

AMENDED IN SENATE SEPTEMBER 2, 2003

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**

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**Introduced by Assembly Member Correa**

February 14, 2003

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~~An act to amend Sections 7135 and 7135.1 of, and to add Sections 7018 and 7137.6 to,~~ *An act to add Section 7018 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. ~~Funding~~ *Contractors' State License Board.*

Existing law, the ~~Contractor's~~ *Contractors' State License Law*, creates the Contractors' State License Board 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. Under existing provisions of a Governor's Executive Order, a freeze has been placed on state employment, prohibiting state~~

agencies and departments from filling a position that was vacant on June 30, 2003.

~~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 exempt the board from this freeze on state employment.~~

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

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: *yes no*. Fiscal committee: *yes*. State-mandated local program: *no*.

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

- 1 SECTION 1. The Legislature finds and declares the
- 2 following:
- 3 (a) The construction industry is one of the largest businesses in
- 4 the state, employing over 750,000 people and generating
- 5 forty-seven billion dollars (\$47,000,000,000) in
- 6 building-permitted projects in 2002. Construction for 2003 is
- 7 forecasted to increase in new housing, residential alterations and
- 8 additions, and nonresidential building. Massive infrastructure
- 9 investment in schools and public works through bond initiatives
- 10 is a cornerstone of the state's proposed economic recovery.
- 11 License application and license maintenance backlogs often delay
- 12 or obstruct projects, causing financial loss to contractors.
- 13 (b) The construction marketplace produces a significant
- 14 portion of the state's tax revenue. The degree of efficiency inherent
- 15 in that marketplace can significantly affect both economic growth
- 16 and financial loss. Business losses and financial injury reduce the
- 17 tax base in addition to reducing the amount of taxable gains. It is
- 18 important that the Contractors' State License Board improve



1 consumer protection and provide efficient resolution to disputes  
2 between consumers and contractors in a fair and timely manner.

3 (c) The Contractors' State License Board is unable to process  
4 applications for new licenses and the documents required for  
5 continued licensure within acceptable timeframes due to  
6 inadequate staffing and funding cuts to its budget. The resulting  
7 delays in licensing have the following impacts:

8 (1) Delays in getting construction projects started.

9 (2) Loss of revenue for applicants, contractors, and their  
10 employees.

11 (3) Lost tax revenues to the state.

12 (4) Increased underground economy activities with more  
13 construction workers not being covered by workers'  
14 compensation insurance, more consumers being victimized by  
15 unlicensed and dishonest contractors, and less tax, including local  
16 property tax, revenue collected.

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

19 (6) Unfair competition from the increased number of  
20 unlicensed and unscrupulous contractors.

21 ~~(d) It is the intent of the Legislature to ensure the integrity of  
22 the licensing process of the Contractors' State License Board and  
23 minimize the current impacts of the findings and declarations set  
24 forth in this section on the construction economy and the state's  
25 budget. It is also the intent of the Legislature to provide special  
26 funding and staffing to the Contractors' State License Board to  
27 meet the current workload requirements during these times of  
28 severe budget restrictions.~~

29 ~~SEC. 2. Section 7018 is added to the Business and Professions  
30 Code, to read:~~

31 ~~7018. (a) The board shall annually prepare a preliminary  
32 budget on or before December 1 for the fiscal year commencing  
33 on July 1 of the following year. The Secretary of State, the  
34 Consumer Services Agency, the Director of Finance, and the Joint  
35 Legislative Budget Committee shall review the preliminary  
36 budget prepared by the board.~~

37 ~~(b) No reduction or elimination may be made for any reason to  
38 either the amount of expenditures of revenue in the Contractors'  
39 License Fund or the amount of revenue appropriated from that~~



1 fund to the board as those items are described in the preliminary  
2 budget.

3 ~~SEC. 3.—Section 7135 of the Business and Professions Code~~  
4 ~~is amended to read:~~

5 ~~7135.—(a) The fees and civil penalties received under this~~  
6 ~~chapter shall be deposited in the Contractors' License Fund. These~~  
7 ~~moneys shall be held in trust and the fund is considered to be a trust~~  
8 ~~fund. Notwithstanding Section 13440 of the Government Code~~  
9 ~~and Section 207, all moneys in the fund are hereby continuously~~  
10 ~~appropriated to the board for the purposes of this chapter.~~

11 ~~(b) It is the intent of the Legislature that the board shall use~~  
12 ~~moneys from the fund to improve its administrative and~~  
13 ~~investigative oversight activities and capacity.~~

14 ~~SEC. 4.—Section 7135.1 of the Business and Professions Code~~  
15 ~~is amended to read:~~

16 ~~7135.1.—It is the intent of the Legislature that each fiscal year~~  
17 ~~the board shall designate no less than 20 percent of the annual~~  
18 ~~amount collected as a result of the fees increased by statutes~~  
19 ~~enacted during the 1993 portion of the 1993–94 Regular Session~~  
20 ~~to be used to enforce the provision of this chapter relative to~~  
21 ~~unlicensed activity.~~

22 ~~SEC. 5.—Section 7137.6 is added to the Business and~~  
23 ~~Professions Code, to read:~~

24 ~~7137.6.—The moneys in the fund may be loaned to the General~~  
25 ~~Fund or any other state fund or account only if one of the following~~  
26 ~~conditions is imposed:~~

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

32 ~~(b) That any amount loaned is to be repaid in full, with interest~~  
33 ~~at the rate paid on money in the Pooled Money Investment~~  
34 ~~Account, or any successor to that account, during the period of~~  
35 ~~time that the money is loaned, to the fund within three fiscal years~~  
36 ~~from the date on which the loan was made and one of the following~~  
37 ~~has occurred:~~

38 ~~(1) The Governor has proclaimed a state of emergency and~~  
39 ~~declares that the emergency will result in a significant negative~~  
40 ~~fiscal impact to the General Fund.~~



1 ~~(2) The aggregate amount of General Fund revenues for the~~  
 2 ~~current fiscal year, as projected by the Governor in a report to the~~  
 3 ~~Legislature in May of the current fiscal year, is less than the~~  
 4 ~~aggregate amount of General Fund revenues for the previous fiscal~~  
 5 ~~year, adjusted for the change in the cost of living and the change~~  
 6 ~~in population, as specified in the budget submitted by the~~  
 7 ~~Governor pursuant to Section 12 of Article IV in the current fiscal~~  
 8 ~~year.~~

9 ~~SEC. 6. Notwithstanding any other law, including Section~~  
 10 ~~7135 of the Business and Professions Code and the annual Budget~~  
 11 ~~Act, the sum of six million six hundred thousand dollars~~  
 12 ~~(\$6,600,000) is hereby appropriated from the revenue in the~~  
 13 ~~Contractors' License Fund that is attributable to fees, not fines and~~  
 14 ~~penalties, to the Contractors' State License Board to administer the~~  
 15 ~~provisions of the Contractors' State License Law (Chapter 9~~  
 16 ~~(commencing with Section 7000) of Division 3 of the Business and~~  
 17 ~~Professions Code).~~

18 ~~SEC. 7.~~

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

21 *7018. The board is exempt from the freeze on state*  
 22 *employment imposed by Governor's Executive Order D-71-03.*

23 *SEC. 3. This act is an urgency statute necessary for the*  
 24 *immediate preservation of the public peace, health, or safety*  
 25 *within the meaning of Article IV of the Constitution and shall go*  
 26 *into immediate effect. The facts constituting the necessity are:*

27 ~~To make funding available as soon as possible to the~~  
 28 ~~Contractors' State License Board in an amount that is adequate for~~

29 *To exempt the Contractors' State License Board from the current*  
 30 *freeze on state employment as soon as possible to allow it to*  
 31 *effectively discharge its duties, it is necessary that this act take*  
 32 *effect immediately.*

