
THIRD READING

Bill No: AB 336
Author: Cervantes (D) and Megan Dahle (R)
Amended: 4/12/23 in Assembly
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 12-0, 6/12/23
AYES: Roth, Nguyen, Alvarado-Gil, Archuleta, Ashby, Becker, Dodd, Glazer,
Niello, Smallwood-Cuevas, Wahab, Wilk
NO VOTE RECORDED: Eggman

SENATE APPROPRIATIONS COMMITTEE: 6-0, 9/1/23
AYES: Portantino, Ashby, Bradford, Seyarto, Wahab, Wiener
NO VOTE RECORDED: Jones

ASSEMBLY FLOOR: 78-0, 5/25/23 - See last page for vote

SUBJECT: Contractors: workers' compensation insurance

SOURCE: District Council of Iron Workers of California

DIGEST: This bill requires a contractor licensee, at the time of renewal, to certify on a license renewal form the three workers' compensation classification codes for which the highest estimated payroll is reported, as specified.

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 the CSLB in consultation with the Director of DCA to appoint a registrar of contractors (registrar) and sunsets the CSLB and its authority to

appoint a registrar on January 1, 2024, as specified. (BPC § 7011)

- 3) 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-8 (concrete), C-20 (air heating and air conditioning), C-22 (asbestos abatement), C-39 (roofing contractor license), D-49 (tree), and a C-61 (specialty) and sunsets these exemptions on January 1, 2026. (BPC § 7125 (a)(b))
- 4) Requires an insurer, including the State Compensation Insurance Fund, to report to the registrar the name, license number, policy number, dates that coverage is scheduled to commence and lapse, and cancellation date if applicable, for any policy required, as specified. (BPC § 7125(d)).
- 5) 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))

This bill:

- 1) Requires, at the time of renewal, all active licensees who have on file a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or who are required to provide those certificates, as specified, to certify on the license renewal form for the three workers' compensation classification codes for which the highest estimated payroll is reported on the policy.
- 2) States that for number 1) above, if the licensee has fewer than three classification codes reported on the policy, the licensee must provide every classification code reported on the policy.
- 3) States that the CSLB is not required to verify or investigate the accuracy of the licensee's classification code or codes provided by the licensee, and is not

liable for any codes misreported by a licensee.

- 4) Prohibits a license from being renewed unless the licensee complies with the requirements of reporting workers' compensation classification codes as specified in 1) above, unless the documentation and information is not provided with the renewal form but is received within 30 days after notification by the CSLB of the renewal rejection, the registrar may grant a retroactive renewal, as specified.
- 5) States that a renewal that is still incomplete after 30 days of the rejection notification is not eligible for retroactive renewal as specified in 4) above.
- 6) Requires the CSLB to update the public license detail on its internet website with the classification code or codes certified by the licensee when it updates public licensee detail.
- 7) Delays implementation of this bill until January 1, 2024.

Background

The CSLB is responsible for the implementation and enforcement of the Contractors' State License Law (the laws and regulations related to the licensure, practice and discipline of the construction industry in California). As a condition of initial licensure and to maintain and 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 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 licensee does not hold a C-8, C-20, C-22, C-61, D-49 or C-39 designation. (BPC § 7125(b)). As a result of SB 216 (Dodd, Chapter 978, Statutes of 2022), effective 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 licensure suspension, and any work performed while the license is suspended is considered unlicensed and disciplinary action can be taken against a licensee. BPC § 7126 specifically states that any licensee or agent thereof, who violates the workers compensation requirements, under existing law, is additionally guilty of a misdemeanor.

Further, under current law, (LAB §§ 3700, 3700.5) all employers in this state are required to obtain workers' compensation. Workers' compensation insurance provides basic benefits, including medical care, temporary disability benefits, permanent disability benefits, supplemental job displacement benefits and a return-to-work supplement, and death benefits.

Employers purchase workers' compensation insurance either from a licensed insurance company or through the State Compensation Insurance Fund. Employers may also have the option to self-insure for workers' compensation. As noted on the California Department of Insurance's website, "Workers' compensation premium calculations are based on how employees are classified according to their specific work duties and the rate assigned to each corresponding employee classification. Classifications that group distinct and identifiable occupations, industries, or business are developed and assigned codes by the Workers' Compensation Insurance Rating Bureau of California and approved by the Insurance Commissioner. Workers' compensation insurers generally use these classification codes when writing workers' compensation policies."

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 seeks to address a concern raised by industry, where some contractor licensees may have workers' compensation coverage, but not under the appropriate classification code for the type of construction work performed.

As a result, this bill will require as part of the licensure renewal process, a licensee to provide the CSLB with the workers' compensation classification code or codes, which are provided 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 will be required to provide all the classification codes reported on the policy. This bill would further require the CSLB to make those codes available on its internet website whenever it updates the public license detail. Currently, as part of the CSLB's license look-up on its internet website, there is a section that notes whether the licensee has workers' compensation coverage and notes the coverage provider. By providing the classification codes related to workers' compensation coverage, the CSLB along with other regulatory entities, and members of the public, including industry stakeholders would be able to determine if the classification code and workers' compensation insurance match the current work

offered by the licensee in an effort to ensure that employers have the appropriate coverage for the type of construction work being performed in California.

Because the CSLB does not determine whether the workers' compensation coverage is sufficient to the reported employees, this bill specifies that the CSLB is not required to verify the accuracy of the classification codes reported by the licensee, only that the licensee reports the codes as required. This bill would specifically prohibit a license from being renewed if it did not contain the appropriate classification codes; however, this bill does provide a 30-day period for a licensee to submit the information in order to obtain a retroactive renewal. In order to provide time for licensees to comply, this bill delays implementation until July 1, 2024. Any renewal received after July 1, 2024 will need to include the classification codes in order to renew.

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

According to the Senate Committee on Appropriations, "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."

SUPPORT: (Verified 9/1/23)

District Council of Iron Workers of California (source)
American Subcontractors Association-California
California Labor Federation, AFL-CIO
International Union of Operating Engineers, Cal-Nevada Conference
State Building and Construction Trades Council of CA

OPPOSITION: (Verified 9/1/23)

None received

ARGUMENTS IN SUPPORT: Supporters note generally that this bill will help prevent fraud in the workers compensation system.

ASSEMBLY FLOOR: 78-0, 5/25/23

AYES: Addis, Alanis, Alvarez, Arambula, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Juan Carrillo, Wendy Carrillo, Cervantes,

Chen, Connolly, Megan Dahle, Davies, Dixon, Essayli, Flora, Mike Fong, Vince Fong, Friedman, Gabriel, Gallagher, Garcia, Gipson, Grayson, Haney, Hart, Holden, Hoover, Irwin, Jackson, Jones-Sawyer, Kalra, Lackey, Lee, Low, Lowenthal, Maienschein, McCarty, McKinnor, Muratsuchi, Stephanie Nguyen, Ortega, Pacheco, Papan, Jim Patterson, Joe Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Sanchez, Santiago, Schiavo, Soria, Ta, Ting, Valencia, Villapudua, Waldron, Wallis, Ward, Weber, Wicks, Wilson, Wood, Zbur, Rendon

NO VOTE RECORDED: Aguiar-Curry, Mathis

Prepared by: Elissa Silva / B., P. & E.D. / 916-651-4104
9/2/23 9:57:12

**** END ****