

February 17, 2006

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to contractor licensing (File No. SA2006RF0010).

Background

Contractors' Licenses. Individuals involved with the construction of homes—such as builders and contractors—must be licensed by the Contractors' State Licensing Board (CSLB). A contractor is required to report a construction-related civil court judgment to CSLB within 90 days. Contractors can have their licenses suspended if they do not resolve these judgments (for instance, by paying the person owed money). A license remains suspended until the judgment is resolved. The CSLB, which is funded from licensing fees, spends more than \$50 million annually for its activities.

Major Provisions

The measure expands the conditions under which contractors could have their licenses suspended. In any three-year period, if a licensee had more than one judgment of over \$100,000 related to “intentionally, willfully, or recklessly” failing to comply with construction requirements, the license would be suspended for five years.

Fiscal Effect

CSLB Costs. By adding new responsibilities for CSLB, the measure would increase CSLB's costs. The number of future judgments meeting this measure's standard (over \$100,000 and intentional, willful, or reckless actions) would determine how much additional workload CSLB would experience. The CSLB, however, does not currently track this information. While unknown, we would expect any increase in costs to be relatively minor. These costs would be covered by fees.

Other Possible Effects. Since CSLB does not currently track the number of judgments that would fall under the measure's standard for suspending a license, it is unknown to what extent the measure would increase license suspensions in the future. Given that judgments would have to meet both the \$100,000 threshold and the intentional, willful, or reckless actions criteria, we would expect relatively few additional suspensions. If, however, the measure resulted in a large number of suspensions, it could have a significant effect on the building industry (and potentially state and local tax revenues).

Fiscal Summary. This measure would have the following fiscal impact:

- Probably minor increase in state costs and fees related to the licensing of building contractors.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Michael C. Genest
Director of Finance