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CONTRACTORS TAKE MATTERS INTO THEIR OWN HANDS

*Construction Industry Investigations Uncover National Builders and Subcontractors
Conducting Unlawful Business and Trying to Beat the System*

SACRAMENTO – K. Hovnanian Homes', KB Home's and D. R. Horton's subcontractors were uncovered by the Construction Trades Compliance Program (CTCP) for illegally hiring electricians at California job sites. In March 2011, KB Home's electrical contractor, Republic Electric, was found employing electricians who lacked proper certification at a site in Folsom. At a K. Hovnanian Homes' job site in Rancho Cordova, investigators from CTCP discovered six electricians employed by HDD Electric without certification. And, at a job site in Roseville, D.R. Horton's subcontractor, Black Diamond Electric, was identified to be employing at least two unsupervised and uncertified electricians. In each instance, subcontractors were in direct violation of California Labor Code Section 3099.2, which stipulates anyone performing work as an electrician for C-10 electrical contractors shall hold an electrical certification card issued by the Division of Apprenticeship Standards (DAS). DAS is required by the Labor Code to report violations to the Contractors State License Board (CSLB). CTCP notified the appropriate state agencies and submitted reports to the CSLB. These national builders' subcontractors are contributing to the thriving world of the underground and semi-underground construction economy in California.

“The underhanded actions of these contractors and subcontractors are reflective of the underground economies and estimated to cost state and local governments approximately \$1 billion dollars,” said Bruce Wick, Director of Risk Management for the California Professional Association of Specialty Contractors (CALPASC). “Ethical contractors are not sitting idly by while they lose work to cheaters. Instead, we have implemented programs like CTCP and CALPASC's LEVEL Program, which are focused on identifying and catching violators who are side-stepping the law for personal gain.”

In 2010, CSLB established a zero-tolerance enforcement policy and is legally required to open an investigation and initiate disciplinary action against a contractor (which may include license suspension or revocation) within 60 days of receipt of a referral or complaint from the Department of Industrial Relations' Division of Apprenticeship Standards (DAS).

Launched in February 2011, CTCP relies on investigative experts responding to anonymous tips, visiting job sites, collecting information and conducting research on contractors' and subcontractors' certification compliance. The program has a network of investigators to respond to complaints and has additional site visits scheduled. As a strategic partner of the Western Electrical Contractors Association (WECA), CTCP works hand in hand with CALPASC's LEVEL Program, a coordinated effort with state departments and agencies to ensure, among other things, that resources are allocated to the right agencies to strengthen enforcement.

“Our approach to identifying violators is proving to be quite successful,” said Brian Peters, head of CTCP. “We have been able to overcome objections on job sites, and it's becoming easier to differentiate between those who are playing by the rules and those who are not.”

The underground and semi-underground economies consist of contractors who refuse to comply with state laws and regulations and conduct illegal business by hiring individuals without proper certifications, not training employees, under reporting payroll, not obtaining workers' compensation insurance or paying compensation premiums and more.

“Our members support programs like CTCP and the LEVEL Program because they send a strong message to contractors breaking the rules that they can't skate under the radar without getting caught,” said Terry Seabury, WECA's Executive Director and CEO. “Our members are tired of having the investment they make in training, safety and quality put them at a financial disadvantage when bidding against contractors that do not have the same priorities.”

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The California Professional Association of Specialty Contractors is a nonprofit 501(c)6 trade association advocating on behalf of trade contractors and suppliers of building materials in California. CALPASC is committed to educating members on complex issues and advancing safety and compliance within the building industry.