

# URCA Viewpoint

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NEWS AND VIEWS FOR THE UNION ROOFER

VOLUME 9, ISSUE 1, SUMMER 2012

## **Contractors who "Cheat to Compete" face stiff penalties. New partnership targets offenders in the multi-billion dollar underground economy.**

SACRAMENTO, CA - The Contractors State License Board (CSLB) already is seeing results from a new multi-agency partnership that targets individuals who are breaking the law and making it increasingly difficult for law-abiding licensed contractors to compete for business. CSLB estimates that on any given day, tens of thousands of licensed contractors and unlicensed operators are breaking the law and contributing to the state's underground economy. These individuals and companies will be at the top of the Labor Enforcement Task Force (LETF) target list.

LETF, which was launched January 1, 2012, is comprised of investigators from CSLB, the Department of Industrial Relations, Employment Development Department, and Board of Equalization, in collaboration with the Insurance Commissioner and Attorney General's Office. Partners have broadened information-sharing and the use of new enforcement technology to improve the way they target businesses in the underground economy.

"Contractors need to understand that they can't cheat to compete," said CSLB Registrar Steve Sands. By combining our resources and sharing information like never before, we will target and find the worst offenders, licensed or not."

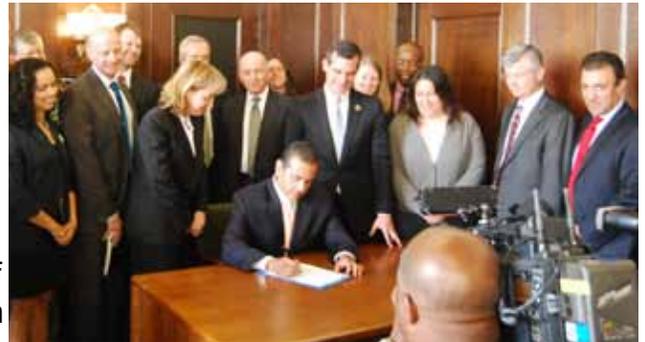
Teams of investigators are already working side-by-side and have conducted 16 targeted enforcement operations throughout the state since January 2012 that have

*Continued, page 3*

## **A move in the Right Direction With Los Angeles Dept. of Water and Power and the CLEAN L.A. Solar Program.**

As a member of the Los Angeles Business Council's (LABC) Solar Energy Task Force, Executive Director Johnston is pleased to report that after over two years of research and outreach on the part of the task force, The Los Angeles City Council

cleared the way for the launch of an innovative rooftop solar-energy program on April 3rd, unanimously approving a measure to allow the Department of Water and Power (DWP) to move forward with ground breaking of the



*Los Angeles City Mayor Antonio Villarragosa signs the bill enabling the CLEAN LA Solar Program's initial phase of development. In attendance were many of the bill's supporters.*

### **CLEAN LA SOLAR PROGRAM.**

The CLEAN LA Solar program will allow local property owners to sell solar power generated from rooftops and parking lots back to the DWP, utilizing a feed-

*Continued, page 3*





**Ronald D. Johnston, Ph.D.**  
Executive Director



Apprenticeship Training Center Staff  
(l to r) **Reginald Bribiesca**, **Lupe Corral**-Training Coordinator,  
and **Sandra Raigoza**.



CPR practice dummies in one of the many Roofing Apprenticeship Training Center classrooms.

As usual, this year's legislative session in Sacramento has been hectic. Approximately 2,300 bills were introduced and the following bills have been targeted by your association for either a support or oppose position.

On behalf of your association, I have provided written and oral testimony on the following:

**AB 1145 (CEDILLO)- OPPOSE**

Relates to the workers' compensation system. Provides certain provisions concerning injuries that cause permanent partial disability. Provides for Supplemental Job Displacement Voucher (SJDV) and retraining. This bill would be detrimental to the business community with additional and onerous administrative hurdles. It forces businesses to navigate a two-tiered system containing separate job offer dates, separate notification dates and differing voucher benefit amounts based on an arbitrary date of injury. This bill would open a "Pandora's Box" of additional litigation and escalated costs during a time of economic downturn.

This bill passed the Assembly Floor on January 26th and was assigned to the Senate Labor and Industrial Relations Committee. It passed out of this committee on June 13th. However, it was placed in the Senate Appropriations Committee Suspense File on June 25th. There is a good chance that this bill will not move out of the Suspense File, in as much as the committee analysis of the bill was unfavorable and secondly, Governor Brown vetoed a similar bill last year.

**AB 1565 (FUENTES)- SUPPORT**

Relates to contracting bids to school districts. This bill would expand the scope of rating bidders to cover, at a minimum, the issues covered by the standardized questionnaire and model guidelines for rating bidders developed by the DIR. Most importantly, it would provide that the questionnaire and uniform system of rating bidders not preclude the governing board of a school district from prequalifying or disqualifying a contractor. The bill was amended to exclude a school district with an average daily attendance of less than 2,500, as well as applying only to proj-

ects with expenditures in excess of one million dollars. This amended bill passed the Assembly Floor on May 30th and was assigned to the Senate Appropriations Committee on July 6th. It is now scheduled for hearing on August 6th.

**AB 1671 (HUFFMAN)- SUPPORT**

Amends existing law that prohibits the DOT from withholding retention proceeds when making progress payments for work performed by a contractor. This bill "mirrors" the language of SB 293 (Margett) that was chaptered into law in 2008 mandating "zero" retention on DOT projects with a "sunset" provision of January 2014. This bill passed the Assembly Floor on May 3rd and was assigned to the Senate Transportation and Housing Committee on May 17th. It passed out of this committee on June 13th by consent and was assigned to the Senate Appropriations Committee where it was slightly amended (not in a negative way) by the author vis-à-vis an agreement with the DOT. It is now scheduled for hearing on August 6th.

**AB 1794 (WILLIAMS)- SUPPORT**

This bill would make it a misdemeanor and a cause for disciplinary action for a licensed contractor to fail to notify his or her workers' compensation insurance carrier within 20 days of hiring an employee. This bill was dramatically amended on May 25th to remove the requirement to report to insurers. It simply requires reporting of new hires to the EDD and authorizes the EDD to share employment information with the Joint Enforcement Strike Force, CSLB and SCIF. This bill passed the Assembly Floor on May 30th and was assigned to the Senate Committee on Labor and Industrial Relations on June 14th. On June 28th it passed out of that committee and was assigned to the Senate Appropriations Committee. A hearing date has not been scheduled.

**AB 2219 (KNIGHT)- SUPPORT**

This bill, sponsored by the Roofing Contractors Association of California, relates to existing law requiring every C-39 licensed contractor to have on file, at all times with the CSLB, a cur-

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### Cheat to Compete Continued

resulted in dozens of citations and thousands of dollars in fines. The operations are not limited to weekdays; at least one operation has taken place on a weekend and more are on the calendar.

A recent operation in Orange County resulted in administrative actions against a long-time illegal operator. Benito German Lopez Cruz, 47, of Orange, is believed to have underbid legitimate contractors on plastering jobs by hundreds of thousands of dollars during the past several years. A CSLB investigator cited Lopez for contracting without a license and failing to secure workers' compensation insurance for three employees who were working with him. The citation comes with \$54,500 in fines. The Department of Industrial Relations' Division of Labor Standards Enforcement issued Lopez a stop order (that prohibits the use of employee labor until they are covered by workers' compensation insurance) and citations for \$51,750 in fines for failure to carry workers' compensation and for paying employees in cash. Lopez also will be audited by the Employment Development Department.

A criminal case settled last week highlights the severe consequences of these types of business and contracting violations. On February 24, 2012, Michael Amzie Holley, 43, of Murrieta, was sentenced to one year in jail and ordered to pay \$510,000 in restitution for failing to provide workers' compensation insurance for an injured employee and failing to

pay insurance premiums for unclaimed employees who were paid in cash. In 2009, CSLB revoked the contractor license of So Cal Roofing Company (#797707), owned by Holley. The criminal activity came to light after an incident in March 2003, when one of Holley's employees fell off of a roof and was injured. When that employee filed a workers' compensation insurance claim, Holley denied that the injured employee worked for him. He also had filed paperwork with CSLB certifying that he had no employees.

According to the Orange County District Attorney's Office, in February 2010 Holley agreed to plead guilty to multiple felony counts associated with insurance and tax fraud. Holley purchased a minimum workers' compensation policy from the State Compensation Insurance Fund (SCIF) and failed to state that he employed subcontractors, paid workers in cash to hide the fact that So Cal Roofing Company had workers, hired unlicensed employees, and leased employees from other companies. He received insurance based on his false declarations, allowing him to underpay his insurance premiums. In addition, to hide the fraud and to avoid paying state taxes, Holley failed to file an accurate tax return. In addition to construction, LETF addresses illegal activity in the agricultural, automotive, garment, restaurant, and warehouse industries.

*This article reprinted with permission from the Painting & Decorating Contractors of California*

### Solar Program Continued

in tariff FiT mechanism.

Los Angeles will be the largest city in the nation to adopt such a program, which will supply renew-



able energy at a reasonable cost while inducing private investment, creating high paying jobs, and helping the state and city to meet renewable power requirements.

The LABC has been the leading advocate for the CLEAN LA Solar plan and via an extensive research project that was conducted over a two year period concluded that this program will create 4,500 jobs and \$500 million in economic activity by 2016. The ordinance, which as passed by the City Council on April 3rd, will allow the DWP's General Manager, Ron Nichols to move forward on a 10-megawatt demonstration project. The first 75 megawatts of the program are expected to come on line this year as well, with an additional 75 megawatts expected by 2016.

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### Executive Director Continued

rent and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, or a statement certifying that the contractor has no employees and is not required to obtain or maintain workers' compensation insurance. Also, it requires certain roofing contractors to have such insurance even if the contractor has no employees.

This bill would permanently extend the provisions of existing law, as well as requiring all workers' compensation insurers to perform in-person audits on all policies against a company's payroll records to ensure that under-reporting is not taking place. This bill passed the Assembly Floor on May 29th and was assigned to the Senate Business,

Professions and Economic Development Committee on June 7th. On July 3rd it passed out of this committee on consent and was assigned to the Senate Appropriations Committee. It is now scheduled for hearing on August 6th.



## New Roofing Training Center Now Open

The Southern California Labor Management Trust has recently purchased a certified roofing apprenticeship training center in Pomona, CA. The new center includes several classrooms, work rooms, staff offices and over an acre of outdoor training space.



### Solar Program continued

Also, the LABC has advocated doubling the DWP's Energy Efficiency (EE) and it has hosted workshops in partnership with the DWP providing information on what a successful energy efficiency program would entail. The EE budget has been increased from \$50 to \$88 million per year to promote this program.

It is the hope of Executive Director Johnston that this new CLEAN LA SOLAR PROGRAM will create more jobs for the industry with respect to solar panel (photovoltaic) installation.



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**BILL PETERS (VANCE & ASSOCIATES)**

**\*CHAIRMAN, \*\*SECRETARY-TREASURER**

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**The mission of the Union Roofing Contractors Association is to promote quality construction utilizing highly trained and skilled employees. The URCA is dedicated to the highest standards of professional integrity.**

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URCA • 2914 E. Katella Ave., Suite 202  
Orange, CA 92867

(714) 628-3916 Fax (714) 628-3927

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