

Construction Contractors Board

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
Other Funds	16,063,383	17,837,162	18,316,626	18,979,594	18,831,054
Total Funds	16,063,383	17,837,162	18,316,626	18,979,594	18,831,054
Positions	61	59	59	59	59
FTE	61.00	59.00	59.00	59.00	59.00

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Construction Contractors Board (CCB) regulates the profession of construction contracting and provides construction-related consumer protection services. The agency licenses construction contractors, subcontractors, and home inspectors, and issues certifications for locksmiths, construction flaggers, home energy assessors, and lead paint removal. CCB also investigates complaints, imposes fines for violations of Oregon laws and ensures that new contractors meet statutory pre-licensing educational and testing requirements.

The CCB is an Other Funds agency, funded primarily by contractor license fees. The agency also receives a portion of its revenue from other fees, such as complaint processing fees, administrative fees and fees paid for other licenses and certifications issued by the Board. These other license fees include home inspectors, lead-based paint renovators, locksmiths and others. The Board also receives a portion of the civil penalty revenue assessed against individuals who violate laws enforced by the CCB.

CSL Summary and Issues

The 2023-25 current service level (CSL) budget for the Board is \$19 million Other Funds and 59 positions (59.00 FTE). The current service level budget is \$662,968 or 3.6%, more than the 2021-23 legislatively approved budget. The CSL budget includes adjustments for payroll expenses and standard inflation. At CSL, the board has an ending balance of \$3.1 million Other Funds, which is an equivalent of 4 months of operating expenses.

Policy Issues

The agency faces continued revenue challenges from a temporary 23% fee reduction implemented in 2017. The fee was restored to pre-2017 levels in July 2021 but the forgone revenue has had lasting effects on the agency's fund balance and ability to invest in operational improvements. Further complicating CCB's revenue outlook is Oregon's economic forecast projecting a limited downward correction for the construction industry as a result of the economic conditions resulting from the COVID pandemic. Supply chain issues, material costs, labor shortages and now inflation and interest rate adjustments are also projected to have some negative impact on the industry as a whole.

Over the past two biennia the agency has worked to mitigate its revenue challenges by keeping six positions vacant since 2020. This strategy serves to not only keep a healthy ending fund balance, but also accumulate enough reserves to finance the replacement of the agency's 30 year old licensing system.

The agency's replacement licensing database information technology (IT) project received Stage Gate 1 certification from the Department of Administrative Services in February 2020. Work on Stage Gate 2 certification has begun with no specific timeline in place due to project funding uncertainty. The Board proposed to fund this project in its 2023-25 Agency Request Budget using \$700,000 from its fund balance. However, this would leave the agency with a three-month ending fund balance reserve for the 2023-25 biennium. The 2023-25 Governor's budget does not include funding for the project.

Governor's Budget Summary

The 2023-25 Governor's budget totals \$18.8 million Other Funds and includes 59 positions (59.00 FTE). The budget is \$148,540, or 0.8%, less than the current service level of \$19 million. The changes in the Governor's budget reflect statewide adjustments in attorney general and state government service charges.

Other Significant Issues and Background

The agency's staff to contractor ratio fell 23% from a high of 1-to-566 in 2007 to a ratio of 1-to-697 in 2022. In addition, the agency has been holding six positions vacant to help reach its financial goals for the biennium. Licensing, enforcement, contractor education, and administration are all affected by these reduced staffing levels. The agency has held off on filling vacant licensing positions in anticipation of efficiencies from the implementation of a new licensing database, although these efficiencies will not be realized for two years at the earliest. Also, as a temporary measure, some essential administrative responsibilities are being covered by other, non-administrative staff. Cognizant that this is not a sustainable practice the agency plans to fill the vacant administrative positions using a staggered approach.

Key Performance Measures

A copy of the CCB Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_CCB_2022-10-6.pdf