

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

---

**MEASURE NUMBER:** HB 3242                      **STATUS:** A-Engrossed  
**SUBJECT:** Construction Contractor Licensing  
**GOVERNMENT UNIT AFFECTED:** Construction Contractors Board  
**PREPARED BY:** Dawn Farr  
**REVIEWED BY:** Deborah Manthe  
**DATE:** May 10, 2007

---

	<u>2007-2009</u>	<u>2009-2011</u>
<b>EXPENDITURES:</b>		
Personal Services	\$ 304,147	\$ 345,934
Services and Supplies	\$ 86,725	\$ 20,100
Total Other Fund Expenditures	\$ 390,872	\$ 366,034

**REVENUES:** See Comments.

**POSITIONS / FTE:**

Office Specialist 2, Program Analyst 2, Info. Specialist 6	3/2.5	3/3
--	-------	-----

**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 creates two new Construction Contractors Board (CCB) license endorsements: General Commercial Contractor and Specialty Commercial Contractor with each endorsement having two levels: Level I and Level II contractor (entry level contractor). The bill also sets new surety bonding requirements; modifies definitions of a residential structure and small commercial structure; changes claims filing procedure; establishes new experience and continuing education requirements; creates a new construction building envelope warranty; requires Commercial Independent Contractors to provide personal election workers' compensation insurance as a condition of licensure; changes requirement for small commercial contractor and requirements for renovation or other tenant improvements on a leasehold or rental unit within a large commercial structure; and modifies CCB composition.

CCB indicates that the provisions of this bill impact several key business processes including licensing, surety bond management, continuing education tracking and claims procedures. The Board will need an additional three positions to manage the workload resulting from the bill. Total Other Fund expenditures are estimated to be \$390,872 for 2007-09 and \$366,034 for 2009-11 biennia. These expenditures include Personal Services of \$304,147 for 2007-09 and \$345,934 for 2009-11 biennia, and related Services and Supplies costs of \$86,725 (includes publication costs, see below) for 2007-09 and \$20,100 for 2009-11 biennia. The table that follows details the bill related tasks that will be completed by each new position.

## Summary of Position Needs and Tasks Required by the Bill

Position	Key Tasks Assigned
Office Specialist 2 (OS2)	The bill creates new licensing endorsements for commercial contractors, and modifies related surety bond requirements. Of the 46,000 licensed contractors, CCB expects 15,000 commercial contractors will be impacted by this change. Of the 15,000, CCB estimates that 8,000 will also seek residential endorsement. Dual endorsements will require the contractor to obtain a second surety bond. The Board anticipates that these changes will result in an addition 23,000 pages of information to review and image per biennium. The combined time of processing new endorsements, reviewing surety bonds and imaging paperwork is expected to occupy one OS2 position full-time. This position would be hired beginning July 1, 2008, which is the operative date for the new licensing endorsement and surety bond requirements.
Program Analyst 2 (PA2)	Currently CCB only tracks continuing education for home inspectors, the bill expands continuing education requirements to include commercial contractors. The Board will need to identify qualifying education, establish monitoring and tracking processes and design a database to effectively implement this component of the bill. The changes in licensing activities will also require numerous rule revisions, which will be coordinate in part by this position and by other existing staff. Finally, the Board will need to modify numerous forms and educational materials. This position is expected to also provide support with these tasks. This position would be hired July 1, 2007.
Information Specialist 6 (IS6)	The changes in licensing, surety bond expectations and continuing education requirements will require significant modification to existing business systems and databases. CCB indicates that they will not be able to effectively support implementation of the bill without bringing the Board's technology support systems into alignment with the revised business products and processes. This realignment of systems would be the primary task of the IS6 position. This position would be hired July 1, 2007.

The changes in licensing and bonding structures will need to be communicated to the industry, and the Board typically does this through issuing newsletters and by making modifications to the CCB Website. The Board anticipates issuing two additional newsletters. Publications and mailing costs are \$20,000 per newsletter for a total cost of \$40,000. Existing staff will also assume some of these duties with support from the new PA2 position

The Board anticipates that new definitions of a residential structure and small commercial structure, and changes in claim filing procedures could potentially increase claims filed under Dispute Resolution Services. The Board also anticipates that violations of noncompliance with licensing requirements might also increase, at least initially. The potential impacts resulting from claims and licensing violations are indeterminate at this time, but not expected to materialize until January 2009. Given this noted uncertainty, the agency may need to return to the Emergency Board if budgeted resources prove insufficient to cover the actual costs of this measure.

The bill does not change the current fee structure for licenses. The impact to licensing revenues resulting from the new endorsements is indeterminate at this time. The Board anticipates that any potential revenue impacts would be minimal.

The Joint Committee on Ways and Means has received several bills that create fiscal impacts for CCB. The Legislative Fiscal Office recommends that this bill be referred to Ways and Means so that the staffing needs of this bill can be considered along side other proposed legislation.