
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

AB 336 (Cervantes) - Contractors: workers' compensation insurance

Version: April 12, 2023

Urgency: No

Hearing Date: June 26, 2023

Policy Vote: B., P. & E.D. 12 - 0

Mandate: Yes

Consultant: Janelle Miyashiro

Bill Summary: AB 336, beginning July 1, 2024, requires contractor licensees to provide their workers' compensation classification codes to the Contractors State License Board (CSLB) when renewing their license, as specified.

Fiscal Impact: The CSLB reports a one-time cost of approximately \$227,500 for a limited-term IT consultant, which is not absorbable in the CSLB's current resources (Contractors License Fund). The IT changes needed include adding new classification codes to the CSLB's enterprise licensing system, custom programming to allow online entry of information, and making updates to allow data to post from CSLB's system to the licensee's public data portal.

Background: The CSLB is responsible for the implementation and enforcement of the laws and regulations related to the licensure, practice and discipline of the construction industry in California. All businesses and individuals who construct or alter, or offer to 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.

Currently, as a condition of initial licensure and to maintain an active license, all license classifications except specified exempted designations are 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. Beginning July 1, 2026, all license classifications will be required to have a Certificate of Workers' Compensation Insurance on file with the CSLB, unless they are a specific joint venture.

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.

Proposed Law:

- Requires all active licensees who have a current and valid Certificate of Workers' Compensation on file to certify on the renewal form when renewing their license, the three workers' compensation classification codes for which the highest estimated payroll is reported on the policy. Specifies that if a licensee has fewer than three

classification codes, the licensee shall provide every classification code reported on the policy.

- Provides that the CSLB is not required to verify or investigate the accuracy of the licensee's classification code or codes provided and the CSLB is not liable for any classification code or codes misreported by a licensee.
- Prohibits a license from being renewed unless the licensee complies with the above reporting requirements.
- Provides that the registrar may grant a retroactive renewal to a licensee if the licensee sends the above required information within 30 days after the CSLB sends a renewal rejection.
 - Provides that a licensee is not eligible for retroactive renewal if a renewal is still incomplete for any reasons more than 30 days after the CSLB send the rejection notification.
- Requires the CSLB, when updating the public license detail on its internet website for an active renewal submitted by a licensee, to include the classification code or codes certified by the licensee.
- Provides a delayed implementation date of July 1, 2024.

Related Legislation: AB 1204 (Holden, 2023) prohibits a contractor from contracting with two or more subcontractors in the same license classification for the same work at the same jobsite, unless the subcontractor has employees who perform work in that license classification. AB 1204 is pending in the Senate Committee on Labor, Public Employment, and Retirement.

Staff Comments: The boards and bureaus within the Department of Consumer Affairs are special fund agencies whose activities are funded by regulatory and license fees and generally receive no support from the General Fund. New legislative mandates, even those modest in scope, may in totality create new cost pressures and impact the entity's operating costs, future budget requests, or license fees.

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