

AMENDED IN SENATE JULY 15, 2003
AMENDED IN ASSEMBLY APRIL 30, 2003
AMENDED IN ASSEMBLY MARCH 24, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 473

Introduced by Assembly Member Correa

February 14, 2003

An act to amend Sections 7071.17, 7085.5, 7085.6, and 7090.1 of the An act to amend Sections 7135 and 7135.1 of, and to add Sections 7018 and 7137.6 to, the Business and Professions Code, relating to contractors, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 473, as amended, Correa. ~~Contractors-Funding.~~

Existing law, the Contractor's State License Law, provides for licensing and regulation of contractors by ~~creates~~ the Contractors' State License Board. Existing law establishes an arbitration process administered by the board to resolve disputes between contractors and consumers. The failure of a contractor to comply with an arbitration award results in the automatic suspension of the contractor's license by operation of law within 30 days following notification of the contractor by the board, and results in revocation of the license after one year in the absence of a reinstatement request made by the contractor upon complying with the arbitration award. Existing law provides a similar license suspension and revocation process relative to a contractor who

~~fails to pay a civil penalty or comply with an order of correction or an order to pay a specified sum to an injured party in lieu of correction.~~

~~This bill, in both of the situations described above, would instead provide for the revocation of the license within 90 days, but would authorize the registrar of the board, for good cause, to delay the revocation for not more than one year.~~

~~Existing law authorizes an arbitrator to grant any remedy or relief deemed just and equitable and within the scope of the board's referral to the arbitrator and the requirements of the board, including specific performance of a contract as well as monetary damages.~~

~~This bill would delete the authority of an arbitrator to order specific performance of a contract.~~

~~Existing law requires the board to pay the expenses of one expert witness in an arbitration proceeding upon the request of either party.~~

~~This bill would require the board to pay those expenses only if the case involves workmanship issues.~~

~~Existing law provides that a contractor who refuses to pay a final court judgment or final arbitration award relative to failing to pay a contractor, consumer, materials supplier, or employee must file a judgment bond with the board that is sufficient to guarantee payment of the judgment, in order for the contractor to be licensed.~~

~~This bill would revise and recast these provisions.~~

~~This bill would make other related changes. *and makes it responsible for licensing contractors and regulating their business operations. That law also creates the Contractors' License Fund and directs that all fees and civil penalties assessed under its provisions be deposited into the fund. Existing law specifies that the revenue in the fund attributed to administrative fines and civil and criminal penalties is not continuously appropriated.*~~

~~*This bill would declare that the fund is considered to be a trust fund. The bill would continuously appropriate all of the revenue in the fund to the board. Because the bill would increase the amount of revenue in the fund that is continuously appropriated, it would make an appropriation. The bill would require the board to prepare an annual preliminary budget and would require review of the preliminary budget by designated state agencies and the Joint Legislative Budget Committee. The bill would specify that the expenditures and appropriations from the fund described in that budget may not be reduced or eliminated. The bill additionally would establish conditions*~~



for the loan of revenue from the fund and would appropriate \$6,600,000 from the fund to the board.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~ ²/₃. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 7071.17 of the Business and Professions~~

2 *SECTION 1. The Legislature finds and declares the*
3 *following:*

4 (a) *The construction industry is one of the largest businesses in*
5 *the state, employing over 750,000 people and generating*
6 *forty-seven billion dollars (\$47,000,000,000) in*
7 *building-permitted projects in 2002. Construction for 2003 is*
8 *forecasted to increase in new housing, residential alterations and*
9 *additions, and nonresidential building. Massive infrastructure*
10 *investment in schools and public works through bond initiatives is*
11 *a cornerstone of the state’s proposed economic recovery. License*
12 *application and license maintenance backlogs often delay or*
13 *obstruct projects, causing financial loss to contractors.*

14 (b) *The construction marketplace produces a significant*
15 *portion of the state’s tax revenue. The degree of efficiency inherent*
16 *in that marketplace can significantly affect both economic growth*
17 *and financial loss. Business losses and financial injury reduce the*
18 *tax base in addition to reducing the amount of taxable gains. It is*
19 *important that the Contractors’ State License Board improve*
20 *consumer protection and provide efficient resolution to disputes*
21 *between consumers and contractors in a fair and timely manner.*

22 (c) *The Contractors’ State License Board is unable to process*
23 *applications for new licenses and the documents required for*
24 *continued licensure within acceptable timeframes due to*
25 *inadequate staffing and funding cuts to its budget. The resulting*
26 *delays in licensing have the following impacts:*

- 27 (1) *Delays in getting construction projects started.*
- 28 (2) *Loss of revenue for applicants, contractors, and their*
- 29 *employees.*
- 30 (3) *Lost tax revenues to the state.*



1 (4) Increased underground economy activities with more
2 construction workers not being covered by workers' compensation
3 insurance, more consumers being victimized by unlicensed and
4 dishonest contractors, and less tax, including local property tax,
5 revenue collected.

6 (5) Adverse effects to the economy due to delays in getting
7 homes, businesses, and infrastructure built.

8 (6) Unfair competition from the increased number of
9 unlicensed and unscrupulous contractors.

10 (d) It is the intent of the Legislature to ensure the integrity of the
11 licensing process of the Contractors' State License Board and
12 minimize the current impacts of the findings and declarations set
13 forth in this section on the construction economy and the state's
14 budget. It is also the intent of the Legislature to provide special
15 funding and staffing to the Contractors' State License Board to
16 meet the current workload requirements during these times of
17 severe budget restrictions.

18 SEC. 2. Section 7018 is added to the Business and Professions
19 Code, to read:

20 7018. (a) The board shall annually prepare a preliminary
21 budget on or before December 1 for the fiscal year commencing on
22 July 1 of the following year. The Secretary of State, the Consumer
23 Services Agency, the Director of Finance, and the Joint Legislative
24 Budget Committee shall review the preliminary budget prepared
25 by the board.

26 (b) No reduction or elimination may be made for any reason to
27 either the amount of expenditures of revenue in the Contractors'
28 License Fund or the amount of revenue appropriated from that
29 fund to the board as those items are described in the preliminary
30 budget.

31 SEC. 3. Section 7135 of the Business and Professions Code is
32 amended to read:

33 7135. (a) The fees and civil penalties received under this
34 chapter shall be deposited in the Contractors' License Fund. ~~All~~
35 These moneys shall be held in trust and the fund is considered to
36 be a trust fund. Notwithstanding Section 13440 of the Government
37 Code and Section 207, all moneys in the fund are hereby
38 continuously appropriated to the board for the purposes of this
39 chapter.



1 (b) It is the intent of the Legislature that the board shall use
2 moneys ~~appropriated~~ from the fund to improve its administrative
3 and investigative oversight activities and capacity.

4 *SEC. 4. Section 7135.1 of the Business and Professions Code*
5 *is amended to read:*

6 7135.1. It is the intent of the Legislature that, each fiscal year
7 the board shall designate, ~~if appropriated in the Budget Act and to~~
8 ~~the extent that it does not conflict with the control language of the~~
9 ~~Budget Act,~~ no less than 20 percent of the annual amount collected
10 as a result of the fees increased by statutes enacted during the 1993
11 portion of the 1993–94 Regular Session to be used to enforce the
12 provision of this chapter relative to unlicensed activity.

13 *SEC. 5. Section 7137.6 is added to the Business and*
14 *Professions Code, to read:*

15 7137.6. *The moneys in the fund may be loaned to the General*
16 *Fund or any other state fund or account only if one of the following*
17 *conditions is imposed:*

18 (a) *That any amount loaned is to be repaid in full to the fund*
19 *during the same fiscal year in which the loan was made, except that*
20 *repayment may be delayed until a date not more than 30 days after*
21 *the date of enactment of the budget bill for the subsequent fiscal*
22 *year.*

23 (b) *That any amount loaned is to be repaid in full, with interest*
24 *at the rate paid on money in the Pooled Money Investment*
25 *Account, or any successor to that account, during the period of*
26 *time that the money is loaned, to the fund within three fiscal years*
27 *from the date on which the loan was made and one of the following*
28 *has occurred:*

29 (1) *The Governor has proclaimed a state of emergency and*
30 *declares that the emergency will result in a significant negative*
31 *fiscal impact to the General Fund.*

32 (2) *The aggregate amount of General Fund revenues for the*
33 *current fiscal year, as projected by the Governor in a report to the*
34 *Legislature in May of the current fiscal year, is less than the*
35 *aggregate amount of General Fund revenues for the previous fiscal*
36 *year, adjusted for the change in the cost of living and the change*
37 *in population, as specified in the budget submitted by the Governor*
38 *pursuant to Section 12 of Article IV in the current fiscal year.*

39 *SEC. 6. Notwithstanding any other law, including Section*
40 *7135 of the Business and Professions Code and the annual Budget*



1 Act, the sum of six million six hundred thousand dollars
 2 (\$6,600,000) is hereby appropriated from the revenue in the
 3 Contractors' License Fund that is attributable to fees, not fines
 4 and penalties, to the Contractors' State License Board to
 5 administer the provisions of the Contractors' State License Law
 6 (Chapter 9 (commencing with Section 7000) of Division 3 of the
 7 Business and Professions Code).

8 SEC. 7. This act is an urgency statute necessary for the
 9 immediate preservation of the public peace, health, or safety
 10 within the meaning of Article IV of the Constitution and shall go
 11 into immediate effect. The facts constituting the necessity are:

12 To make funding available as soon as possible to the
 13 Contractors' State License Board in an amount that is adequate
 14 for it to discharge its duties, it is necessary that this act take effect
 15 immediately.

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**All matter omitted in this version of the
 bill appears in the bill as amended in the
 Assembly, April 30, 2003 (JR 11)**

