so they can purchase workers' compensation insurance that is not appropriate for the kind of work that their employees do. This could provide these bad actors with a competitive advantage over contractors who play by the rules. [This bill] will require all contractor licensees to report to the CLSB their workers' compensation classification code as a condition of licensure. It will also require CSLB to post each licensee contractor's classification code on its website. This will ensure that licensee contractors provide their employees with the proper level of workers' compensation insurance, and create a level playing field for contractors that no longer rewards bad actors."

### **Arguments in Support**

The *District Council of Iron Workers of the State of California* write as the sponsors of this bill:

Unfortunately, some unscrupulous contractors do not purchase the appropriate workers' compensation policies for the type of work they are performing. This allows for unfair competition as law-abiding contractors carry the burden of this unfunded liability on the workers' compensation program. [This bill] would require a licensed contractor to inform the Contractors State Licensing Board (CSLB) of their actual workers' compensation classification code from the workers' compensation insurance policy purchased. The CSLB would then post that classification code to the CSLB website. Currently CSLB posts the contractor's license number and the workers' compensation insurance policy, however they only list the policy number *and not the actual code classification for the work being insured*. Listing the classification code will help prevent fraud and stress on the workers' compensation system.

### **Arguments in Opposition**

None on file.

## **FISCAL COMMENTS**

According to the Assembly Appropriations Committee:

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.

## VOTES

### **ASM BUSINESS AND PROFESSIONS: 18-0-0**

**YES:** Berman, Flora, Alanis, Alvarez, Bonta, Chen, Dixon, Gipson, Grayson, Irwin, Jackson, Lee, Lowenthal, McCarty, McKinnor, Stephanie Nguyen, Joe Patterson, Ting

### **ASM APPROPRIATIONS: 15-0-1**

**YES:** Holden, Megan Dahle, Bryan, Calderon, Wendy Carrillo, Dixon, Mike Fong, Hart, Lowenthal, Mathis, Papan, Pellerin, Sanchez, Weber, Ortega

**ABS, ABST OR NV:** Robert Rivas

## UPDATED

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CONSULTANT: Kaitlin Curry / B. & P. / (916) 319-3301

FN: 0000455