

**HIGHLIGHTS OF
THE CONTRACTORS' STATE LICENSE BOARD
BOARD AND STRATEGIC PLANNING MEETING**

**MONTEREY, CALIFORNIA
APRIL 23-24, 2009**

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- ✦ **LOTS OF THINKING**
- ✦ **DISCUSSION**
- ✦ **PLANNING**

The Contractors' State License Board held a two-day full Board and Strategic Planning Meeting on Thursday and Friday, April 23 and 24, 2009 in Monterey, California.

The following Board Members were present:

Chair, James Miller; Vice Chair, Cynthia Mitchell; Secretary, Edward "Eddie" Barnes; Board Members Robert Brown; Joan Hancock; Louise Kirkbride; Robert Lamb; Ed Lang; and Lisa Miller-Strunk.

Board Members that were absent were Matthew Kelly; Stephen Matich; Bernedette Medrano; and Bruce Rust.

There are two vacant positions on the Board.

The two-day meeting included brainstorming between the various members of the Contractors' State License Board, their staff, and consultants.

The Board had experts in various areas giving information and advice. They were also part of the brainstorming with the Board Members and the staff.

The meeting was extremely interesting. Many great suggestions were made. However, in this economy, no one really knows what is going to happen.

I. BOARD’S MINUTE REVIEW & TENTATIVE SCHEDULE

1. The Board then reviewed and approved the Board Minutes of March 27, 2009.
2. The Tentative Schedule of future meetings is as follows:

June 11, 2009 in Newport Beach
August/September in the San Francisco Bay area
November in Riverside
January 2010 at the DCA PACT Conference in Sacramento

II. STRATEGIC PLANNING SESSION

The Contractors' State License Board is head over heels beyond most other regulatory agencies.

1. Public Opinion Survey Results

a. Executive Summary

This baseline public opinion survey, conducted through a telephone survey of 800 Homeowners in four different regions of the state was implemented to provide current information about attitudes, perceptions and behaviors regarding repairs and hiring contractors as well as to determine a benchmark assessing consumer knowledge and awareness of the CSLB and how it serves California consumers prior to the awareness campaign.

i. Principal Findings

- a. Sixty-one percent of respondents do repairs themselves and hire someone else depending on the type of repairs
- b. Plumbing, electrical and roofing, respectively, are the repairs respondents mentioned hiring someone to do the job rather than doing it themselves.
- c. When asked how the respondents found the person to do their repairs, the majority (71%) chose them from referrals by friends, family or neighbors.
- d. Hispanics are much more likely to use the Penny Saver and phonebook as a resource to find a person to do their repairs.
- e. Sixty-eight percent of homeowners state that they receive multiple bids before hiring a repair person.
- f. Respondents that are aware of the CSLB are significantly more likely (85%) to hire a licensed contractor as compared to those who are not aware of the CSLB (74%).
- g. When respondents were asked if they knew there were laws protecting them when they hire a licensed contractor, that vast majority (90%) stated they were more likely to hire a licensed contractor.

- h. Respondents favored friendly, funny and/or family/children oriented advertising and commercials. They were neutral about government and non-profit commercials.
- i. Friends/peers, Relatives/neighbors and Associations/organizations, respectively, are viewed as the most trusted information sources.
- j. The majority (80%) of homeowners says they are aware that a state agency licenses contractors in California (87% in Sacramento); however only 22% said they knew the name of the agency. Of that 22%, the majority stated the correct agency name.

ii. Significant Findings of the Survey

- a. Question -- How do you handle repairs in your home?

Answer – Twenty-four percent of respondents stated that they do all of their own repairs. Only 14% stated that they hire someone else and 61% do both. Males are significantly more likely to do the work, 29% compared to 19% of females. Homeowners with at least a four-year college degree are much less likely to complete their own repairs than those with less education.

- b. Question – What kind of repairs do you hire someone to do for you?

Answer – When asked what kind of repairs respondents hire someone else to do, plumbing is given as the first response by more homeowners than any other service (26% first response and 29% for all other mentions). Electrical is said second most frequently with 20% of the first response and 29% of all other; and roofing is third with 17% of first responses and 15% of all others.

- c. Questions – How do you find the person to do your repairs?

Answer – Homeowners find the person to do repairs from a referral by friends, family and/or neighbors (71% first response and 30% all other responses). The next most used method is the phonebook at 15% first response and 28% all other responses.

- d. Question – Do you get multiple bids?

Answer – The majority (68%) of homeowners say that they get multiple bids before hiring a repair person. Those aged 45-59 years old are slightly more likely (74%) to get

multiple bids, and those 60 and older are slightly greater the likelihood that they will get multiple bids.

- e. Question – How do you select the final candidate?

Answer – If the respondent stated that they get multiple bids prior to hiring a contractor, they were asked how they select the final candidate. Although this is an open-ended question, answers fall into specific categories. The vast majority of the 412 respondents who get multiple bids say price is a major determinant of how they select.

- f. Question – Does it matter to you if the person hired has a state license in his/her skill?

Answer – When respondents were asked if it matters if the hired person had a license, the majority (83%) stated it does matter. Retirees are more likely (87%) than those working full time (78%) to care if the person hired has a state license.

People who are aware of the CSLB are significantly more likely (85%) to want someone they hire to have a license compared to those who are not aware of the CSLB (74%).

- g. Question – Have you hired a licensed contractor before?

Answer – The vast majority of homeowners stated that they have hired a licensed contractor at some time (90%).

- h. Question -- If they were licensed, how did you verify their license number?

Answer – Thirty-one percent of the 546 respondents indicate that they took the person's word for it and trusted what they said; consequently, they did not verify a license number. Sixteen percent checked online, 15% asked to see the actual licensed, and 7% verbally asked for the number. Of the 31% who stated an 'other' way of checking, most called the 'State Board.'

- i. Question -- If there were unlicensed, what was the reason for hiring them?

Answer – Homeowners primarily hire unlicensed contractors because they were recommended by family or friends, they bid a good price, or it was a simple job/not difficult. There were no significant findings to this question.

j. Question -- What do you see as the benefits of hiring a licensed contractor?

Answer -- When respondents were asked about the benefits of hiring a licensed contractor, the top three reasons given are that the work is guaranteed (22%), they are legal (17%), and correct repairs done/good work (15%). More respondents who indicate 'other' feel there is no benefit to hiring a licensed contractor, following by more recourse to take action if there is a problem, and think that licensed workers are bonded.

k. Question – Is there anything that would prevent you from hiring a licensed contractor?

Answer -- No surprisingly, price is the top reason respondents stated that would prevent them from hiring a licensed contractor. Secondly, if the project is a simple job is the condition that would most prevent homeowners from hiring a licensed contractor.. A recommendation for the contractor would be the least likely reason for the prevention of hiring a licensed contractor. There seemed to be some confusion among respondents regarding feedback from a friend/neighbor based on whether or not it is assumed that the feedback is positive or negative.

l. Question – What do you see as the benefits of hiring an unlicensed contractor?

Answer – More than half of homeowners believe that unlicensed contractors offer good prices (53%). Thirty-four percent (34%) feel there is no benefit and an additional 8% don't know what benefits there are. As a first response, 6% think unlicensed contractors can handle simple jobs, 3% think they are flexible with time, and less than 1% say they give a "deal" on labor/materials.

m. Question – What do you think are the risks of hiring an unlicensed contractor?

Answer – Homeowner is liable; substandard work; they aren't qualified; couldn't find them again/disappear; home isn't protected from problems; unreliable operator; don't know; prices are inaccurate/don't match job; and criminal background.

- n. Question – If you hire an unlicensed contractor, what risks of liabilities do you think you take responsibility for as a homeowner?

Answer – Homeowners’ perceptions of risk and liability are very high for faulty repairs, unfinished work, the quality of work, abandonment of job, workers injuries, passing building code inspections but not for pricing and paying workers payroll taxes, both of which are viewed as moderate risks. There are no significant findings in differences between any of the demographics or locations.

- o. Question – If you knew that you would be 100% responsible for problems with the work done in your home by an unlicensed contractor, how willing would you be to hire them?

Answer -- The majority of homeowners would not be willing to hire an unlicensed contractor if they knew they would assume responsibility for problems. Only 15% would be either somewhat or very willing while 85% would be somewhat or very unwilling.

- p. Question – If you knew there were laws protecting you when you hire a licensed contractor, would you be more likely to hire one?

Answer – Knowing that there were laws to protect them, homeowners would overwhelmingly (90%) be more likely to hire a licensed contractor. Females would be significantly more likely to hire a licensed contractor than males (93% vs. 86%). Respondents with less than a high school education would be less likely to hire than other education levels and much more likely to say they don’t know. Interestingly, respondents with incomes over 110K are significantly less likely to hire a licensed contractor with this information than people in other income brackets.

- q. Question – In the past year have you heard or seen any news reports, advertising, or other information on unlicensed contractors or the importance of hiring a licensed contractor?

Answer –When respondents were asked if they had heard or seen any reports or advertising on unlicensed contractors or the importance of hiring a licensed contractor, nearly half (46%) of respondents said they had. Residents of the Sacramento area are significantly more likely (53%) and residents of the Central Valley are less likely (38%), to

recall hearing or seeing anything related to contractors. People who are aware of the CSLB are also more aware of noticing information regarding licensed contractors (49%) than those not aware of the CSLB (30%).

- r. Question – Where did you hear or see this information?

Answer – Most respondents indicate that they saw something on TV or read information in the newspaper as their first response. For all other responses, newspaper is more prevalent, followed by TV, resulting in a total representation of 76% for TV and 34% for newspapers. Most ‘other’ means of receiving information include flyers, BBB, friends, and the sides of trucks.

- s. Question – Who do you think is a trustworthy source to receive information from?

Answer – When respondents were asked who they think is a trustworthy source of information, ‘Friends/Peers’ was rated highest with a mean of 3.98, followed extremely close by ‘Relatives/Neighbors,’ with a mean of 3.94. By far, the source least trusted is ‘Celebrities/Well Known People’ with a mean of 1.93 and ‘Government Agencies’ is the source of the seven choices given that falls right in the middle of the group with a mean of 3.04.

- t. Question -- How likely are you to pay attention to the following forms of media?

Answer – TV is definitely the media that is most likely to be paid attention to, with 52% of respondents rating it a 4 or 5. The next closest media is radio (43%), followed by newspaper (39%), and Internet (21%).

- u. Question -- Are you aware a state government agency licenses contractors in California.

Answer – The majority (80%) of homeowners say they are aware of a state agency and the highest awareness is from residents of Sacramento at 87%.

- v. Question – Have you ever heard of the Contractors' State License Board (asked only of respondents who did not mention the CSLB)?

Answer – Most (79%) of the homeowners asked this question say they have heard of the CSLB. Again,

residents of Sacramento are much more likely to say they have heard of the CSLB (87%).

- w. Question – Have you ever filed a complaint with the Contractors' State License Board?

Answer – Fifty-six (9%) respondents have filed a complaint. A much larger number of residents of LA say they have filed a complaint (15%), than Sacramento (8%), Central Valley (8%), or San Diego (5%).

- x. Question – Have you ever used the Contractors' State License Board website or toll-free phone line?

Answer – Of those asked if they have used the CSLB's website or toll-free number, 26% were homeowners. Residents of the Central Valley are much less likely to have used either compared with residents from the other three locations. Those aged 30-44 years old are more likely (35%) than 60+ year olds (22%) to have used this service. Education is a factor in the likelihood of having used this service; the more education, the more likely a respondent is to have used it.

- y. Question – Did you know that you can check the status of a contractor's license with the Contractors' State License Board?

Answer – The majority of respondents (77%) know they can check on a contractor's license. Residents of LA and Sacramento are more likely to know you can check the status of a contractor's license than residents of San Diego and Central Valley.

2. Focus Groups Research Summary

a. Executive Summary

The Contractors' State License Board commissioned ASTONE to prepare marketing collateral to raise awareness of CSLB for both contractors and consumers to promote the benefits consumers receive by hiring licensed contractors. In conjunction with a quantitative survey administered by phone to 800 homeowners, Nichols Research was asked to conduct qualitative research in the form of focus groups to gather information from licensed contractors in four different regions of the state.

i. Principal Findings

- a. Both homeowners and contractors agree that consumers most often find a person to do repairs on their home through word-of-mouth or referrals from friends and relatives.
- b. Most contractors say they have a listing or ad in the Yellow Pages, which is also the second most common method consumers use to find a contractor.
- c. Homeowners and contractors agree price is a major determinant of how a final bid is selected. However, contractors are more likely to say price is the most important factor for almost ALL consumers. Homeowners state price is only one aspect of their final decision process; gut feelings, reputation, references, quality of work and licensing are also considerations.
- d. Generally, homeowners and contractors agree that the benefits of hiring a licensed contractor are: work is guaranteed; legal protection; repairs done correctly; licensed contractors are insured and bonded; and they know what they are doing.
- e. Contractors and homeowners in Sacramento are more familiar with the CSLB than the other three regions.
- f. Licensed contractors commonly think that young couples, or new homeowners have used all of their money to buy a house, will hire an unlicensed contractor for repairs because it is generally less expensive.
- g. There is a perception the CSLB doesn't help contractors very much and just serves to regulate them and charge them fees for a license.
- h. Some contractors feel the CSLB represents contractors poorly and only makes consumers fearful of them.
- i. About one-third of the contractors have seen the collateral provided by the CSLB. Almost all of the contractors say they would utilize the materials and give them out to customers and showed interest in personalizing the brochures with an individual contractor's name and license number.
- j. Contractors believe the CSLB should educate both contractors and consumers; have education programs for contractors and information for consumers.

ii. Benefits of Licensed Contractors

- a. Licensed contractors are mixed in their opinions of whether or not consumers actually know the difference between licensed and unlicensed contractors.

- b. Some contractors feel the majority of consumers DO know the value of licensed contractors, but they choose not to hire them because of cost.
- c. Most of the respondents think the consumer needs to be educated about the advantages of hiring a licensed contractor instead of an unlicensed one and need the benefits pointed out to them.
- d. In addition to the benefits listed below, peace of mind, satisfaction and more respect for the contractor are all intangible benefits licensed contractors feel consumers get by hiring them instead of unlicensed contractors.

III. CONCLUSION

The industry and contractors are facing a lot of changes. Clearly, the present economy is one of those changes. However, sooner or later, that will be taken care of. What is probably more of a change is the new technologies and dealing with communication, etc. The focus group spent a great deal of time in this area.

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