

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

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**MEASURE NUMBER:** HB 2405                               **STATUS:** Original  
**SUBJECT:** Expand Building E-Permitting Pilot System Statewide  
**GOVERNMENT UNIT AFFECTED:** Department of Business and Consumer Services  
**PREPARED BY:** John F. Borden  
**REVIEWED BY:** Robin LaMonte  
**DATE:** February 13, 2007                               <REVISED>

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	<u>2007-2009</u>	<u>2009-2011</u>
<b>EXPENDITURES:</b>		
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

	<u>2007-2009</u>	<u>2009-2011</u>
<b>REVENUES:</b>		
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 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 web-based 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 (9.50 FTE) and \$7.0 million (13 FTE) respectively, both of which are based on 24-months of cost.

DCBS has five primary categories of costs associated with this measure. They are:

1. Personal Services:
  - Information Management Division: IMD would add an IT manager position, seven Information Specialist positions, and one Research Analyst position. For the 2007-09 biennium the cost is \$898,174 (nine positions; 6.00 FTE) and \$1.5 million (nine positions; 9.00 FTE) for the 2009-11 biennium.
  - Building Codes Division: BCD would add three policy analyst positions and one administrative support position. For the 2007-09 biennium the cost is \$435,989 (four positions; 3.50 FTE) and \$556,451 (four positions; 4.00 FTE) for the 2009-11 biennium.
2. IT Professional Services Contracts: This includes professional service contracts for information technology consulting services, programming and quality control. For the 2007-09 biennium the cost is \$1.3 million and \$2.8 million for the 2009-11 biennium.
3. Services and Supplies: These costs are for employee travel, training, office expense, data processing, computer equipment, rent, and other related expenses. For the 2007-09 biennium the cost is \$1,268,635 and \$1,150,132 million for the 2009-11 biennium.
4. Capital Outlay: These costs are for data processing software and hardware. For the 2007-09 biennium the cost is \$440,000 for software and \$80,000 for hardware for total of \$520,000. There are not similar costs reported for the 2009-11 biennium.
5. Payments to Local Jurisdictions: There would also be payments from DCBS to local jurisdiction in the amount of \$66,155 per jurisdiction for costs to plan and implement E-Permitting. For the 2007-09 biennium the cost is \$198,466 and \$1.0 million for the 2009-11 biennium.

As noted, 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.

*The Legislative Fiscal Office has revised the following information based upon further conversation with the DCBS:*

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 Legislative Fiscal Office (LFO) raises the issue of the use of permit revenue as a source of financing for E-Permitting expenditures since the measure does not address this as a revenue source.

The Department has stated that it will purchase an “off-the-counter” commercial application and that it will explore the availability of federal and possibly state grants based upon the tangential use of the E-Permitting application for emergency management purposes.

The measure is included in the Governor's recommended budget. The measure does not require a subsequent referral to the Joint Committee on Ways and Means at this time. LFO will monitor the measure's progress through the legislative process and make any budget adjustments that may become necessary.