

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

MEASURE NUMBER: HB 2654 **STATUS:** B-Engrossed
SUBJECT: Relating to construction contractors
GOVERNMENT UNIT AFFECTED: Construction Contractors Board
PREPARED BY: Dawn Farr
REVIEWED BY: Deborah Manthe
DATE: May 31, 2007

EXPENDITURES: See Comments.

REVENUES: See Comments.

EFFECTIVE DATE: January 1, 2008.

GOVERNOR'S BUDGET: This bill is not 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: The bill requires Construction Contractor to maintain insurance that provides liability coverage for completed work; directs the Construction Contractors Board (CCB) to require all contractors to take continuing education courses; establishes standard notice and contract requirements for contractors; requires contractors to offer warranties which can be refused by the purchaser; allows the contractor to withdraw the offer to build if the warranty is refused; requires the contractor to provide maintenance information to the purchaser and to use standard terms; disallows liens if the contractor fails to provide a written contract; allows a one-day period for purchaser to cancel a contract; phases in \$5,000 increases to contractor surety bond requirements; allows CCB to investigate applicants for past court judgments, criminal charges and other administrative orders; clarifies that a judgment or civil penalty arising from a construction related business activity is a construction debt; expands the information that must be disclosed to CCB when applying for a license; expands CCB's ability to suspend or refuse to issue a license and issue civil penalties; expands emergency suspension powers of CCB to include unpaid construction debt, court judgments and other administrative orders; and, expands authority for CCB to issue cease and desist orders, stop work orders, orders of corrective action, and civil penalties for licensed and unlicensed contractors.

CCB indicates that the anticipated fiscal impacts resulting from implementation of this bill are expected to be minimal and can be assumed with existing resources for the 2007-2009 biennium. However, the Board also expressed concern that if this bill passes, along with all other pending legislation, the cumulative volume of required rulemaking would exceed the Board's existing budgeted capacity for this activity. The Board further indicates that there are components of the bill that have a potential fiscal impact in the 2009-2011 biennium. The table the follows summarizes the fiscal impacts associated with the bill by captions and related sections.

Summary of Fiscal Impacts by Captions and Related Sections

Sections: Caption	Related Fiscal Impacts and Assumptions
Section 1-3: Continuing Education	CCB anticipates a minimal fiscal impact associated with this activity assuming: 1) Administrative rules are limited to defining required number of hours and course content; 2) Reporting of continuing education completed is a self-certification process where licensing applicants certify by checking a box that they have met the requirements; and, 3) CCB invests no resources to evaluate or approve education providers or classes, and does not verify that applicants actually completed appropriate courses. The potential impact of this additional requirement on licensing revenues is unknown at this time, but is expected to be minimal. The Board does not expect to receive Other Fund revenues from fees for courses.
Section 4-9: Written Contracts	CCB anticipates a minimal fiscal impact associated with this activity. This process will require the Board to write rules and to modify contractor education materials. CCB anticipates that this rulemaking activity will be more complex than a standard rulemaking due to the need to research contracting language and ensure broad public involvement.
Section 10-11: Warranty Section 12-18: Required Deliveries Section 19-20: Insurance	CCB indicates that the activities associated with these sections would not have a fiscal impact on the Board. Implementation of the sections would require non-complex rulemaking, updating of contractor education materials and/or modification of existing forms.
Section 22: Bonding	This section increases surety bond amounts for initial license applications on January 1, 2008, and for renewals on July 1, 2009. Reviewing surety bonds is already build into the initial application process, so CCB anticipates no fiscal impact associated with changing the bond requirement for initial applicants. CCB indicates that ensuring that new bonding requirements are met for renewals would increase application review and document scanning time. The Board anticipates needing a full-time limited duration Office Specialist 2 position to process the additional workload created by the bill for the entire 2009-11 biennium. Other Fund expenditures are expected to b \$99,148.
Section 23-27: Ownership/ Management	These sections require CCB to write rules, modify licensing forms, and update contractor education materials. The Board anticipates needing some assistance from the Attorney General (AG) during this rulemaking process. The agency receives some budget for AG costs, and anticipates that costs associated with this activity can be assumed with existing resources.
Section 28-29: Sanctions	These sections expand CCB's enforcement authority. The Board indicates that the potential impacts associated with this bill are unknown at this time. Having expanded authority provides the agency with a broader range of enforcement options. It is not known at this time whether implementation might contribute to increased enforcement actions and legal costs.

For purposes of this fiscal impact statement, the Legislative Fiscal Office assumes that this single measure would not necessarily require CCB to hire additional staff. However, it does require the allocation of staff resources, without identifying what duties and responsibilities of those staff would be re-prioritized. Given that other bills are pending before this Legislative Assembly that would also require an expenditure of CCB staff time, the cumulative effect of workload from the enactment of this bill along with others may exceed levels assumed in the CCB budget. If this occurs additional resources may be required to implement this bill.