2007 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2405 STATUS: A-Engrossed

SUBJECT: Expand Building E-Permitting Pilot System Statewide

GOVERNMENT UNIT AFFECTED: Department of Business and Consumer Services

PREPARED BY: Dawn Farr **REVIEWED BY:** Robin LaMonte

DATE: March 26, 2007

	2007-2009	2009-2011
EXPENDITURES:		
Personal Services	\$ 1,334,163	\$ 2,051,440
IT Professional Services Contract	\$ 1,293,051	\$ 2,757,068
Services and Supplies	\$ 1,268,635	\$ 1,150,132
Capital Outlay	\$ 520,000	\$ 0
Payments to Local Jurisdictions	\$ 198,466	\$ 1,036,984
Total	\$ 4,614,315	\$ 6,995,624
	2007-2009	2009-2011
REVENUES:		
Surcharge – Other Funds	\$ 5,362,892	\$ 8,045,713
Existing Permit and Licensee Balance – Other Funds	\$ 250,000	\$ 250,000
Total	\$ 5,612,892	\$ 8,295,713
POSITIONS / FTE:	13/9.50	13/13.00

EFFECTIVE DATE: On passage

GOVERNOR'S BUDGET: This bill is anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure directs the Department of Consumer and Business Services (DCBS) to expand the scope of its current electronic building permit system pilot project statewide. The measure allows DCBS to impose a surcharge of up to five percent on permit fees or five percent of total hourly charges collected. The surcharge, however, can be waived if surcharge revenue exceeds the Department's actual costs of developing and administering the building codes system. The surcharge fee sunsets on January 2, 2018.

The DCBS currently has in place a pilot program for E-Permitting that covers six jurisdictions: Beaverton, Hillsboro, Milwaukie, Portland, Clackamas, and Washington. This measure would expand this project to an additional 132 local jurisdictions. The expansion would allow for the following webbased activities: submittal and tracking of construction plan review, permitting, inspection scheduling and tracking, and permit and surcharge payment. This information would also become a statewide repository for building information and could be used for emergency management purposes.

DCBS would phase-in the 132 jurisdictions over a five biennia period beginning with the 2007-09 biennium and ending with the 2015-17 biennium. The total five biennia cost is estimated to be \$45.8 million. The immediate costs for the 2007-09 and 2009-11 biennia would be \$4.6 million and \$7.0 million respectively. Costs include personal services, expenditures for information Technology Professional Services Contracts, Services and Supplies, Capital Outlay and Payments to Local Jurisdictions.

The measure allows the Department to charge up to a five percent surcharge to cover actual costs. The Department, however, has based its fiscal impact on a four percent rather than a five percent surcharge. This would generate \$5.4 million Other Funds for the 2007-09 biennium and \$8.1 million for the 2009-11 biennium. The surcharge revenue collection would begin on January 1, 2008. The revenue figures allow for an ending balance of \$748,577 for the 2007-09 biennium and \$1.1 million for the 2009-11 biennium.

DCBS notes that it may need to use \$5 million of Other Funds permit revenue (boilers, structural mechanics, and electrical) over the ten-year project, in addition to the four percent surcharge, if surcharge revenue is insufficient to cover actual expenditures or issues associated with cash flow. The amount is estimated to be \$250,000 for each of the next two biennia. At least initially, these funds would be necessary to meet cash flow issues associated with expenditures that would start occurring July 1, 2007 while surcharge revenue would not begin until after January 1, 2008.

The Agency's budget bill has passed out of the Joint Committee on Ways and Means with the funding necessary to implement this bill.