

Construction Contractors Board

Rob Yorke, Chair
Roger Nyquist, Vice-Chair
Craig P. Smith, Administrator

February 25 and 26, 2013
2013-2015 Biennium



SB 5513

BUDGET PRESENTATION

Joint Ways and Means

Subcommittee on General Government

Sen. Elizabeth Steiner Hayward and Rep. Greg Smith, Co-Chairs

Sen. Betsy Johnson, Rep. David Gomberg, Rep. Nancy Nathanson, and Sen. Doug Whitsett

CCB Budget Presentation

February 25-26, 2013

Chapters

1. Mission, Goals, Objectives, and History
2. Program Summaries and Target Groups
3. Agency Organization
4. Key Performance Measures (KPM) (*see appendix for full report*)
5. Budget Drivers and Environmental Factors
6. Program Changes
7. Efficiencies and Program Adjustments
8. Detailed Budgetary Issues
9. HB 2020 (2011) and HB 4131 (2012) (N/A – under 100 employees)
10. Audits
11. Position Re-classes (*see appendix*)
12. Summary of Agency Legislation
13. Summary of IT and Capital Improvement Projects
14. Update Governor's 10 Year Plan (*see appendix*)

Construction Contractors Board (CCB): Administrator Comment

The State of Oregon, Construction Contractors Board (CCB) is the agency tasked with licensing and regulating construction contractors.

The agency was created by the legislature to allow the legislature and the Board the means necessary to provide a regulatory system that promotes protections for consumers and Oregon workers, which is necessary to facilitate economic growth in the construction industry.

Properly structured and administered, regulations facilitate, promote and maintain economic growth.

Improper regulation, or poorly administered regulations, stifle or prevent economic growth and prosperity.

In 1972, the Oregon legislature determined that the construction industry would benefit from basic regulations of homebuilders. Today, the CCB regulates both residential and commercial contractors.

At its core, CCB facilitates economic prosperity by ensuring that regulations designed to protect Oregon citizens are properly adhered to, and contractors are held accountable for their business practices. This allows the agency to have a positive affect on consumer confidence, which serves to improve demand for industry products, and the overall safety and well being of Oregonians.

Primarily this includes:

- Oregon consumers, and
- Oregon workers.

The task is to balance necessary protective regulations with the freedoms contractors need for the economy to prosper.

Construction Contractors Board

VISION

A fair, honest, and competitive construction industry in Oregon providing improvements to real property in a manner that ensures consumer rights.

MISSION STATEMENT

The Construction Contractors Board protects the public's interest relating to improvements to real property. The Board regulates construction contractors and promotes a competitive business environment through education, contractor licensing, dispute resolution, and law enforcement.

1. Goal: Protect Oregon consumers of construction related services.

1a. Efficiently maintain and share, on request, public records for licensed contractors.

LIC; IT

1b. Ensure that all licensed contractors have an adequate level of business competency.

LIC; ED

1c. Educate consumers of their rights and responsibilities and the services and authority of the CCB.

ED; LIC

1d. Provide timely and effective investigations of unlawful acts and sanction appropriately.

ENF

1e. Hold contractors financially accountable for their business practices.

DRS; ENF

2. Goal: Provide excellent customer service to all who wish to use our services.

2a. Maximize participant's perception of fairness given the requirements of due process under the law.

DRS

2b. Facilitate public access to Construction Contractors Board information as efficiently as possible.

LIC; ED; IT

2c. Provide and maintain appropriate equipment and technology for the efficient operation of the CCB.

ALL

2d. Empower staff with knowledge to do their jobs well within a changing industry, legal, and work environment.

ALL

2e. To hire the best applicants possible and manage and motivate to the highest level of professionalism possible.

ALL

2f. Efficiently process claims.

DRS

3. Goal: Regulate in a manner that supports a fair, honest, and competitive business climate in the construction industry.

3a. Efficiently license and renew all construction businesses required by law in a business friendly manner.

LIC; ED

1.2 Agency Historical Perspective

HISTORY	
<u>1971</u>	<ul style="list-style-type: none">➤ Builders Board Created by Legislature:<ul style="list-style-type: none">○ Purpose: Regulate residential contractors○ Mission: Consumer Protection
<u>1989</u>	<ul style="list-style-type: none">➤ Builders Board becomes the Construction Contractors Board:<ul style="list-style-type: none">○ Purpose: Regulate all construction contractors○ Mission:<ol style="list-style-type: none">1. Consumer protection2. Create fair, equitable, and competitive environment in the construction industry
<u>1992</u>	<ul style="list-style-type: none">➤ 16 hours of education required of new licensees
<u>1995</u>	<ul style="list-style-type: none">➤ License individuals and businesses involved in lead-based paint inspection and abatement beginning July 1, 1995.
<u>1997</u>	<ul style="list-style-type: none">➤ Certify individuals that perform home inspections beginning July 1, 1997.
<u>2000</u>	<ul style="list-style-type: none">➤ Test required of new contractors beginning July 1, 2000.➤ CCB “Registration” changes to “License”.

2001

- **Discipline contractors for improper substitution of subcontractors on public works projects.**
- **Allow licensees to put their license in inactive status.**
- **Arbitration set as default hearing method in DRS complaints.**

2003

- Claim fee and notice requirements to file a DRS complaint on residential structures.
- Homeowners must give contractor notice regarding construction defects.
- Requires disclosure of first tier subcontractors on public improvement projects.
- Exempts worker leasing companies from CCB licensure.

2005

- HB 2078 creates Taskforce on Construction Claims.
- Definition of Independent Contractor revised.
- Workers bond requirements on public works projects (BOLI bond).

2007

- **Prohibited installation of barrier-type insulation and finish systems.**
- **Created bond alternative for nonprofits rehabilitating drug houses.**
- **Exemption for house flipping.**
- **Created two endorsement categories (residential and commercial) established.**
- **Bonds increased by \$5,000 (\$20,000, \$15,000 or \$10,000) for residential endorsements and for commercial endorsements increased to \$75,000, \$50,000 or \$20,000 depending on type of endorsement.**
- **Contracts to have standard language.**
- **RMI must exercise management or supervisory authority.**

➤ **Warranties:**

- **Commercial general contractors (level 1 & 2) that construct new large commercial structure must provide the owner with a 2 year warranty against defects in materials and workmanship of the building envelope.**
- **Contractors that construct a new residential structure must offer to the first purchaser or owner a written warranty against defects in material and workmanship for the structure.**

➤ **Maintenance schedules on new residential structures required.**

➤ **Continuing education required.**

➤ **Experience requirements for commercial endorsements.**

➤ **Workers' compensation requirements for commercial endorsements.**

➤ **Applicant or licensee unfit for licensure.**

➤ **Authorization to create Field Investigation Unit.**

2009

- **Requires consumer protection notices for speculative home sales. (Amends ORS 701.330).**
- **Created two endorsements for contractors' licenses – residential and commercial. Each requires a separate bond, either a residential bond or a commercial bond.**
- **Permits one-day cancellation only for residential, custom construction. No one-day cancellation applies to contracts to purchase homes built for speculative sale. (Amends ORS 701.310).**
- **Contractors that are licensed without employees (“exempt”) may lose their license if they hire employees. (Amends ORS 701.035 and 701.098).**
- **Information Notice to Owner: The new law increases the amount from \$1,000 to \$2,000. (Amends ORS 87.093).**
- **Created an Interagency Compliance Network (ICN) comprised of several state agencies, including CCB.**
- **A licensed landscape contracting business is exempt from the CCB laws when operating within the scope of its license. (Amends ORS 701.010).**

2009

- **The period when a license may lapse and still be renewed is extended from one year to two years. (Amends ORS 701.063).**
- **Lead-Based Paint effective May 2010:**
 - **Legislature adopted federal law regulating contractors that renovate target housing or child-occupied facilities**
 - **Contractors must be licensed by CCB as certified LBP renovation contractors.**
 - **Contractors must follow lead-safe work practices.**
- **Required certification of locksmiths. (ORS 701.475-701.490)**
- **Removes the requirement that the written contract must acknowledge the maintenance schedule. (Amends ORS 701.305).**
- **A contractor submits certain personal information, including date of birth and driver's license number, to obtain a license. The new law makes this information confidential.**

2009

- **The Department of Energy (DOE) will administer a loan program for owners to obtain to contract for sustainable energy projects, including weatherization. CCB will certify the contractors qualified to work on the projects**
- **A contractor must offer a warranty for speculative home sales as well as for residential, custom construction projects. (Amends ORS 701.320).**
- **A written contract must contain a “list” of notices rather than a “summary” of notices. (Amends ORS 701.305).**

2010

- **Amended the Homebuyer Protect Act to eliminate the option for a buyer to waive protection under the act.**

2011

- **Dispute Resolution Service program is limited to mediation of disputes.**
- **Complaints filed with the CCB on or after July 1, 2011, bonding companies will pay an amount determined by CCB. CCB will no longer issue proposed and/or final orders subject to administrative review, but, instead, will issue determinations ordering payment.**

- 2011**
- **Allows CCB to exempt certain practices from home inspections certification requirements. (Amends ORS 701.350)**
 - **Exempted certain agricultural practices from CCB licensure requirements. (Amends 701.010)**
 - **Revised the Notice of Defects law. (Amends 87.005, 87.018, 205.234)**
 - **Directs CCB to adopt criteria for allowing exemption of a residential contractor from Board rules requiring certain types of continuing education or training. (Amends 701.005 and 701.139)**

- 2012**
- **Lead-Based Paint Poisoning Prevention Clearinghouse:**
 - Effective January 1, 2013
 - Legislation: HB 4015 (Ch. 11 2012 Laws)
 - Requires Oregon Health Authority to develop and maintain lead poisoning prevention clearinghouse on its website. The bill specifies information that must be included in lead poisoning prevention clearinghouse.

2012

- **Prompt Progress Payments on Public Improvement Contracts:**
- **Legislation: HB 4034 (Ch. 4 2012 Laws)**
 - **Changes the applicable interest rate for failure to make a timely payment to nine percent per annum**
 - **Requires that a public improvement contract obligate a contractor to provide a first-tier subcontractor with a standard payment claim form and that the contractor use the same form and regular administrative procedures to process payments during the entire term of a public improvement contract.**
 - **Permits a contractor to change the form or administrative procedure if the subcontractor is notified of the new or changed form or procedure and includes in the notice the new or changed form or a description of new or changed procedure.**
 - **Established operative date 91 days after measure's effective date. The bill declares emergency, effective on passage.**

2. Program Summaries and Target Groups

Section	Target Group
<p><u>2.1 Education</u></p> <ul style="list-style-type: none">• Pre-Licensure Education and Testing• Specialty Licensing and Certificate Education and Testing• Contractor Continuing Education (Residential and Commercial)• Consumer Education	<ul style="list-style-type: none">• Construction industry• Consumers
<p><u>2.2 Licensing</u></p> <ul style="list-style-type: none">• General Contractor Licenses• Specialty Contractor and Individual Licenses and Certifications• Licenses and Certification Renewals• Customer Service	<ul style="list-style-type: none">• Construction industry including:<ul style="list-style-type: none">○ Contractors○ Bond insurance companies

Section	Target Group
<p><u>2.3 Contractor Discipline</u></p> <ul style="list-style-type: none"> • Field Investigations (FIS) • Enforcement 	<ul style="list-style-type: none"> • construction industry – both: <ul style="list-style-type: none"> • licensed <i>and</i> • unlicensed contractors
<p><u>2.4 Dispute Resolution</u></p> <ul style="list-style-type: none"> • Consumer/owner complaints, onsite mediations • Non-owner complaints, telephone mediations 	<ul style="list-style-type: none"> • Licensed construction contractors • Consumers

2.1 Education (ED) Section

Contractor Education:

- Prerequisite training
- Contractor reference manual
- Provider approval
- Prerequisite test
- Forms and publications
- E-newsletter
- Blog
- Industry articles
- Participate in IC workgroup
- Industry presentations
- Home Inspector education
- OCLS test creation and management
- Continuing education (CE) course creation
- CE provider approval
- CE course content approval

Contractor Education: Work to increase contractor competency and knowledge .

Consumer Education: Prepare consumers to make informed decisions when selecting qualified contractors.

Media/Public Relations: Respond to media and citizen inquiries.

Outputs

	FY 10	FY 11	FY 12
Reported pre-lic. students	3,288	3,294	3,370
Number of pre-lic. tests	2,847	2,341	2,215
Blog/news articles	21	9	9
Home show/events	23	20	22
Workshops/presentations	17	12	9
News releases	8	15	8
Major media coverage	3	6	6

Consumer Education:

- Home building, improvement and remodeling shows
- Community and civic group presentations
- Consumer publications
- Participate in consumer protection groups
- Consumer friendly website: www.hirelicensedcontractor.com
- Press releases and consumer alerts

Public/Media Relations:

- Answer media inquiries
- Work with media to create consumer stories
- Answer citizen letters

2.2 Licensing (LIC) Section

Responsible for:

- CCB licenses
- OCLS certifications
- LBPR licenses
- EEAST licenses
- Home Inspector certifications
- BOLI bonds

New licenses and renewals verifications and checks:

- Entity formation at Oregon Corporation Division
- Unpaid construction debt
- Criminal backgrounds
- Independent contractor license classes
- Bonding and insurance
- Continuing educations
- Workers Compensation coverage
- State and federal tax ID numbers
- Responsible Managing Individuals (RMI)
- Endorsements

Licensing ensures a measure of contractor accountability through:

- Identifying owners and officers
- Meeting bond and insurance requirements
- Having an RMI with business competency
- Identifying class of independent contractor

Customer Service Unit responds to approximately 400 telephone and e-mail inquiries by contractors, consumers and other stakeholders.

Outputs

	FY 10	FY 11	FY 12
New licenses	3,450	3,001	2,701
Renewals	17,621	16,897	15,590
Incoming calls	161,705	131,417	98,551

Maintains license records throughout license period by recording:

- New bonds, cancellations, reinstatements, and riders
- New insurance, cancellations, and reinstatements
- Endorsement changes or additions
- Personnel changes, including key employees, officers, members, partners, etc.
- RMI changes
- Independent contractor license class changes
- Active to inactive requests, and visa versa
- Addition and removal of assumed business names, and amended entity names
- License address, phone number, and email address changes
- Workers Compensation coverage changes
- State and federal tax ID number changes
- Termination requests
- Miscellaneous other actions

CCB license suspensions

- Suspend licenses for lack of insurance or bond
- Reconsiderations

2.3 Contractor Discipline

Field Investigation Services (FIS):

- Job site investigation for compliance with contractor license laws
- Saturation patrols (sweeps)
- Stings
- Interagency Compliance Network (ICN)
- Injunctions and criminal indictments
- Partnership with law enforcement agencies for criminal cases
- Partnership with Department of Revenue, Employment and Workers Compensation
- Partnership with Department of Justice, Financial Fraud

Mission: To provide a deterrent to unlawful activity.

Outputs

		FY 10	FY 11	FY 12
FIS	Random Job Site Checks	8,766	5,451	4,693
FIS	Formal Investigation – complaint based	1,061	856	705
ENF	Investigations	5,904	5,760	4,797
ENF	Suspensions	856	531	389
ENF	Civil Penalties	\$2.0M	\$1.6M	\$1.4M
ENF	Electronic Bulletin Board Stats BBS Files Opened (Craigslist)	--	--	1,329
ENF	National Sting (NASCLA)	--	--	2

Enforcement (ENF):

- Investigations
- Issue proposed orders to assess civil penalties
- Handle hearings requests
- Represent agency in contested case hearings
- Settlement negotiations
- License suspensions
- License revocations
- Reconsiderations
- Handle exceptions/appeals
- Refusals to issue licenses
- Criminal background checks
- Craigslist
- Impose bigger bond requirements
- OCLS enforcement
- LBP enforcement
- Home Inspector enforcement

2.4 Dispute Resolution (DRS) Section

Consumer Complaints:

- 50% of complaints
- Determine jurisdiction over complaints received
- Mediate disputes
- Evaluate complaints for monetary damages
- Facilitate surety bond payments
- Refer complaints for a hearing
- Refer violations of law to CCB enforcement
- Appeals to the Board
- Oregon Court of Appeals

CCB Dispute Resolution Services is an alternative to the court system to hold contractors financially responsible for business practices.

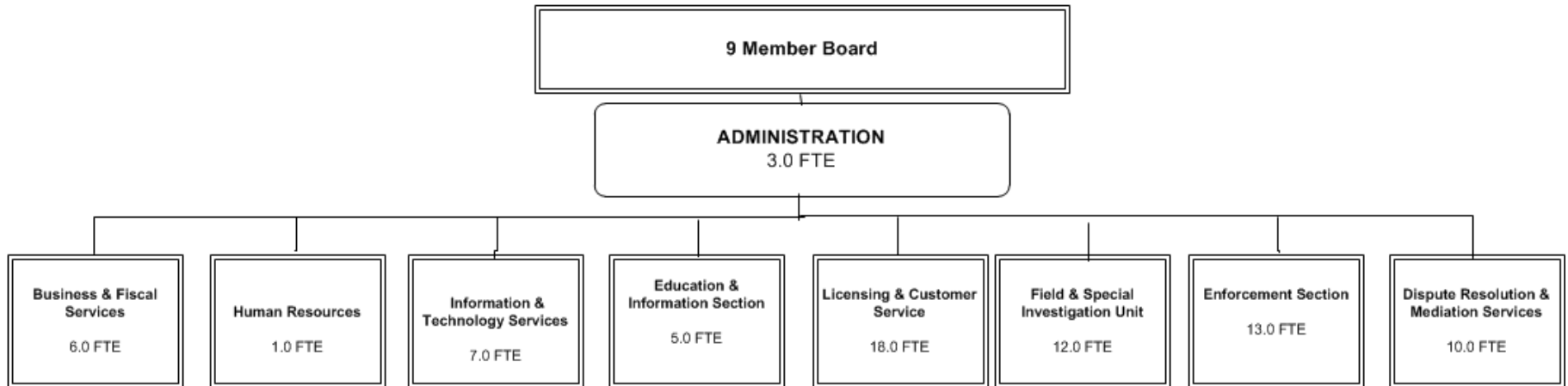
Outputs

	FY 10	FY 11	FY 12
Complaints Received	1,936	1,451	1,018
On-site Meetings Held	757	576	595
Orders to Pay	916	402	204
Hearings	288	128	63
Number of Mediated Settlements			257

Business-to-business Complaints:

- 50% of complaints
- Determine jurisdiction over complaints received
- Evaluate complaints for monetary damages
- Facilitate surety bond payments
- Refer complaints for a hearing
- Refer violations of law to CCB enforcement
- Appeals to the Board
- Oregon Court of Appeals
- Different process – large commercial complaints

3. Agency Organization

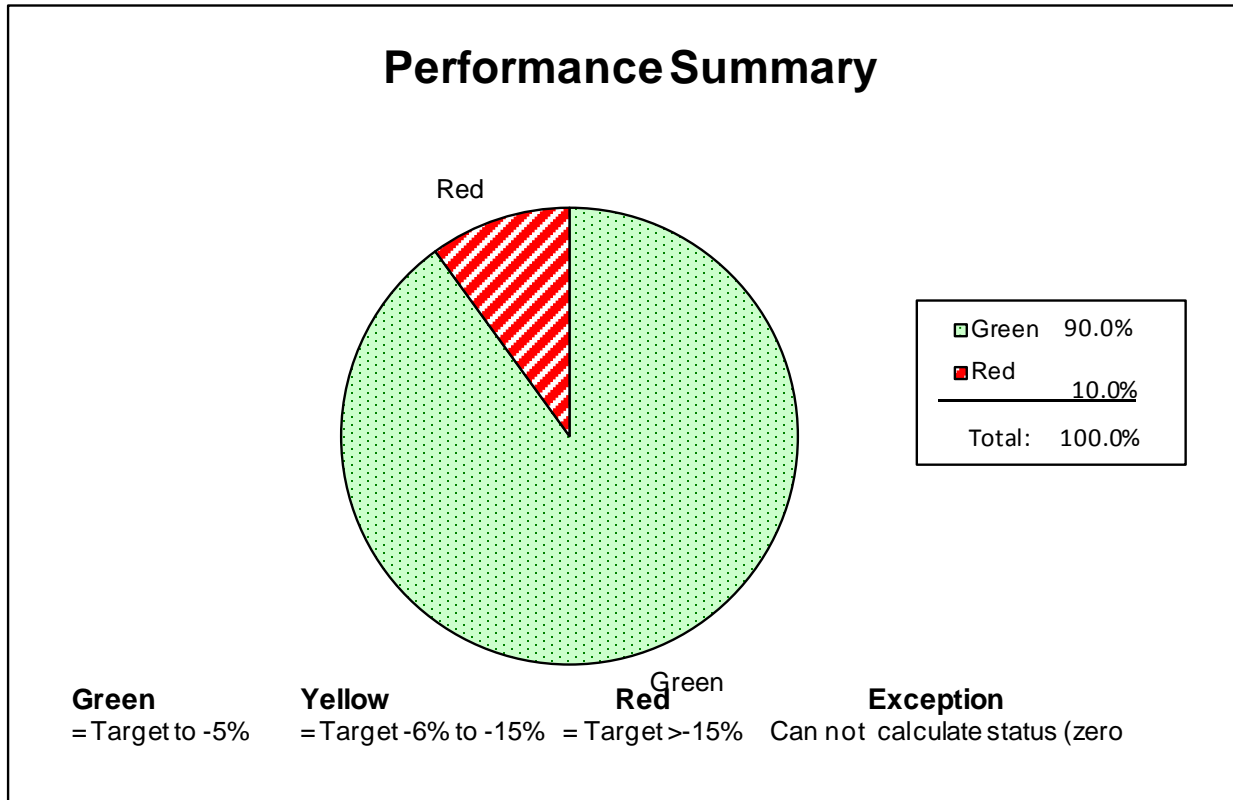


4. Key Performance Measures

KPM #	Key Performance Measures (KPMs)
1	Tested Contractors – Reduce the percent of CCB tested contractors that have a final order for damages that remain unpaid after 60 days, or that are discharged in bankruptcy.
2	Homeowner Awareness – Percent of homeowners who are aware of their rights and responsibilities and the services of CCB.
3	Unlicensed Recidivism Rate – Percent of offenders who recidivate by performing work without a CCB license within three years of first offense.
4	Contractors Who Fail to Pay Damages – Percent of licensed contractors operating in Oregon that fail to pay in full final Dispute Resolution (claims) final orders for damages.
5	Enforcement Investigations – Average days to close an enforcement investigation.
6	Dispute Resolution Final Orders – Average days to issue a dispute resolution (claims) final order.
7	Fair and Impartial Dispute Resolution Process – Percent of parties to claims who perceive claims process to be fair and impartial.
8	License and Renewal Processing – Percent of contractors satisfied with the agency’s processing of license and renewal information.
9	Customer Service - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information
10	Best Practices – Percent of best practices met by the Board.

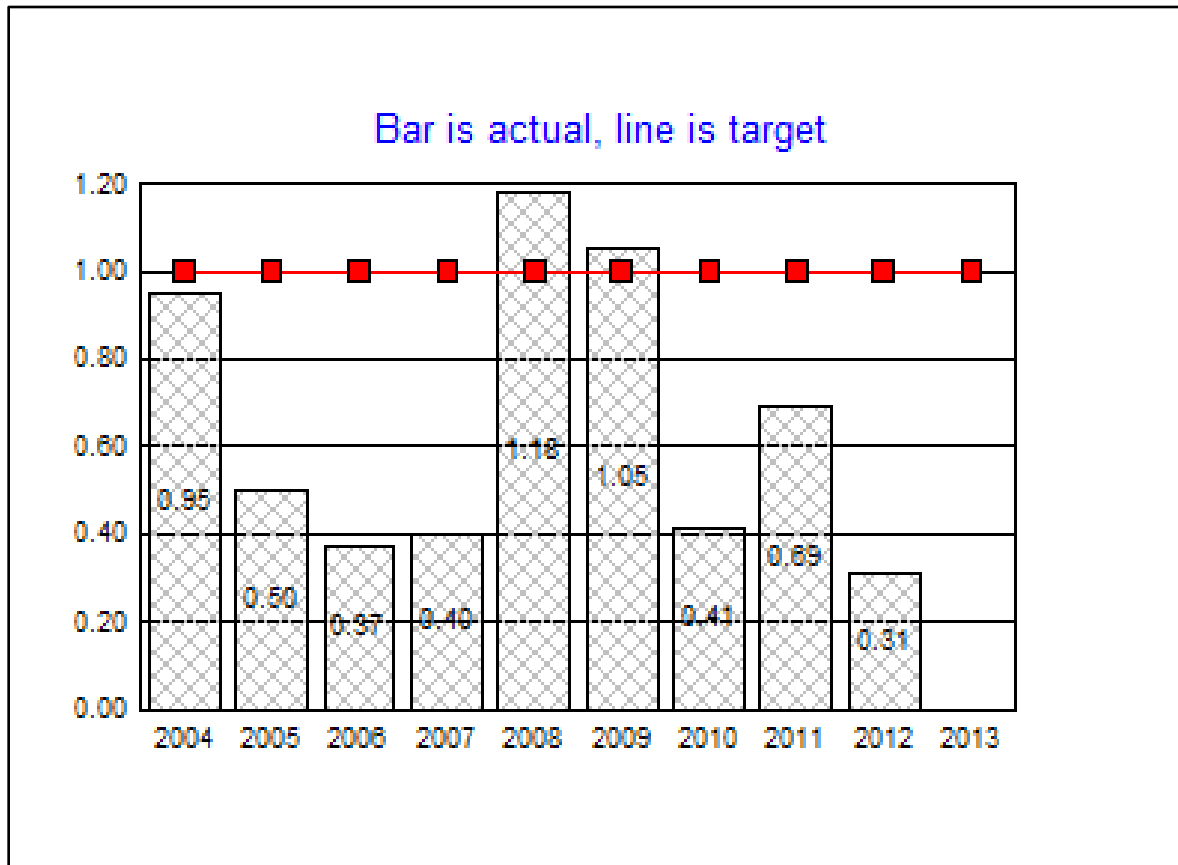
4. Agency Performance - KPM

Summary of 2012 KPMs



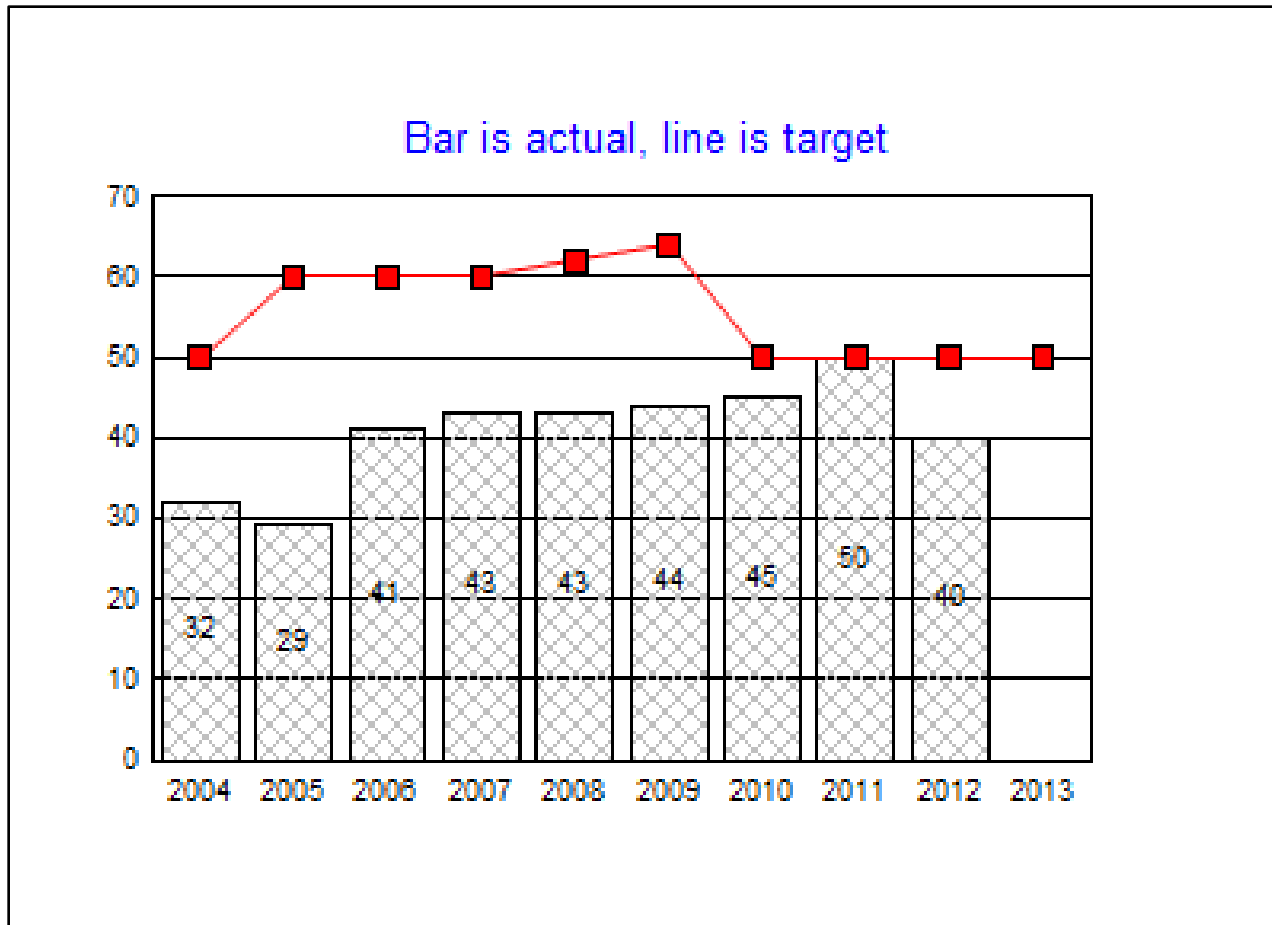
KPM 1 - Tested Contractors

Reduce the percent of CCB tested contractors that have a final order for damages that remain unpaid after 60 days or that are discharged in bankruptcy.



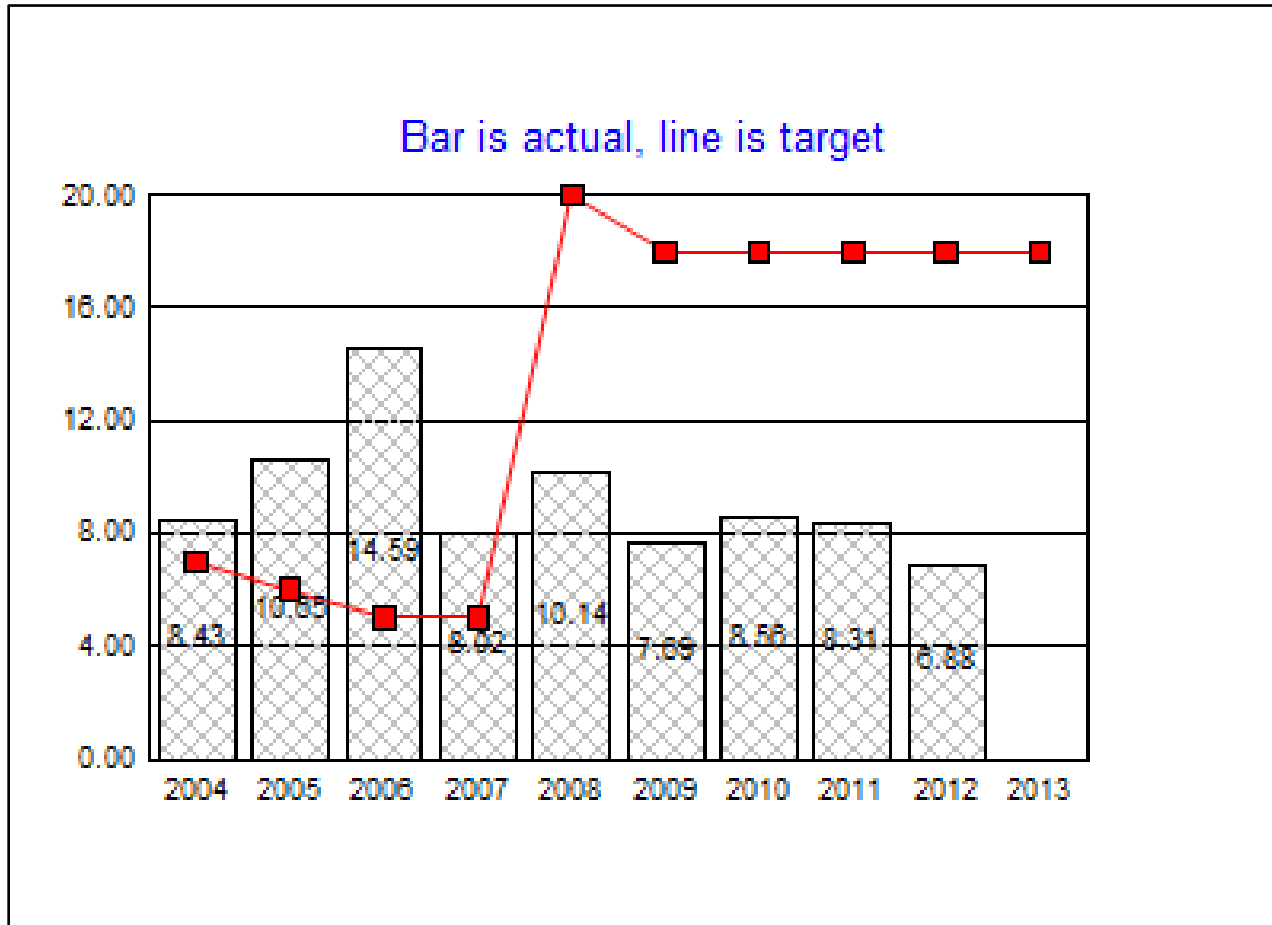
KPM 2 - Homeowner Awareness

Percent of homeowners who are aware of their rights and responsibilities and the services of CCB.



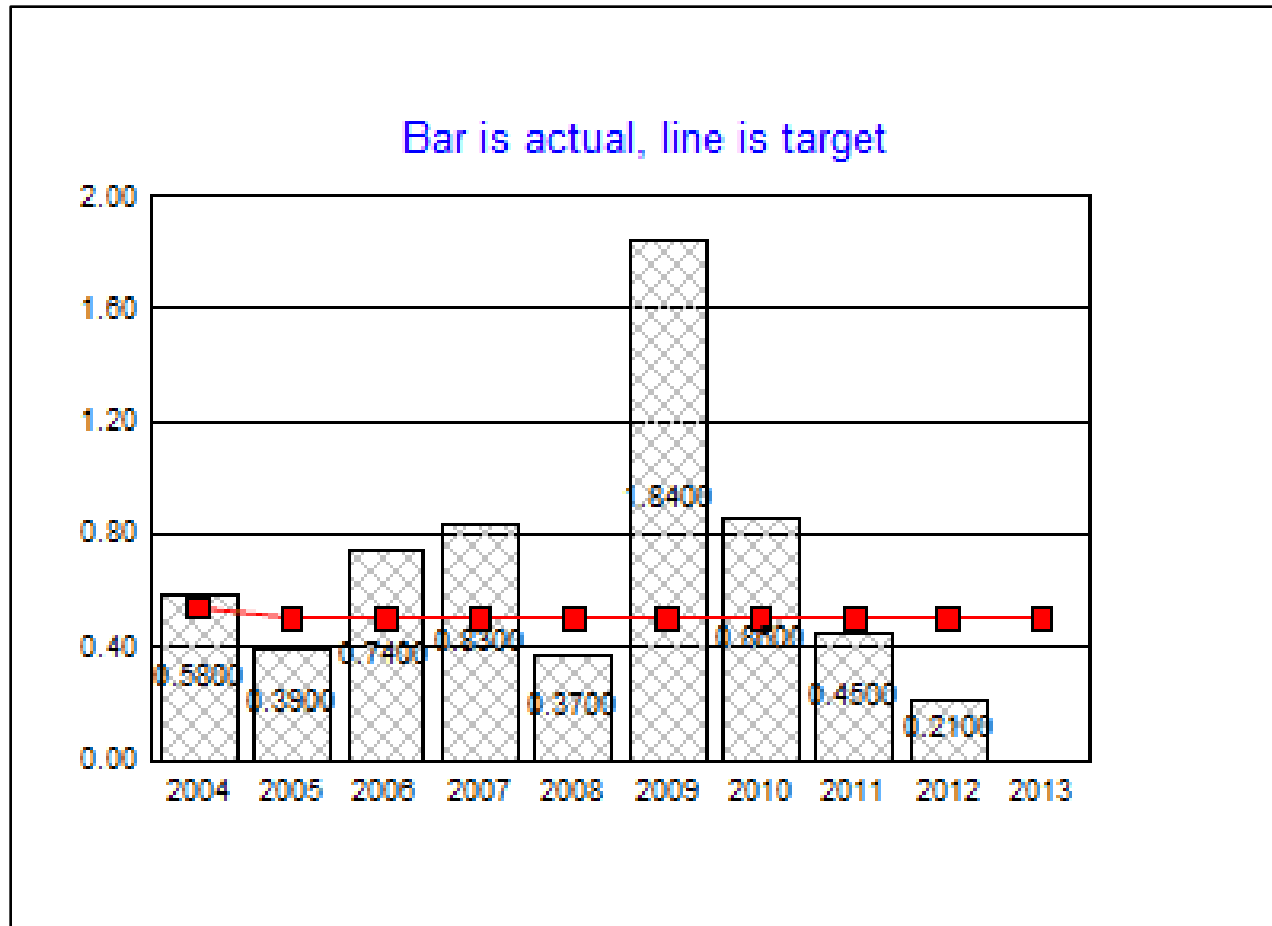
KPM 3 - Unlicensed Recidivism Rate

Percent of unlicensed contractors who reoffend by working without a license within three years of first offense.



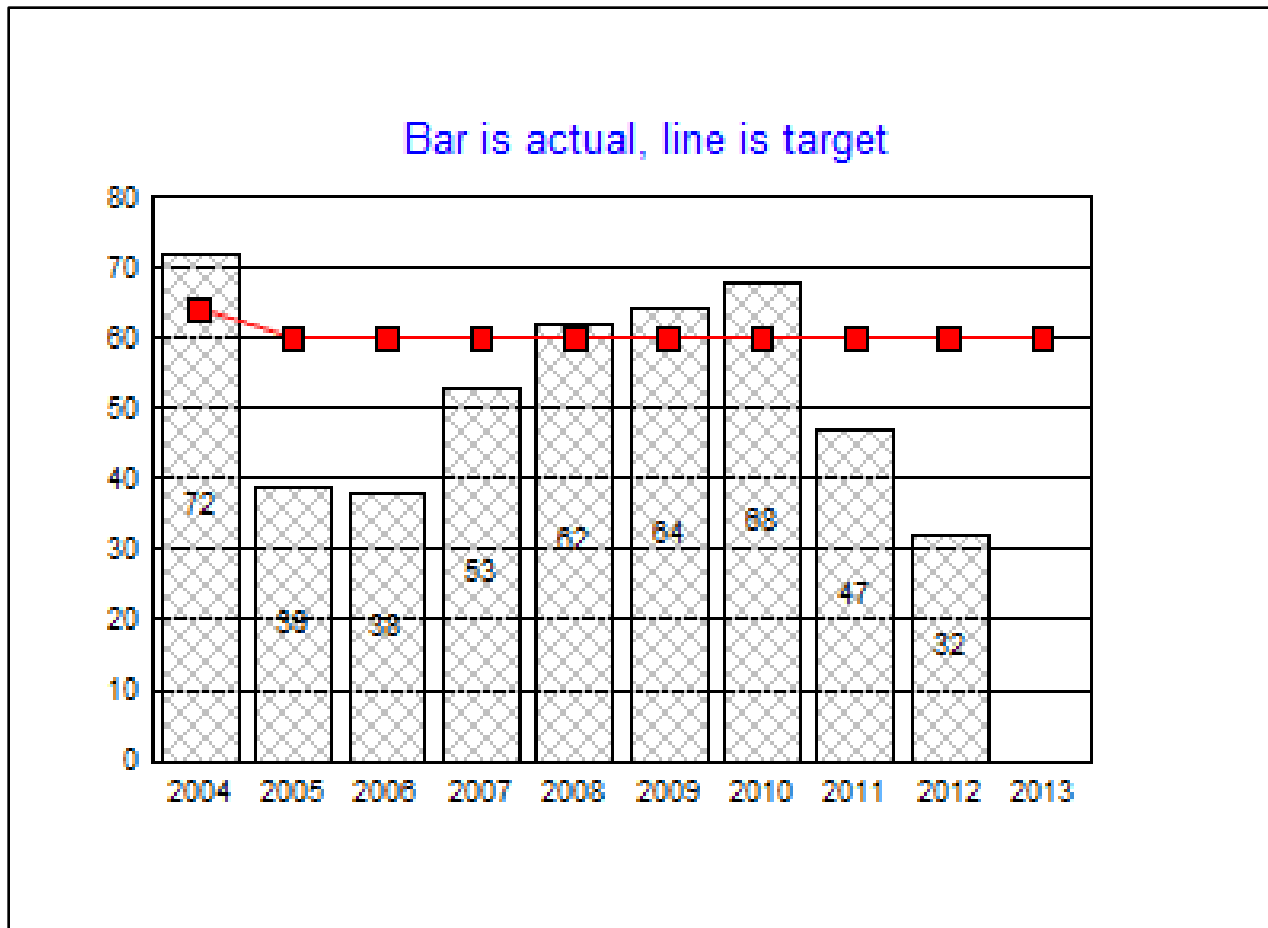
KPM 4 - Contractors Who Fail to Pay Damages

Percent of licensed contractors operating in Oregon that fail to pay, in full, Dispute Resolution (complaints) final orders for damages.



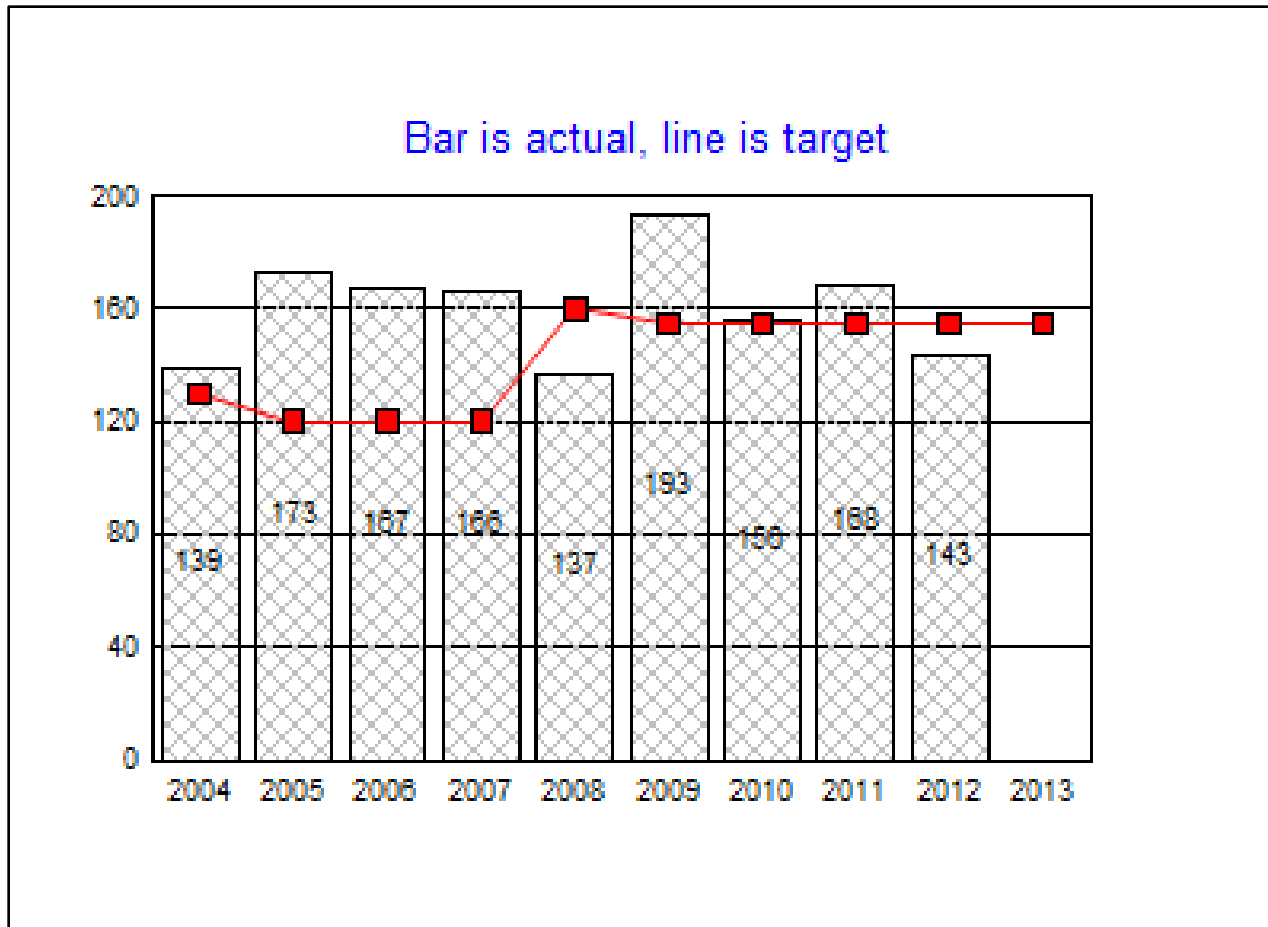
KPM 5 - Enforcement Investigations

Average days to close an Enforcement investigation.



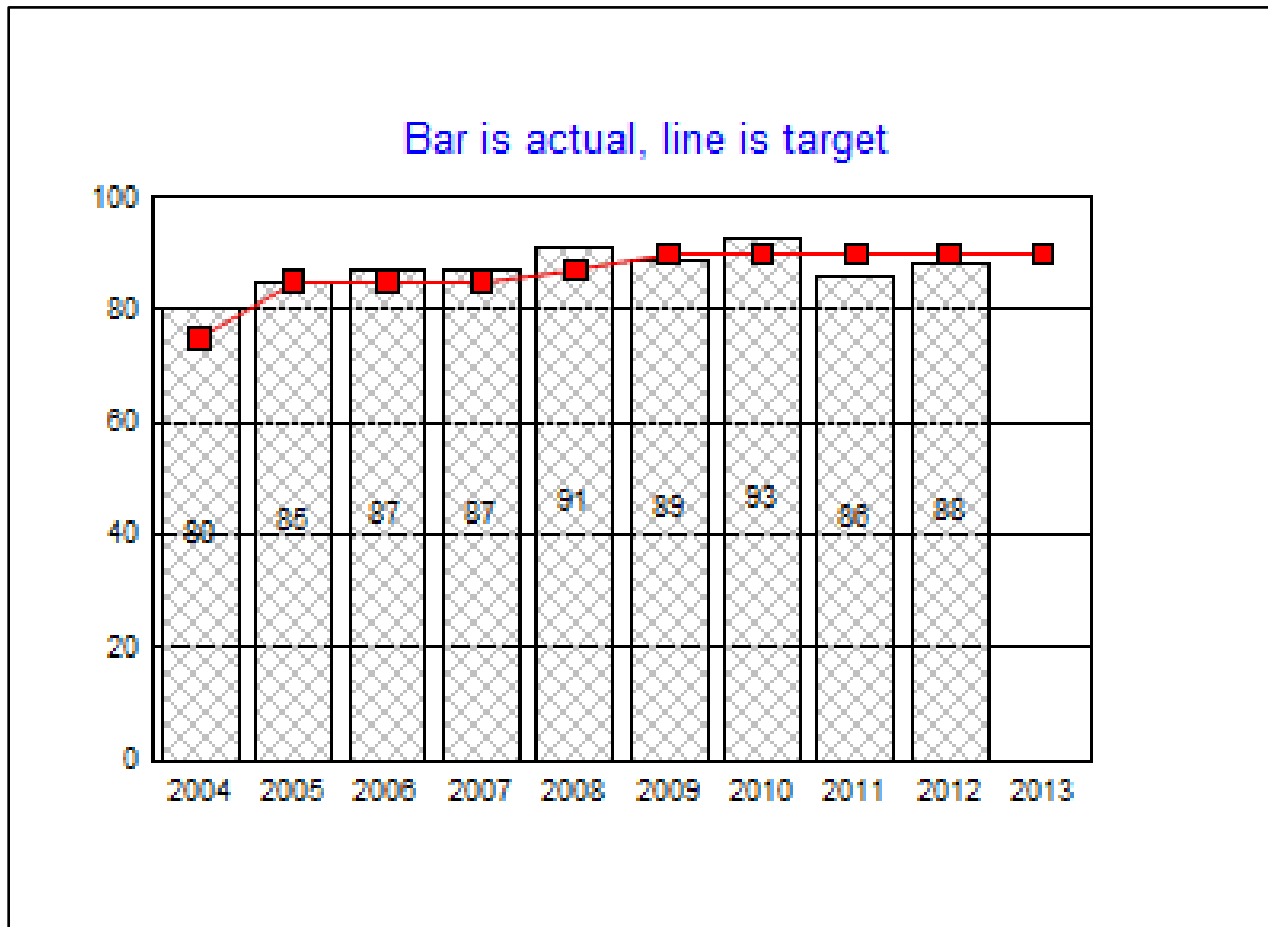
KPM 6 - Dispute Resolution Final Orders

Average days to issue a Dispute Resolution (claims) final order.



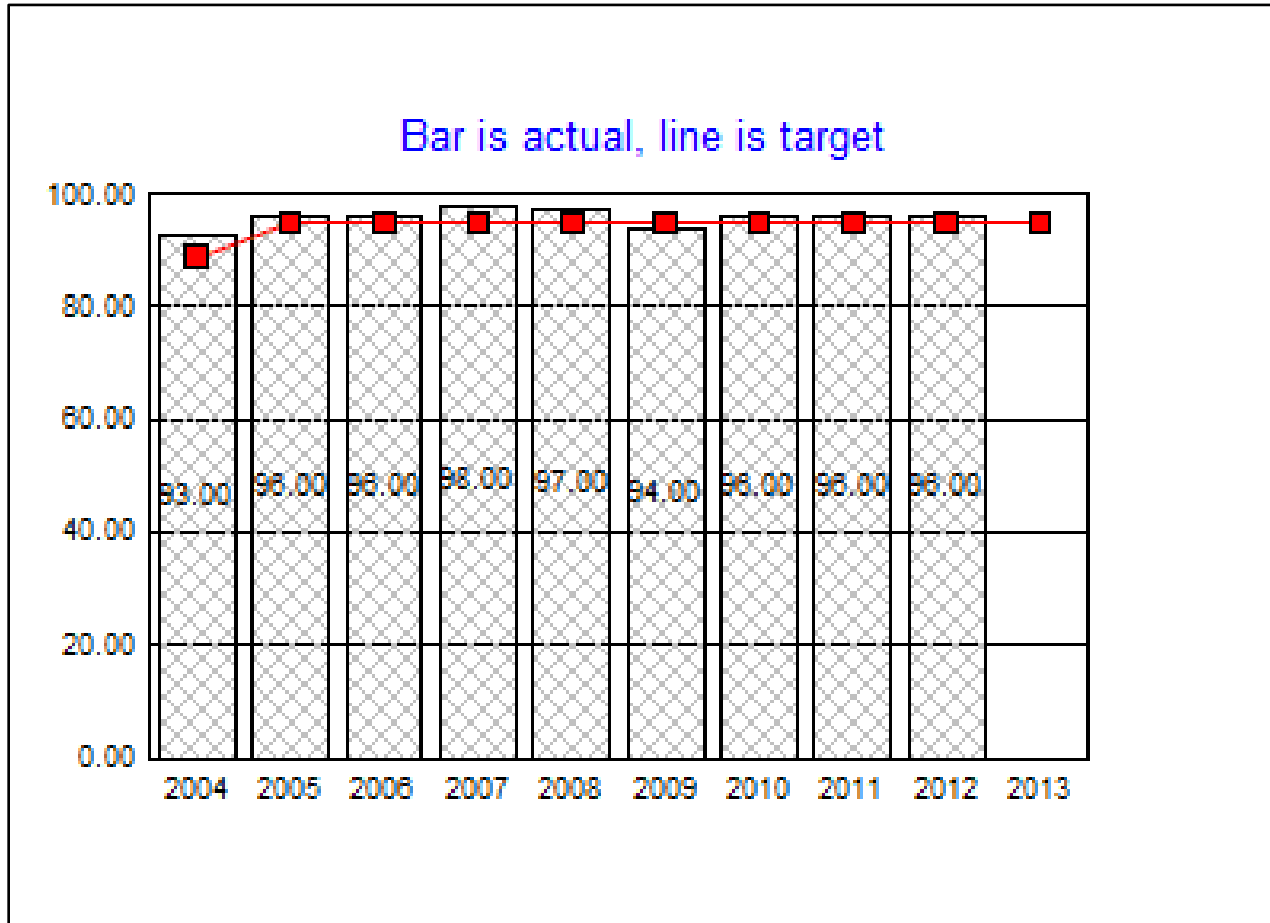
KPM 7 - Fair and Impartial Dispute Resolution Process

Percent of parties to claims who perceive claim process to be fair and impartial.



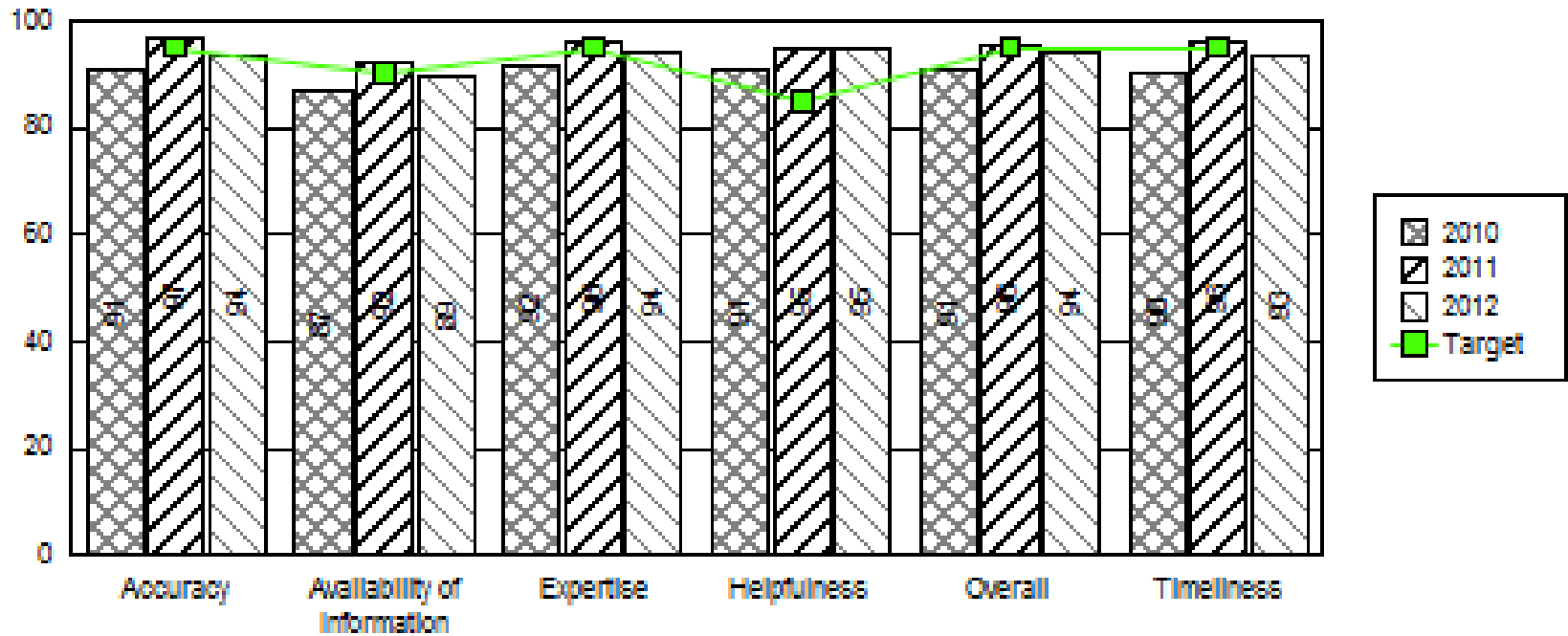
KPM 8 - License and Renewal Processing

Percent of contractors satisfied with the agency's processing of license and renewal information.



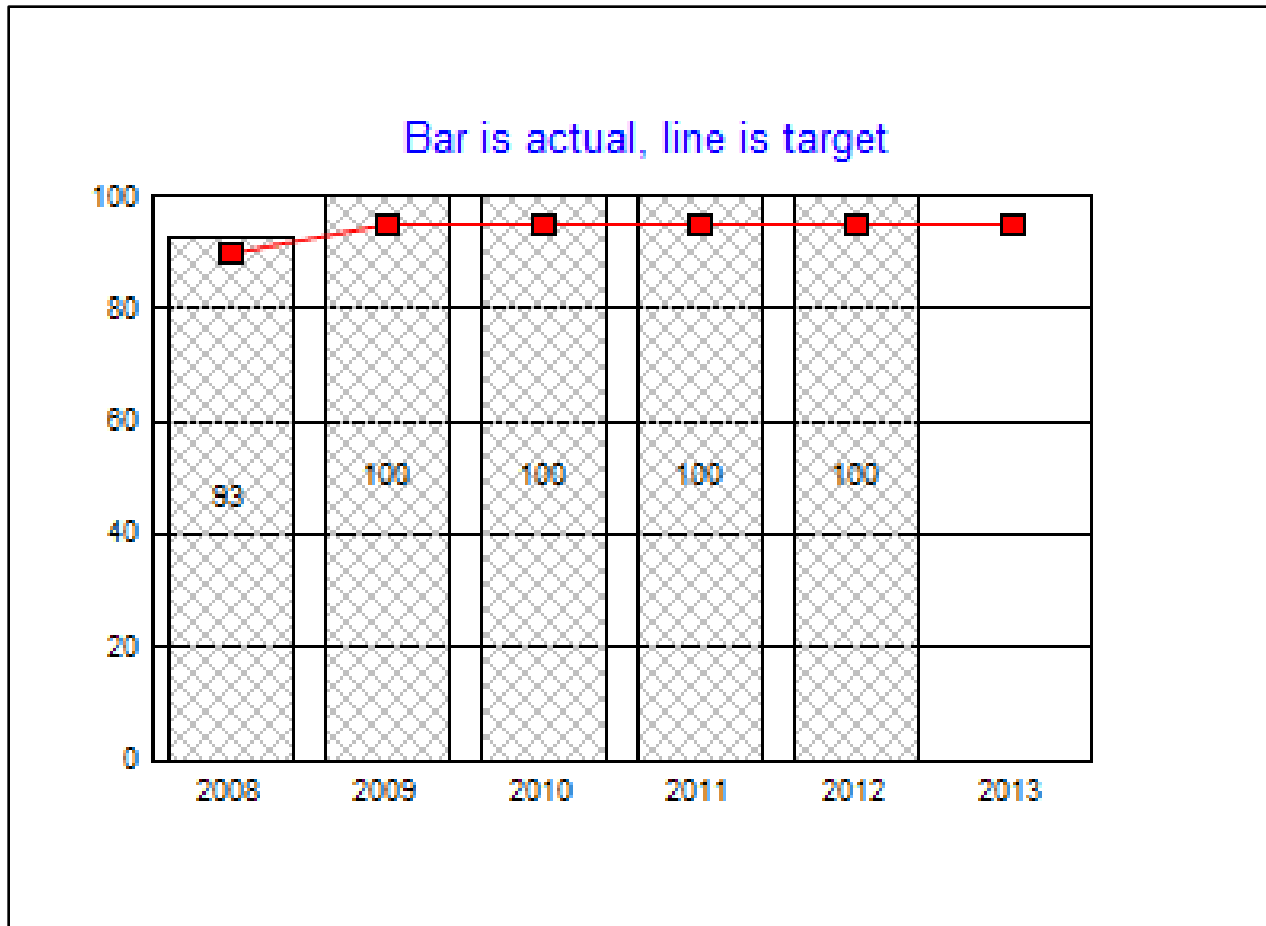
KPM 9 - Customer Service

Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent". Measures overall satisfaction, timeliness, accuracy, helpfulness, expertise, and availability of information.



KPM 10 - Best Practices

Percent of best practices met by the Board.



5. Budget Drivers and Environmental Factors

- A. The economy
- B. Downturn in demand for construction services
- C. Resulting in a decreased number of CCB licensees
- D. Political environment which resulted in regulatory reforms between 2005 and 2012.
- E. Anemic funding sources
- F. Increasing cost of human resources
- G. Budget constraints demanded a constriction of labor (furloughs)

The strains on the economy decreased construction demand resulting in fewer licensees. This had an adverse affect on the agency's revenue stream. Regulatory reforms designed to increase consumer protections and provide separation between the commercial and residential construction industries (including mandated education requirements for contractors) have increased complexity of the agency's programs, and increased agency workload.

6. Program Changes

	<u>2007-09</u>	<u>2009-11</u>	<u>2011-13</u>
Total Limitation	\$15,361,138	\$15,082,530	\$15,137,443
Positions	82	80	75
FTE	80.26	76.50	76.00
Program Changes	<ul style="list-style-type: none"> No significant changes (see below) 	<ul style="list-style-type: none"> Elimination of funding for consumer education. Customer Service Unit positions lost due to budget constraints. Began proactive enforcement efforts BBS/stings. 	<ul style="list-style-type: none"> CCB DRS reforms elimination of hearings. Focus limited enforcement resources on BBS and significant consumer fraud cases. Reduced funding to DOJ for FIN fraud.

	2007-09	2009-11	2011-13
New Programs	<ul style="list-style-type: none"> • TFCC Contractor regulatory reforms • Commercial licensing law • Addition of FIS program. 	<ul style="list-style-type: none"> • Locksmith program • EEAST program • Lead-based paint program 	<ul style="list-style-type: none"> • Ramping up of residential continuing education (RCE) program. • Partnering with NASCLA and other states to perform national enforcement efforts. (Stings) • National disciplinary database.
Impact of Reductions & New Programs on Clients & Program Delivery	<ul style="list-style-type: none"> • Significant increase in contractor regulations. • Push back from contractors regarding new regulations. • Challenges associated with writing new rules and developing infrastructure for new regulations. 	<ul style="list-style-type: none"> • Significant increase in contractor regulations. • Push back from contractors regarding new regulations. • Challenges associated with writing new rules and developing infrastructure for new regulations. • Reduced agency's ability to perform outreach to consumers/contractors. 	<ul style="list-style-type: none"> • Implementation of RCE produced push back and challenges. • Lack of funds for consumer outreach adversely affected CCB KPM 2. • Efforts by the agency to implement online solutions met with mixed success.

7. Efficiencies and Program Adjustments

Agency Efficiencies: During the course of the biennium, based on agency staff input, the agency created or improved the following:

1. **e-Proof**, Internet-based system for insurance agencies
 - Saves staff time by auto-entry of insurance information and administrative codes
 - Streamlined password retrieval and administrative functions
 - Eliminates time in mail system
 - Saves paper resources
2. **Correspondence 2.0 System**, internal document creation system
 - Used by Enforcement and Licensing sections to create and record documents and correspondence
 - Saves staff time by auto-entry of administrative codes
 - Standardizes communication from agency to public
 - Centralizes management of agency documents

7. Efficiencies and Program Adjustments (cont.)

3. Online Tools – Web-based CCB Business Solutions

- a) Web-based CCB renewals
- b) Web-based LBPR licensing and renewals
- c) Web-based OCLS application, testing, certification and renewals (all but renewals in production)
- d) Web-based license application.
- e) Web-based Enforcement complaints

4. Web-based meeting tool for live and recorded webinars and other meetings or workshops **FIS systems**

- Facilitated text messaging (incoming to investigators only) system
- Online job site check and field incident report reporting systems
- Cross-training between DRS and FIS

7. Efficiencies and Program Adjustments *(cont.)*

5. DRS process streamlining

- Reduced time allowed to send in processing fee by 50% by modifying processes
- Partnered with Office of Administrative Hearings to reduce hearing delays
- Integration into Correspondence system of DRS documents and correspondence.

6. Questys Capture, automated digital transfer of documents to imaging system

- Eliminates manual scanning of documents into imaging system

7. Craigslist enforcement

- Flagging and posting violators
- Stings
- Aggressive review of statewide Craigslist and other bulletin board systems for unlicensed activity

7. Efficiencies and Program Adjustments *cont.*

- 8. Streamlining and Consolidation of Enforcement and Field Investigation processes.**
- 9. Partnering with other states to maximize proactive enforcement efforts.**
- 10. NASCLA stings.**
- 11. Cross-training of Business Services, Licensing and Enforcement staff to maximize flexibility within the agency.**

7. Efficiencies and Program Adjustments *cont.*

12. Future Planned Improvements Include:

- Improvements to the agency's database management systems.
- Increasing usage of web-based solutions.
- Usage of short messaging system (SMS) for stakeholders and internal use.
- Increase staff training.
- Study and eliminate barriers for contractors to rapidly retain and renew a license.
- Improve enforcement penalty matrix and settlement guidelines.
- Continued exploration of web-based electronic transmission of information necessary to obtain and renew contractor licenses and certificates; including bond, insurance and electronic signature issues.

8. Detailed Budgetary Issues

8.1 Number of CCB licensees decrease.

Decrease number of licensees caused by the recession.

8.2 Weak Revenue Stream.

Corresponding reduction in revenue as a result of decreased number of licensees.

8.3 2007-2011 Regulatory Reforms

Increase in contractor regulations over the course of the last five years and corresponding workload, which affected Licensing and Education programs.

8.4 Improved Investigation.

2007 creation of Field Investigations Unit per industry demand without agency request for additional funding.

8.5 CCB Fee Issues

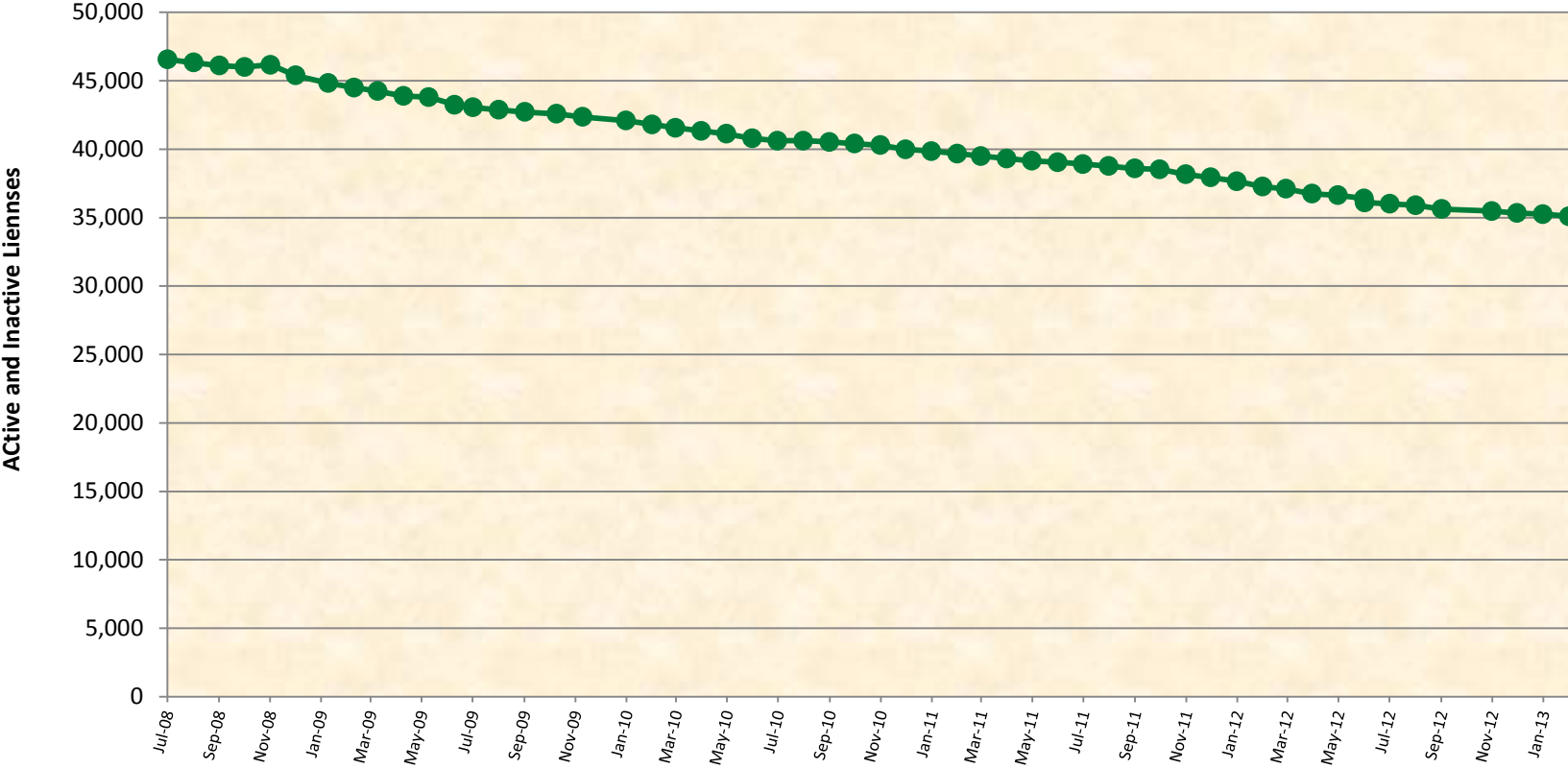
8. Detailed Budgetary Issues (cont.)

8.1 Number of CCB licensees decrease.

Decrease number of licensees caused by the recession.

1. The underlying cause is the “Great Recession,” which has hit the construction industry especially hard.
2. In 2007 and early 2008, CCB licensed about 47,000 contractors.
3. As of 2013, we have 35,254 licensed contractors.
4. Our primary source of revenue is contractor license fees.

**Construction Contractors Board
Active + Inactive Licenses Total
July 2008 - January 2013**



8. Detailed Budgetary Issues *(cont.)*

8.2 **Weak Revenue Stream.**

Corresponding reduction in revenue as a result of decreased number of licensees.

8. Detailed Budgetary Issues (cont.)

8.3 2007-2011 Regulatory Reforms

Increase in contractor regulations over the course of the last five years and corresponding workload, which affected Licensing, Education, and Enforcement programs, including the following:

- 2005 Task Force on Construction Claims (TFCC)
- 2007 TFCC Regulatory Reform Bills
- 2007 Commercial Contracting Licensing Act (HB 3242)
- 2009 Lead-based Paint Renovation Certification Program
- 2009 Locksmith Certification Program
- 2009 Energy Efficiency and Sustainable Technology Loan Program (EEAST)
- 2010 Implementation of Residential Continuing Education (RCE) Requirements
- 2010 Implementation of Commercial Endorsements, including workers compensation requirement for exempt commercial contractors

8.4 Improved Field Enforcement Investigation.

2007 creation of Field Investigations Unit per industry demand without agency request for additional funding.

- a. Industry demanded more jobsite investigations.
- b. Legislature provided additional resources to address demand.
- c. Additional resources allowed the agency to provide greater deterrent to illegal activity and focus enforcement activity as the industry expected.
- d. This allowed for proactive and responsive enforcement measures, including:
 - NASCLA sponsored national stings
 - Increased field operations
 - Increased number of site investigations
 - The ability to manage lead-based paint renovation enforcement investigations
- e. The agency did not seek additional funding for the improvement field enforcement investigations, therefore the cost of the programs were absorbed by the existing revenue sources (contractor licensing fees).

8. Detailed Budgetary Issues (cont.)

8.5 CCB Fee Issues

1. Revenue to fund the agency programs leave insufficient ending balance.
2. The Legislature authorized a license fee increase of \$65 effective 7/1/2010.
3. It was understood that fee would not fund the agency at 2007-09 operational levels. (Agency was to use its cash reserves.)
4. In order to maintain stakeholder demand for services, the agency seeks a fee adjustment during the 2013-15 biennium of an additional \$40 per two-year license (\$365/2 year license fee total), to fund an acceptable three-month ending balance.
5. This policy option package is addressed in the agency budget as POP 100.

10. Audits

- a. No Secretary of State general audits were performed during the biennium.
- b. Secretary of State reviewed the agency's personal service contracts as part of the statewide audit of personal service contracts.

(No formal findings were presented to the agency and no issues were brought to the agency's attention. The agency was complimented by Secretary of State staff for the condition of the public service contract files and the manner in which they handled the contracts.)

12. Summary of Agency Legislation

Bill #	Relating to Clause	Summary	Committee/Status	Effect on Budget
SB 205	Relating to residential construction contract terms	Eliminates requirement that Construction Contractors Board rules require certain contract terms as mandatory contract contents.	Senate Business and Labor Passed Senate 2/7/13	None
SB 206	Relating to the resolution of disputes regarding defects in residential properties	Provides that construction contractor afforded opportunity to have complaint regarding residential defect mediated by Construction Contractors Board is not entitled to additional notice and opportunity to correct defect prior to owner compelling arbitration or commencing court action.	Senate Business and Transportation	None

12. Summary of Agency Legislation (cont.)

Bill #	Relating to Clause	Summary	Committee/Status	Effect on Budget
SB 207	Relating to applications for licensing by the Construction Contractors Board.	Requires that construction contractor license application filed by limited partnership include name and address of certain limited partnership members. Requires reporting changes in names and addresses of certain limited partnership members. Deletes redundant disclosure requirement.	Senate Business and Transportation	None

13. Summary of IT and Capital Improvement Projects

None. The agency has no plans for outside vendor supplied IT projects.

The agency produces agency needed databases, applications, and web-based solutions to e-government and e-commerce needs using agency staff. Projects currently under development include:

- Replacement for agency database management system.
- Web-based solutions for our stakeholders.
- Internal improvements to project management systems.

CCB Budget Presentation Summary

1. The Governor's Budget will balance the agency budget.
2. CCB core mission will remain consumer protection, but will work to improve consumer confidence and help facilitate the recovery of the construction industry.
3. Current indicators suggest a slight improvement in the housing market and Oregon economy.
4. The agency stands ready to work with the committee and LFO staff in any way deemed appropriate by the committee.

Thank you for the opportunity to
present this information.