

Construction Contractors Board



2022 Budget Note Report & Consumer Claim Overview



Presentation



- **Brief Agency Review**
- **Budget Note Summary**
 - Revenue Projection Update
 - Information Technology Update
 - Staffing Needs Update
- **Overview of CCB Consumer Claim Process**



CCB Structure



- **Nine-member board** includes residential and commercial contractors, public members and a local government representative
- **59 Full-time staff** providing statewide license, enforcement, education and dispute resolution services
- Supporting more than **42,000 licensed construction businesses**
- Providing protections to **ALL Oregon consumers** of construction services



CCB Programs



Programs

- **Licensing** – 42,000 licensed contractors
- **Field Inv. and Compliance** – 12,000 Annual Site Checks
- **Dispute Resolution** – Conducted 1,600 mediations
- **Consumer Outreach** – 54% Consumer Awareness
- **Contractor Education** – Doubled live training since 2020

Central Services

- **Information Technology**
- **Administration, HR, Budget and Policy**



CCB Funding



Biennial Budget: \$17.06 Million

Other Funds: 100%

✓ **Licensing and other fees: 87%**

(Primary contractor license fee is \$325)

✓ **Civil penalties: 11%**

(80% of civil penalties transfer to the General Fund)

✓ **Miscellaneous income: 2%**

(Filing fees, change fees, records etc.)



Why the Budget Notes?



Agency was facing three interrelated challenges

- **Depleted Ending Balance**
 - Budgets for two prior biennia focused on *reducing ending balance* – achieved through temporary fee reduction
 - Projection errors and some pandemic impact resulted in reserves being overly depleted
- **Uncertainty in Economy**
 - Possibility for additional decline in development sector over the anticipated three-year recovery
- **Deferred Long-Term Investments**
 - Agency's primary IT systems are over 30 years old, antiquated and inefficient, and at risk of failure
 - Agency staffing has not kept pace with growth in industry

Result = Triple-bind

Limited reserves – Possible Revenue Decline – Need for Investments



Meeting the Challenge



Sustainable Financial Management

- Prioritize rebuilding reserves to support needed IT investments – accomplished through targeted vacancies (6 positions or approx. 10% of FTE)

Accountable Service Delivery

- Focus savings on non-program areas to ensure continuity of critical services to contractors and consumers

Status = On Track to Stability

Rebuilding Reserves – Maintaining Service Continuity



Status Update: Revenue



Agency revenue is exceeding projections

- **UPDATE:** Revenue is approximately 11% ahead of revised 19-21 projections over first six months of biennium
- Agency revenue is cyclical – continue to monitor then adjust

Reason for a degree of caution persists

- Ongoing supply chain, material cost and labor issues slowing development
- Inflation and pending interest rate adjustments warrant added caution

STATUS: On track to achieve sustainability

- Continue balancing good news, with potential for some decline
- Prioritize building reserves to facilitate IT investment
- Begin filling vacant positions as revenue and reserves allow



Status Update: IT System



STATUS: Steady Progress Toward Targeted Reserves

- Agency has established flexible target:
 - 6 months of reserves; AND
 - \$750K (initial conservatively estimated 5-year cost of system)
- Target balances continuity of operations with certainty of completing the project regardless of economic downturn
- Estimated threshold is approximately **\$5.109 million**
- **UPDATE:** Progress toward threshold based on:
 - Actuals through November: \$4.4 million
 - Hypothetical revised projections (+5%): **\$5.4 million**

Preparation Ongoing – Substantial Progress Made

- Initial Business Case approved by DAS/EIS – Stage Gate 1 Authorization*
- Ongoing research, analysis and process improvement
- Strong collaborations with other licensing agencies have accelerated progress, provided key insights and avoided duplication of effort

*Submitted before full scope of budget issues known; working with EIS to update and move forward



Status Update: Staffing



Focus on Critical Services – Work is getting done

- 12,000+ Annual Construction Site Checks
- 1,100 Mediated Settlements per biennium
- Doubled live training with webinars since 2020
- Launched homeowner newsletter – over 10,000 subscribers
- 350-400 calls a day – assist consumers, support contractors

Critical Areas Under Assessment

- **Licensing:** Reevaluate needs post-implementation of new system
- **Enforcement:** May request additions if financially sustainable
- **Budget Services:** Optimal strategy is to restore in-house budget expert

STATUS: Ongoing assessment

- Agency assesses each vacancy and each position based on:
 - Capability to deliver service to the customers
 - Impact on progress toward strategic priority – license system replacement



Conclusion



- Agency is steadily and deliberately making progress toward long-term strategic priorities
- Balancing continuity of service with rebuilding reserves to support investment

Result = On Track to Stability

Rebuilding Reserves – Maintaining Service Continuity



Questions on Budget Note Response?



Consumer Claims



Presentation Overview

- **Overview of CCB's Consumer Protection Mission**
- **CCB Consumer Claim Program**



CCB Consumer Protections



Interactive System – Address consumer protections at every level of the organization

- Are people aware of the program or service?
- Are people able to navigate the system?
- How effective is the agency at administering the system?
- Do we have tools and flexibility to address situations where the system generates a bad result?



Consumer Protections



- **Consumer Outreach and Education**

- Started a Homeowner Newsletter -- increased to 10,000 subscribers
- Increased consumer awareness – 54% is a 10 point increase from prior survey
- Resources to help consumers avoid scams and ensure they have a successful construction projects
- Agency Partnerships – Collaborate with DOJ, DCBS and others to assist consumers

- **Contractor Education**

- Pre-license education and testing on Oregon rules and laws
- Mandated Continuing Education for all contractors
- CCB required education addresses contractor responsibilities to consumers and includes exposure to OSHA, DEQ, Insurance, Workers Comp requirements

- **Verifiable License History**

- **Protect your Investment, Check the license**
- All Oregonians should check license status and history on CCB website – license record includes complaints, sanctions etc.



More Consumer Protections



- **Enforcement**

- Statewide – Investigators live and work in every region of the state
- Responsive – Respond to tips and reports of illegal conduct within 24-48 hours
- Efficient – Process cases quickly – 28 days for fines, immediate suspension on consumer risks such as unpaid claims or lack of insurance

- **Financial Protections**

- Licensed contractors carry liability insurance and workers compensation to shield consumers from financial obligation for accidents

- **Financial Recovery**

- Licensed contractors file a surety bond with CCB to cover unpaid claims

- **Dispute Resolution Services**

- Assists in mediating disputes between consumers and contractors
- Approximately 70% success reaching settlement where both parties participate



Consumer Claim Overview



- **Consumer hires a licensed contractor – Project goes awry**
- **Consumer sends a Pre-Claim Notice to contractor**
 - Must be filed 30 days prior to filing a formal claim
 - Intended to provide notice and opportunity to correct issues
- **If issues not corrected, consumer may file a formal claim**
 - CCB determines whether the agency has jurisdiction
 - Agency has jurisdiction on residential claims against licensed contractors one year from substantial completion
- **CCB will attempt mediation**



Consumer Claim Overview



Mediation Process

- Voluntary for both parties
- CCB's role is to help parties achieve an equitable resolution – Agency does not render a decision
- Settlement rate is approximately 70% if both parties participate:
 - Successful Mediation: Settlement agreement signed by both parties – CCB monitors timely completion of settlement terms
 - Unsuccessful mediation: Consumer can take matter to court
 - If consumer obtains a judgment, contractor has 30 days to pay
 - If unpaid after 30 days, CCB orders payment from bond and suspends license.



Consumer Claim Overview



- **Next Steps:**

- **Go to court:** CCB can enforce judgment by ordering payment from bond and suspending license for non-payment
- **Sanctions for Contractor:** If contractor committed violations, can be fined and/or have license suspended or revoked
- **Multiple complaints can result in bigger bond:** Contractors with multiple complaints can be required to carry a 5X bond
- **History becomes part of record:** Complaints and the result are part of the contractor's record available on CCB website
- **Agency focus is on achieving correct result:** Regardless of path or how we get there we try to achieve right result for consumer



Conclusion



- **CCB administers a comprehensive consumer protection program**
 - Educational tools and resources
 - Multi-agency outreach to fight construction scams
 - Licenses that require financial protections for consumers
 - Ongoing statewide enforcement of violations
 - License system with searchable history
 - Mediation of disputes
 - Enforcement of judgments
 - Consequences for non-payment
- **Variety of tools focused on a common purpose –**
 - Provide robust consumer protections while supporting responsible licensed contractors



Questions?

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CCB Website

<https://www.oregon.gov/ccb/pages/index.aspx>