CONSTRUCTION CONTRACTORS BOARD
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To:	Joint Ways and Means Subcommittee on General Government Senator Deb Patterson and Representative Greg Smith, Co-Chairs
From:	Chris Huntington, Administrator, Construction Contractors Board
Date:	February 2023
Subject:	CCB 2023-2025 Budget: Written Reference Materials

Mission: To protect and serve Oregon consumers, support responsible licensed contractors and promote a positive business climate in the construction industry.

Objectives: CCB administers licensing, enforcement, dispute resolution and education programs in a manner that:

- **Protects** Oregon consumers of construction services
- **Promotes** a fair and competitive business climate
- **Delivers** valuable programs and services to consumers and contractors
- **Provides** timely and efficient customer service

CCB Regulatory Philosophy: CCB is committed to the following principles when adopting, administering and enforcing regulatory standards

- Well-defined purpose: The reason for the regulation is clearly established.
- Clear Standard: Requirements are easily understood – those subject to regulation know how to comply.
- Consistent Enforcement: Standard are administered and enforced consistently and predictably.
- Eliminate Barriers: Provide tools, information and resources that make compliance easier.

Historical Context

Established in 1971 within the Department of Commerce, **The Builders Board** regulated only residential homebuilders. The one-year registration fee was $20. Other registration types were added over the years and the Builders Board became an independent agency in 1987.

The Construction Contractors Board was established in 1989 and all contractors – residential and commercial – were required to be licensed. The variety and types of registrations have evolved over the years but the overall scope of regulation has remained largely the same since 1989 – any business that "makes improvements to real property" is required to be a licensed contractor. The current two-year fee is $325.

Agency Overview

The CCB is a consumer protection organization focused on regulation of the construction industry through contractor licensing. The agency enforces licensing standards statewide penalizing violators and attempting to bring otherwise responsible businesses into compliance. The agency operates a mediation program aimed at resolving disputes between consumers and contractors.

Program Staffing and Organizational Structure – (*see org. chart)*

- 59 Permanent Full-time Equivalent Employees
    - Administration: 4 FTE

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- Licensing: 19 FTE
- Enforcement: 19 FTE
- Dispute Resolution: 5 FTE
- Education: 4 FTE
- Business Services and Budget: 4 FTE
- Information Technology: 4FTE

Proposed staffing Changes

Agency staffing is proposed to remain stable at 59 for 2023-2025. The agency has proposed a position reclass policy option package to reclass three existing positions to better meet organizational needs:

- Fiscal Analyst 1 to Fiscal Analyst 2:
  - Purpose: Restore budget services to the agency and provide adequate ongoing analysis and projections that better reflects agency's strategic interests and accounts for potentially volatile changes in economic activity affecting agency revenue.
- Procurement Specialist 1 to OPA 1:
  - Purpose: Provide greater flexibility to perform a wider range of agency support that better reflects the needs of the agency for multi-functional staff.
- Compliance Specialist 2 to OPA 2:
  - Purpose: Improve the coordination of agency compliance efforts through ongoing analysis, system improvement and coordination of activities across groups.

CCB Program Metrics

Licensing Program

- Issue & renew licenses to over **42,000 construction businesses**
- Primary customer service group for agency – "production environment"
  - 300-400 calls daily
  - Processes thousands of applications, renewals, insurance certificates etc.
- Customers can also use online services through CCB web site

Field Investigations and Compliance

- Statewide investigation and enforcement – over **8,000** annual worksite visits
- Identify, investigate & stop unlicensed work – respond to reports of violations & make random visits
- Investigators are stationed in each region of the state
- Process cases – attempt to gain compliance or assess penalties as appropriate

Dispute Resolution Services

- Mediate **1,000 annual** disputes between homeowners and licensed contractors
- Provides impartial mediation assistance to resolve disputes outside of court – phone and in-person

Consumer Outreach and Contractor Education

- Educates consumers about legal protections through publications, media and events.
- Delivers contractor education on legal requirements, law changes and resources

Agency Key Performance Measures

CCB maintains 9 Key Performance Measures. One measure was eliminated as part of the 2021-2023 budget authorization process. The KPM Report shows the agency's overall performance

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- **5** Measures in the Green category (w/in at least 5% of target)
- **2** Measures in the Yellow category (less than 15% off target)
- **2** Measures in the Red category (more than 15% off target)* *See note regarding KPM 3*

*Note: *The KPM reporting tool reports any departure in excess of 15% from target as a red, regardless of whether a greater departure under target is actually a positive, as is the case here. While this measure reports as red, any amount below target is good and a greater departure below target is better.

After correcting for the reporting oddity related to KPM 3, two yellow and one red KPM. Summary action plans:

- **KPM #7 and KPM #8: Customer Service**: The agency has established a very high bar of 95% and has traditionally met or exceeded that target. While the decline to approximately 87% is still a very admirable standard it remains below our target. One possible contributing factor is that the agency has moved to an electronic survey rather than a paper survey that needs to be filled out and returned. This has increased response rate, but has also likely altered the type of individual likely to respond. The survey responses are shared regularly and discussed among managers and staff and the agency also shares survey results (including comments) with the board at regular board meetings in order to ensure accountability. The director and managers discuss these comments together and with staff to identify where improvements can be made.
- **KPM #6: Fair and impartial dispute resolution process:** This measure has continued to decline since last reporting period and is a top priority for agency leadership, DRS management and staff. One note is that while the KPM reports a single question (perceived fairness) the survey asks several other questions including “Overall Satisfaction” and this more comprehensive rating has averaged around 85% over the most recent six quarters**.** Because the KPM focuses on one particular aspect of the experience, a subjective one at that, it can be difficult to cull from individual comments and experiences the types of corrections to make. However, comments are regularly reviewed and discussed with staff to identify how to better administer dispute resolution so as to ensure it is viewed credibly by participants.

<u>Major Budget Drivers</u>

- **Maintaining reserves to meet strategic priorities:** It is a measure of the agency’s success that a major budget driver for 2023-2025 is “maintaining” reserves. A key driver last biennium was rebuilding reserves in light of key strategic investments that were needed. The agency continues to closely monitor key revenue activities in order to make needed adjustments and keep the agency on track for investment in its IT system replacement.
- **Uncertain Economic Future:** Potential for revenue to decline based on macro-economic factors affecting the development sector remains. The agency monitors key revenue activities and adjusts as appropriate.
- **Critical IT investment:** The agency does need and has needed to replace its 30+ year-old licensing system. While the agency has needed to defer that critical investment due to financial considerations it has not ignored the need to continue moving forward. The agency has invested considerable time and effort in updating and modernizing its IT infrastructure in order to stabilize the organization. The agency has also continued to make steady progress on research and planning in support of an RFP for a license system replacement.

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6-Year Budget History

There have not been any major programmatic or staffing changes to the agency over the prior 6 years. The issue with the most significant impact was the decision to reduce ending balance through a temporary reduction of the agency's license fee from $325 to $250. Reduction in revenue as a result of the action was:

- 2017-2019 Fee Reduction: Actual revenue reduction: $3.3M
- 2019-2021 Fee Reduction: Actual revenue reduction $3.4M

That decision to continue the reduction for an additional biennium was heavily influenced by the agency's error in projecting the impact of the initial reduction

- 2019-2021 Discovery of Error: Discrepancy between projected and actual reserves -$1M

That error when coupled with the reduction in revenue pushed reserves below levels needed to make critical IT investments and the project had to be deferred until reserves could support it.

In order to restore reserves the agency initiated measures, beginning in 2020, to correct the negative impact of these circumstances. Through vacancy holds and other streamlining initiatives the agency has made steady progress toward the goal of maintaining sufficient reserves to both navigate potential economic downturn and replace our aged IT system at an estimated cost of between $750K and $1M. The agency is currently projected to begin 2023-2025 with reserves sufficient to meet this demand.

Reduction Options – IF NEEDED (No reductions are budgeted in GRB)

The agency was not asked to provide a 15% reduction exercise but the GRB does incorporate a 10% reduction plan. The reduction options contained in the GRB would eliminate a total of **7 positions and reduce costs by approximately $1.8 million.** The affected programs include enforcement, licensing, information technology and administration/business services, with the enforcement program losing the most capacity (3 positions).

Current Vacancies

- Human Resource Analyst 3 (on long-term vacancy list)
- Business Services Manager (on long-term vacancy list)
- Compliance Specialist 2 – Recruitment completed; offer pending
- Public Service Representative 4 – Currently recruiting
- Compliance Specialist 2 – proposed for reclass as part of POP submitted with GRB

The two positions on long term vacancy list are being held for savings to ensure ending balance sufficient to weather possible revenue decline as well as to ensure sufficient reserve for license system replacement. Two factors will affect hiring decision for these positions:

- Revenue over the next six months: The first six calendar months of the year are when the agency adds to the ending balance that is then drawn down over the final six months. If revenue does not decline substantially due to macro-economic considerations the agency will have a higher degree of confidence that the existing ending balance will be sufficient to our needs.
- Refreshed cost estimate for system replacement: The agency conducted outreach and study with other agencies to generate our initial system replacement cost estimate of $750K two years ago. Currently the agency is meeting directly with vendors to discuss our systems and programs in an effort to gain more accurate and more up-to-date cost estimates. This will help greatly in planning and projecting the impact on reserves, and thus on capability to fill positions.