

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property
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## Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Office of Attorney General	0	88,061	0	88,060	0	88,060
Department of Labor and Industries	0	11,200,000	0	11,200,000	0	11,200,000
<b>Total \$</b>	<b>0</b>	<b>11,288,061</b>	<b>0</b>	<b>11,288,060</b>	<b>0</b>	<b>11,288,060</b>

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	14.7	0	2,573,928	14.5	0	2,353,396	14.5	0	2,353,396
Department of Community, Trade, and Economic Development	.2	0	45,478	.0	0	0	.0	0	0
Department of Labor and Industries	2.4	520,000	520,000	2.1	366,000	366,000	2.1	366,000	366,000
<b>Total</b>	<b>17.3</b>	<b>\$520,000</b>	<b>\$3,139,406</b>	<b>16.6</b>	<b>\$366,000</b>	<b>\$2,719,396</b>	<b>16.6</b>	<b>\$366,000</b>	<b>\$2,719,396</b>

Local Gov. Courts *	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

<b>Prepared by:</b> John Shepherd, OFM	<b>Phone:</b> 360-902-0538	<b>Date Published:</b> Final
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID 23859

FNS029 Multi Agency rollup

# Judicial Impact Fiscal Note

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property	<b>Agency:</b> 055-Admin Office of the Courts
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## Part I: Estimates

☐

No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
Counties					
Cities					
<b>Total \$</b>					

### Estimated Expenditures from:

<b>Non-zero but indeterminate cost. Please see discussion.</b>
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This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.*

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

Legislative Contact	Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Preparation:	Julia Appel	Phone: (360) 705-5229	Date: 03/12/2009
Agency Approval:	Dirk Marler	Phone: 360-705-5211	Date: 03/12/2009
OFM Review:	Cherie Berthon	Phone: 360-902-0659	Date: 03/17/2009

Request # -1

**Part II: Narrative Explanation**

**II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts**

This version of the bill adds the following sections:

Section 7 establishes the home construction board within the office of consumer education for home construction to administer a residential real property homeowner and construction professional early resolution mediation program. The purpose is to provide homeowners and construction professionals with a process to resolve construction disputes.

Section 9 requires that a homeowner of residential real property alleging that a construction professional has performed defective work must, prior to commencing an action against the construction professional, file a claim against the construction professional with the board. Any action commenced in court by a homeowner prior to compliance with the requirements of this section shall be subject to dismissal without prejudice, and may not be recommenced until the homeowner has complied with the requirements of this section.

Original version and substitutes (subsection renumbered):

Section 15 creates a new cause of action where if a construction professional breaches a warranty arising under the section, and the breach results in damage to the property, the current owner of the property may bring a cause of action for damages against the construction professional.

**II. B - Cash Receipts Impact**

**II. C - Expenditures**

It is not possible to predict the number of new civil actions that will be filed as a result of the provisions in section 15 of this bill. It is assumed that the home construction board dispute resolution process could result in many claims not reaching the courts. However, only one case filed in each Washington county per year would result in annual costs to the counties statewide of approximately \$48,500, not including capital expense, and costs to the state of approximately \$8,700.

**Part III: Expenditure Detail**

**Part IV: Capital Budget Impact**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.
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### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
<b>Fund</b>					
<b>Total \$</b>					

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates,*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 03/12/2009
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 03/12/2009
OFM Review: Mike Woods	Phone: 360-902-9819	Date: 03/12/2009

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

E2SSB 5895 creates the consumer education for home construction account and allows the account to retain its earnings from investments.

Earnings from investments:  
The amount of earnings by an account is a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average balances, and hence different earnings.

There will be an impact to the earnings; however, the actual earnings will be determined more by the impact to the average daily balance than the amount of increases or decreases in receipts, disbursements, and transfers. Currently, estimated earnings are indeterminable. Without projected monthly estimates of receipts, disbursements, and transfers, OST is unable to estimate the changes to the average balance of the account and the impact to earnings.

Based on the November 2008 Revenue Forecast, the net rate for estimating earnings for FY 10 is 0.62% and FY 11 is 1.56%. Approximately \$6,200 in FY 10 and \$15,600 in FY 11 in net earnings and \$5,000 in OST management fees would be gained or lost annually for every \$1 million increase or decrease in average daily balance.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

E2SSB 5895 creates the consumer education for home construction account and allows the account to retain its earnings from investments.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
Total:					

Part IV: Capital Budget Impact

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
Legal Services Revolving Account-State 405-1	44,031	44,030	88,061	88,060	88,060
<b>Total \$</b>	44,031	44,030	88,061	88,060	88,060

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	14.7	14.7	14.7	14.5	14.5
<b>Fund</b>					
Legal Services Revolving Account-State 405-1	44,031	44,030	88,061	88,060	88,060
Consumer Education for Home Construction-State NEW-1	1,310,011	1,175,856	2,485,867	2,265,336	2,265,336
<b>Total \$</b>	1,354,042	1,219,886	2,573,928	2,353,396	2,353,396

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Preparation: Donna Turner Cobb	Phone: (360) 586-6475	Date: 03/20/2009
Agency Approval: Sarian Scott	Phone: (360) 586-2104	Date: 03/20/2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 03/20/2009

Request # 09-197-3

Bill # 5895 E 2S SB

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 creates an “office of consumer education for home construction” in the Attorney General’s Office (AGO). The office is required to examine issues involved in establishing a recovery fund to compensate homeowners and to make recommendations to the legislature about such a fund by December 1, 2010.

Section 3 establishes the “consumer education for home construction account” to be held in the custody of the state treasurer.

Section 7 establishes a “home construction board” within the Office of Consumer Education for Home Construction. The board is to administer a homeowner/construction professional mediation program. The board shall meet at least 4 times each year and it may adopt rules to implement its duties.

Section 8 requires the board to investigate and mediate claims about defects that are filed by homeowners against construction professionals.

Sections 9 and 10 establish procedures for filing and handling claims against construction professionals. Section 9 authorizes the board to adopt a rule imposing a processing fee for filing a claim.

Section 11 requires the board to investigate the claim if the matter has not been resolved under section 10. The board may use neutral third-party experts to conduct on-site investigations, make recommendations and mediate claims. After an investigation, the board shall notify the parties of the results. If the matter is not resolved within 14 days of the receipt of the findings, the board shall mediate the claim. The mediation is to be conducted by three members of the board in accordance with rules adopted by the board.

Section 12 requires the board to maintain and make available a record of all claims filed and their outcomes to the Office of Consumer Education for Home Construction.

Section 14 modifies the common law implied warranty of habitability by prohibiting the warranty from being disclaimed, waived, modified, or limited by contract.

Section 15 requires construction professionals to warrant their work, and provides a cause of action for breach of warranty.

Sections 16 – 24 amend and establish laws regarding qualified inspections and issuance of building permits.

Section 25 requires the state Building Code Council to adopt rules requiring the testing of natural or manufactured wood framing members by a special inspector or the local building jurisdiction.

Section 26 requires the Department of Labor and Industries (LNI) to contract for consultant services to develop recommendations for the legislature on the education, experience, and examination requirements of programs.



Recommendations are related to programs regarding the certification of workers engaged in the installation of roofing, siding, framing, foundations, doors, and windows.

Section 27 authorizes LNI to deny applications for contractor registrations or to suspend existing registrations if it has been determined that another state has taken construction-related enforcement actions against them. LNI is also authorized to suspend registrations if it determines that contractors have harmed the public through breach of contract, negligence, or failure to supervise employees or agents.

Section 28 requires a registered contractor to notify LNI if bankruptcy proceedings have been filed either by him or against him.

Section 30 states that sections 6 through 13 take effect January 1, 2010.

The AGO estimates a workload impact of 0.7 Assistant Attorney General (AAG), 1.0 Program Manager (PM), 1.0 Program Assistant (PA), 3.0 Program Coordinators (PC), 1.0 Program Specialist 3 (PS3), 0.25 Administrative Office Manager (AOM), 0.75 Research Analyst (RA), 5.0 Investigators (INV), 1.0 Office Assistant (OA), and 1.0 Communications Consultant 2 (CC2) at a cost of \$1,354,042 in Fiscal Year (FY) 2010 and \$1,219,886 in FY2011.

The AGO estimates a workload impact of 0.45 AAG, 1.0 PM, 1.0 PA, 3.0 PC, 1.0 PS3, 0.25 AOM, 0.75 RA, 5.0 INV, 1.0 OA, and 1.0 CC2 at a cost of \$1,176,698 in FY2012 and each FY thereafter.

We estimate direct costs at \$20,000 for each FY for the initial development of a written and electronic version of an informational brochure relating to residential construction services, and legal resources which are available, and on-going production costs. We project a requirement for annual independent expert advice on construction matters. Directs are included in this cost.

AAG CPU (Consumer Protection Unit) staffing is necessary to provide legal advice and assistance with set up, rule making, and on-going defense of board actions. Additional legal service requirements include creation and execution of a statewide education outreach program, intake of complaints and phone calls, setting up board mediations statewide, pre-mediation inspections and reports, providing assistance with factual discussion at mediation hearings, administrative support, scrivener responsibilities at mediations, complete mediation reports, preparation of settlement documents, facilitate fiscal and AGO policy compliance, create and implement a publically available online complaint and mediation database assembly, and analyze data for reports to the board and for the legislature.

AAG LNI staffing is needed for providing legal representation during appeals of LNI contractor registration decisions.

This bill is assumed effective July 1, 2009. Section 1 through Section 3 are effective on July 1, 2009. Sections 6 through 13 take effect January 1, 2010.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

LNI division activities are assumed to be Legal Service Revolving Account dollars. Legal services costs incurred by the AGO will be billed through the revolving fund to the client agency. The client agency is assumed to be LNI.

AGO Consumer Protection activities will be funded by the newly enacted Consumer Education for Home Construction fund.

Revenues from the newly-created Consumer Education for Home Construction Account in Section 3 will be collected by LNI as outlined in Section 2. Section 3 establishes this account effective on July 1, 2009.

It is assumed that, starting July 1, 2009, our CP activities will be deficit spending against the Consumer Education for Home Construction Account until sufficient consumer education fees are deposited to cover agency spending. Section 3 states that appropriation is not required for expenditures. If deficit spending against the Consumer Education for Home Construction Account is not acceptable, General Fund-State start-up funding will be necessary in FY2010, at a minimum, and will need to be included in the AGO 2009-11 enacted budget.

It is assumed LNI's fiscal note will show cash receipts for the Consumer Education for Home Construction Account, created in section 3.

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The AGO estimates a workload impact of 0.7 AAG, 1.0 PM, 1.0 PA, 3.0 PC, 1.0 PS3, 0.25 AOM, 0.75 RA, 5.0 INV, 1.0 OA, and 1.0 CC2 at a cost of \$1,354,042 in FY2010 and \$1,219,886 in FY2011. The AGO estimates a workload impact of 0.45 AAG, 1.0 PM, 1.0 PA, 3.0 PC, 1.0 PS3, 0.25 AOM, 0.75 RA, 5.0 INV, 1.0 OA, and 1.0 CC2 at a cost of \$1,176,698 in FY2012 and each FY thereafter. Directs are included in this cost.

It is assumed that, starting July 1, 2009, our CP activities will be deficit spending against the Consumer Education for Home Construction Account until sufficient consumer education fees are deposited to cover agency spending. Section 3 states that appropriation is not required for expenditures. If deficit spending against the Consumer Education for Home Construction Account is not acceptable, General Fund-State start-up funding will be necessary in FY2010, at a minimum, and will need to be included in the AGO 2009-11 enacted budget.

### **Assumptions**

1. We assume the newly established Office of Consumer Education for Home Construction will be located in Seattle under the CPU.
2. We assume minimal expert advice from the construction experts will be needed by CP.
3. We assume ongoing pamphlet production costs.
4. We assume mediations, inspections, and hearings to occur statewide.
5. We assume that the new Communications Specialist 2 can communicate effectively in Spanish.
6. We assume Information Services Division support available for the creation and implementation of the online mediation database.

7. We assume 10 LNI appeals will occur each FY.
8. We assume a small, gradual increase in the number of LNI appeals each FY.
9. We assume Consumer Education for Home Construction Account revenues will be adequate to sustain expenditures enacted in this bill.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	14.7	14.7	14.7	14.5	14.5
A-Salaries and Wages	822,536	774,368	1,596,904	1,507,036	1,507,036
B-Employee Benefits	230,310	216,823	447,133	421,970	421,970
C-Personal Service Contracts	20,000	20,000	40,000	40,000	40,000
E-Goods and Services	110,181	117,680	227,861	206,360	206,360
G-Travel	43,015	43,015	86,030	83,530	83,530
J-Capital Outlays	128,000	48,000	176,000	94,500	94,500
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	<b>\$1,354,042</b>	<b>\$1,219,886</b>	<b>\$2,573,928</b>	<b>\$2,353,396</b>	<b>\$2,353,396</b>

#### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
Administrative Office Manager	60,800	0.3	0.3	0.3	0.3	0.3
Assistant Attorney General	83,400	0.7	0.7	0.7	0.5	0.5
Communications Consultant 2	48,168	1.0	1.0	1.0	1.0	1.0
Investigator	69,756	5.0	5.0	5.0	5.0	5.0
Office Assistant	33,468	1.0	1.0	1.0	1.0	1.0
Program Assistant	34,260	1.0	1.0	1.0	1.0	1.0
Program Coordinator	38,556	3.0	3.0	3.0	3.0	3.0
Program Manager	74,850	1.0	1.0	1.0	1.0	1.0
Program Specialist	55,836	1.0	1.0	1.0	1.0	1.0
Research Analyst	50,568	0.8	0.8	0.8	0.8	0.8
<b>Total FTE's</b>	<b>549,662</b>	<b>14.7</b>	<b>14.7</b>	<b>14.7</b>	<b>14.5</b>	<b>14.5</b>

#### III. C - Expenditures By Program (optional)

Program	FY 2010	FY 2011	2009-11	2011-13	2013-15
Consumer Protection Unit (CPU)	1,310,011	1,175,856	2,485,867	2,265,336	2,265,336
Labor and Industries Division (LNI)	44,031	44,030	88,061	88,060	88,060
<b>Total \$</b>	<b>1,354,042</b>	<b>1,219,886</b>	<b>2,573,928</b>	<b>2,353,396</b>	<b>2,353,396</b>

### Part IV: Capital Budget Impact

None.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

None.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property	<b>Agency:</b> 103-Community, Trade & Economic Develop
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	<b>FY 2010</b>	<b>FY 2011</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>
FTE Staff Years	0.4	0.0	0.2	0.0	0.0
<b>Fund</b>					
Building Code Council Account-State 084-1	45,478	0	45,478	0	0
<b>Total \$</b>	45,478	0	45,478	0	0

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Preparation: Krista Braaksma	Phone: 360-725-2964	Date: 03/12/2009
Agency Approval: Tim Nogler	Phone: 360-725-2969	Date: 03/12/2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 03/13/2009

Request # 159-450-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Differences between the engrossed second substitute bill and the original bill:

A section is added that requires the State Building Code Council (SBCC) to adopt rules setting limitations on the moisture content of framing members in residential construction.

Summary of the engrossed second substitute bill:

Section 25 requires the State Building Code Council to adopt rules setting limitations on the moisture content of framing members in residential construction and the testing of framing members prior to enclosing them in walls.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Assumptions: Affected stakeholders will establish a technical advisory group. The group will conduct six one-day meetings in the Seattle area to review nationally-recognized standards and guidelines and develop draft rules. The SBCC will hold two public hearings, one in Spokane and the other at SeaTac. The SBCC will adopt the final rules with an estimated effective date of July 1, 2010.

FTE Salaries and Benefits

Staff time to identify, contact and coordinate with stakeholders, develop draft rules, and an application for variance is estimated at 0.25 FTE of a CTED Specialist 3 and 0.1 FTE of an Office Assistant 1.

FY10: \$25,422

Goods and Services (G&S)

FY10: \$12,470

-standard G&S: \$11,470

-space and utilities: \$0

-non-standard G&S: \$1,000 (room rental for one public hearing and one council meeting)

Note: Standard goods and services costs include supplies and materials, employee development and training, mandatory state seat of government and Department of Personnel charges, and CTED agency administration. CTED administration provides general standard governmental services including, but not limited to: budgeting, accounting, payroll, and purchasing services; personnel and employee services; internal information technology systems, desktop and network support services; facilities management services; public affairs services; policy and risk management services; and other support services.

Travel

FY10: \$7,586 for six meetings of the technical advisory group with staff travel to Seattle; two public hearings with travel and per diem for 15 council members plus staff; and one council meeting with travel and per diem for 15 council members plus staff.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.4		0.2		
A-Salaries and Wages	19,096		19,096		
B-Employee Benefits	6,326		6,326		
E-Goods and Services	12,470		12,470		
G-Travel	7,586		7,586		
<b>Total:</b>	<b>\$45,478</b>	<b>\$0</b>	<b>\$45,478</b>	<b>\$0</b>	<b>\$0</b>

#### III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
CTED SPEC 3	64,740	0.3		0.1		
OFF ASST 1	29,112	0.1		0.1		
Various Administrative Services	55,478	0.0		0.0		
<b>Total FTE's</b>	<b>149,330</b>	<b>0.4</b>		<b>0.2</b>		<b>0.0</b>

### Part IV: Capital Budget Impact

None

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The State Building Code Council will adopt rules establishing maximum moisture levels in framing members prior to enclosing walls.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates



No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
Office of Consumer Education for Home Construction Account-State new-1	5,600,000	5,600,000	11,200,000	11,200,000	11,200,000
<b>Total \$</b>	5,600,000	5,600,000	11,200,000	11,200,000	11,200,000

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	2.6	2.1	2.4	2.1	2.1
<b>Fund</b>					
General Fund-State 001-1	337,000	183,000	520,000	366,000	366,000
<b>Total \$</b>	337,000	183,000	520,000	366,000	366,000

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Preparation: Steven D Elwanger	Phone: 360-902-6319	Date: 03/18/2009
Agency Approval: Joshua Swanson	Phone: 360-902-6805	Date: 03/18/2009
OFM Review: Mike Woods	Phone: 360-902-9819	Date: 03/18/2009

Request # 5895 E2SSB-1



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached.

### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	2.6	2.1	2.4	2.1	2.1
A-Salaries and Wages	113,135	76,850	189,985	153,700	153,700
B-Employee Benefits	38,682	26,245	64,927	52,490	52,490
C-Personal Service Contracts					
E-Goods and Services	153,036	78,161	231,197	156,322	156,322
G-Travel	5,147	1,744	6,891	3,488	3,488
J-Capital Outlays	27,000		27,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	<b>\$337,000</b>	<b>\$183,000</b>	<b>\$520,000</b>	<b>\$366,000</b>	<b>\$366,000</b>

### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2010	FY 2011	2009-11	2011-13	2013-15
Construction Technical Specialist	69,731	0.5		0.3		
Customer Service Specialist 2	36,756	2.0	2.0	2.0	2.0	2.0
Fiscal Analyst	53,148	0.1	0.1	0.1	0.1	0.1
<b>Total FTE's</b>	<b>159,635</b>	<b>2.6</b>	<b>2.1</b>	<b>2.4</b>	<b>2.1</b>	<b>2.1</b>

Request # 5895 E2SSB-1

**III. C - Expenditures By Program (optional)**

<b>Program</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>
Administrative Services (010)	6,880	4,773	11,653	9,546	9,546
Specialty Compliance Services (060)	330,120	178,227	508,347	356,454	356,454
<b>Total \$</b>	<b>337,000</b>	<b>183,000</b>	<b>520,000</b>	<b>366,000</b>	<b>366,000</b>

**Part IV: Capital Budget Impact**

None.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

See attached.

## Part II: Explanation

This bill requires:

- Labor and Industries (L&I) to collect \$100 fee at the time of contractor registration for deposit into the Consumer Education for Home Construction Account.
- Warranty protections on the construction of residential real property.
- A worker certification program for certain construction services.
- Requires additional information be provided to L&I when making application for contractor registration.
- Gives L&I authority to revoke a registration if the department obtains information about contractor violations that occurred in another state.
- Requires all contractors to notify L&I when a bankruptcy is filed.

Sections 6 through 13 take effect January 1, 2010. The remaining sections of the bill take effect 90 days after sine die.

This bill differs from 2SSB 5895 submitted March 9, 2009, by

- Adding the Office of Consumer Education for Home Construction within the Attorney General's Office.
- Creating a Board for the Office of Consumer Education for Home Construction.
- Creating the Office of Consumer Education for Home Construction Account.
- A \$100 per year consumer education fee is added for each contractor registration or renewal.
- Requiring moisture testing of the wood for factory assembled housing structures prior to enclosing the framing.

The fiscal impact of this fiscal note is greater than the previous fiscal note. The following increases have occurred:

- 1.0 additional Customer Service Specialist FTE is required to assist with additional contractor correspondence as a result of the additional \$100 per year consumer education fee.

- Eight meters will be needed to test the moisture content of the wood for factory assembled housing structures.
- 0.2 Assistant Attorney General FTE is needed to assist with increased contractor appeals due to an increase in denial or suspension of contractor registrations.
- A \$5,600,000 revenue increase will occur as a result of the \$100 per year consumer education fee, which will be deposited into the Consumer Education for Home Construction Account.

## **II. A – Brief Description of What the Measure Does that Has Fiscal Impact**

**Section 2** adds a consumer education fee of \$100 per year for issuing or renewing a contractor's license. The revenue from the consumer education fees will:

- Be deposited into the Consumer Education for Home Construction Account
- Fund the Consumer Education for Home Construction Office under the Attorney General's Office.

**Section 15** requires construction professionals involved in new residential construction or a substantial remodel to warrant that any work to the foundations, framing, siding, roofing, windows, and doors be free from defective materials and constructed in accordance with sound engineering and construction standards.

**Section 26** adds a new temporary section to chapter 64.50 RCW that requires the department to work with a consultant and stakeholders to develop a proposal to the Legislature to establish a worker certification program involving:

- Workers engaged in installation of roofing, siding, framing, foundations, doors and windows on residential structures.
- The program is to include education, experience, and examination requirements.

**Section 27** requires contractor applicants to provide the following additional information to L&I:

- What type of work they perform: residential, commercial or both.
- Social security number, date of birth, and driver's license number.

- Registration numbers and UBI numbers for all previous or current businesses of the same owner, principal, or officer.
- Disclose any past bankruptcy proceedings.
- Construction licenses, certifications, or registration issued to applicant by other states.
- Denials, suspensions, revocations, or enforcement actions related to construction against the applicant in other states.

Section 27 also grants L&I the authority to:

- Suspend or deny a contractor's registration if the department has determined that an enforcement action was taken against the contractor in another state that would also be a violation in Washington.
- Suspend a contractor's registration if the department has determined that the contractor failed to reasonably supervise employees, agents or subcontractors or performed negligently or in breach of contract so as to cause injury or harm to the public.

Section 28 requires a registered contractor, by or against whom a petition in bankruptcy has been filed, to notify L&I in ten days of the bankruptcy proceedings.

## **II. B – Cash Receipt Impact**

As a result of this legislation, the following assumptions are made regarding revenues:

### **Revenues from contractor registrations and renewals**

- There are 28,000 contractor registrations and renewals that occur annually.
- The bill requires a \$100 consumer education fee each year to be paid by all contractors registering or renewing their contractor's license. The renewal or registration period for a contractor's license is two years. Therefore, \$200 is required for each contractor registration or renewal since the consumer education fee is \$100 per year and the contractor registration period is for two years.
- All revenues for the consumer education fee will be deposited into the Consumer Education Home Construction Account. This is a new account and is created to cover the

administrative and operating costs of the Office of Consumer Education for Home Construction at the Attorney General's Office.

Description	FY 2010
Contractors registering or renewing their licenses	28,000
Consumer education fee	x \$100
Renewal or registration period	x 2
<b>Total Annual Revenue</b>	<b>\$5,600,000</b>

Fund Name	Fund #	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Home Construction Account	New	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000

## II. C – Expenditures

L&I's workload will increase in four different areas. The following activities will be impacted:

- A. **Research study** requiring 0.5 FTE for a year to help develop the worker certification program on education, experience, and examination requirements. A consultant will also be needed to research and develop the worker certification program, and write a report.
- B. **Additional contractor registration information and fees** required for new applications and renewals requiring two Customer Service Specialist FTEs. Updates to our Contractors Registration System are needed to process the additional information required by this bill.
- C. **Wood moisture testing** requiring eight moisture meters. Construction Compliance Inspectors will test the moisture content of the wood for factory assembled housing structures.

- D. **0.2 Assistant Attorney General FTE** legal support is needed due to increased contractor appeals from denial or suspension of contractor registrations resulting from contractors failing to meet new requirements from this legislation.

Details, cost estimates, and assumptions for each of the above are provided below.

A. **Research and Study for Certification Program**

Section 12 requires L&I to work with stakeholders to explore the need for worker certification for contractors involved with the installation of roofing, siding, framing, foundations, doors, and windows. This requires:

- A private consultant for six months to conduct the study and provide a report on education, experience, and examination requirements. Estimated cost \$75,000 based on costs of previous studies of similar scope.
- 0.5 Construction Technical Specialist FTE for one year located in the central office to:
  - Manage the study project.
  - Work with the consultant as technical expert to help develop the certification requirements.
  - Gather information and work with stakeholder groups to decide what type of education, experience, and examination should be required for contractors.

B. **Additional Contractor Registration Information**

Staff is needed to process the additional contractor registration information and fees, and answer questions of applicants. The new information required by the contractors to L&I as a result of this bill is:

- What type of work they perform: residential, commercial or both.
- Social security number, date of birth, and driver's license number, which is already included on L&I forms.
- Registration numbers and UBI numbers for all previous or current businesses of the same owner, principal, or officer.
- Disclose any past bankruptcy proceedings.

- Construction licenses, certifications, or registration issued to applicant by other states.
- Denials, suspensions, revocations, or enforcement actions related to construction involving applicants in other states.

The following FTEs are required to handle and process the additional contractor registration information and respond to questions and process letters regarding the new consumer education fee:

- Two Customer Service Specialist 2s (CSS2) starting July 1, 2009 in the central office to:
  - Answer questions from field offices.
  - Process all documents sent in from the field offices.
  - File the paperwork in the contractors' file.
  - Answer increased phone calls from the field regarding the consumer education fee.
  - Processing letters related to denials, suspensions, revocations, or enforcement actions related to:
    - Construction enforcement actions against the applicant in other state.
    - Contractor not willing to pay the consumer education fee.
    - Contractor has harmed the public through:
      - Breach of contract.
      - Negligence.
      - Failure to supervise employees or agents.

### **C. Wood Moisture Testing**

Eight moisture meters are needed to test the moisture content of the wood for factory assembled housing structures at \$500 each. It is assumed that the Department will need one meter for each of the six regions plus two at the central office. The moisture meters at the central office will also be used for out-of-state testing of factory assembled structures. The two to three minutes of moisture testing time per factory assembled structure can be absorbed with existing staff resources.



#### **D. Assistant Attorney General**

0.2 Assistant Attorney General FTE as requested by the Attorney General's Office to provide legal support for increased appeals. The increased appeals will occur as a result of this legislation authorizing L&I to:

- Deny applications for contractor registrations or to suspend existing registrations if it has been determined that another state has taken construction-related enforcement actions against them.
- Suspend registrations if L&I determines that a contractor has harmed the public through breach of contract, negligence, or failure to supervise employees or agents.

Description	Total Annual Cost
0.2 AAG	\$44,030

#### **IT System Modifications**

Also, 520 contracted programming hours are required to:

- Add fields for additional principal information – 80 hrs.
- Add predecessor information based on principal – 40 hrs.
- Record licenses issued by other states – 40 hrs.
- Workers compensation and unemployment insurance accounts identification – 40 hrs.
- If coverage is from another state, send notice to that state – 80 hrs.
- Add prior legal actions, including other states – 80 hrs.
- Add bankruptcy information – 80 hrs.
- Add new reasons for suspension – 80 hrs.

#### **IT Cost Summary:**

Item	Description	Amount	Rate	FY 2010
Contract Programming	Contractor Registration Data Base System	520 hrs	\$90	\$46,800

#### **FTE Standard Costs**

Permanent and temporary FTE costs include salary and benefits, and the standard costs associated with a new FTE. These standard costs include:

- Leased office space.
- Work unit (desk, file cabinet, etc.) and furniture (if needed).
- Telephone and communication expenses.
- Training.
- Travel.
- Leased PC equipment.

We assume new FTEs require new leased office space. Costs are included, prorated on a per FTE basis, to cover tenant improvements necessary to lease more office space. Tenant improvements include:

- One-time expenditures for GA real estate and architectural fees.
- Phone and data wiring.
- Copy room and conference room equipment and furniture.
- Lunch and break room equipment.
- Staff moving costs.
- Security system.
- Other miscellaneous supplies.

### **Indirect Allocation Included In Cost Estimates**

We include agency wide indirect cost estimates. Only our Administrative Services and Information Services programs receive indirect cost allocation.

Our methodology was updated and approved in the 2007-2009 Budget. The annual indirect rates for Specialty Compliance Services (SCS) and Insurance Services are:

- 3.6 percent per fiscal year for Specialty Compliance Services (SCS).

The annual indirect cost is calculated on:

- Requested FTE salary and benefit costs.
- Standard costs associated with new FTEs.
- IT equipment is not included.

We convert the total indirect amount into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Financial Analyst 3 (Range 50, Step G). The amount remaining after the salary and benefits are calculated is allocated in object E to provide goods and services for the indirect FTE(s).

The amount received for the indirect FTE(s) may not be enough to actually hire a new staff person. But, this indirect funding may be used instead to pay current staff for overtime or increasing the use of temporary and seasonal employees.

Depending on the agency's needs, examples of activities provided in Administrative Services and Information Services include:

- Vendor payment and payroll processing.
- Equipment purchase, delivery, inventory, storage and set-up.
- Technical support to employees.
- Desk-top and network support.
- Internal IT systems support.
- Contract and purchasing services.
- Legislative and Public Affairs.
- Library services and public disclosure.
- Personnel and employee services.
- Budget and Accounting.
- Facilities management.

The amount included in this fiscal note for indirect is:

<b>Fund Name</b>	<b>Fund #</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
State General Fund	001-1	6,880	4,773	4,773	4,773	4,773	4,773

#### **Part IV: Capital Budget Impact**

None.

**Part V: New Rule Making Required**

Chapter 296-200A WAC will need to be amended.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 5895 E 2S SB	<b>Title:</b> Residential real property
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

☒ Cities: City and county permitting officials would be required to receive specified documents before issuing building permits or certificates of occupancy (Sections 18-24). Rules to be developed by the State Building Code Council would require local building official involvement in testing moisture content of wood framing used in residential construction (Section 25).

☒ Counties: Same as above

☐ Special Districts:

☐ Specific jurisdictions only:

☐ Variance occurs due to:

## Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☐ Legislation provides local option:

☒ Key variables cannot be estimated with certainty at this time:

Impact of Section 25 would depend on rules to be developed by the State Building Code Council. The definition of "construction professional" in Section 15 could be interpreted to include local government building officials. The impact of this bill could depend on how the section is applied in the future. (For the purpose of this fiscal note, it is assumed that the section does not apply to inspectors employed by local governments.)

### Estimated revenue impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City					
County					
Special District					
<b>TOTAL \$</b>					
<b>GRAND TOTAL \$</b>					

### Estimated expenditure impacts to:

<b>Indeterminate Impact</b>
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## Part III: Preparation and Approval

Fiscal Note Analyst: Jaime Kaszynski	Phone: 360-725-2717	Date: 03/18/2009
Leg. Committee Contact: Alison Mendiola	Phone: 360-786-7483	Date: 03/12/2009
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/18/2009
OFM Review: Mike Woods	Phone: 360-902-9819	Date: 03/19/2009

## Part IV: Analysis

### A. SUMMARY OF BILL

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

#### DIFFERENCES BETWEEN ENGROSSED SECOND SUBSTITUTE AND PREVIOUS BILL VERSION

The current bill version:

- Adds sections 1-13 and 20, establishing the home construction board;
- Changes the definition of "construction professional" in Section 15 to exclude suppliers of materials who otherwise are not involved in a construction project; and
- Adds Section 25 requiring the state building code council to adopt rules regarding testing of moisture content in wood framing used for residential construction.

#### SUMMARY OF CURRENT BILL VERSION

Sections of this bill that would potentially impact local governments include:

Section 7 establishes the home construction board to administer a residential homeowner and construction professional early resolution mediation program. "Construction professional" has the same meaning as in Section 15.

Section 9 requires that a homeowner of residential real property alleging that a construction professional has performed defective work must, prior to commencing an action against the construction professional, file a claim against the construction professional with the board.

Section 15 amends RCW 64.50 to provide that "construction professionals" involved in work on residential real property warrant that the work will be: free from defective materials, constructed in accordance with sound engineering and construction standards, constructed in a work-like manner, and constructed in compliance with all applicable laws. If this warranty is breached, the construction professional can be liable.

-- "Construction professional" is defined as "an architect, builder, builder vendor, contractor, subcontractor, engineer, or inspector, performing or furnishing the design, supervision, inspection, construction, or observation of the construction, of any improvement to residential real property, whether operating as a sole proprietor, partnership, corporation, or other business entity."

-- "Construction professional" does not include a supplier of materials who has otherwise had no involvement in performing or furnishing the design, supervision, inspection, construction, or observation of the construction, of any improvement to residential real property.

Sections 18 through 24 amend RCW 64.50 to require that certain "enclosure design documents" be received by counties or cities before building permits or certificates of occupancy are issued. These sections do not require that the documents be evaluated by the jurisdiction, just that they must have been received.

Section 25 amends RCW 19.27 to require the State Building Code Council to adopt rules regarding testing of moisture content in wood framing used for residential construction. Rules must require that wood framing used in residential construction be tested in specified ways by a special inspector or the local building jurisdiction for maximum allowable moisture content prior to enclosing the framing. The rules adopted by the SBCC may require that a special inspector be approved by the local building official. If testing is done by a special inspector, a certificate of compliance must be provided to the local building official showing compliance with the requirements of this section and the rules adopted under this section.

#### BACKGROUND & ASSUMPTIONS

The definition of construction professional in Section 15 includes an inspector operating as a "corporation" or "other business entity." Cities are often referred to as "municipal corporations," so this section of the bill, including the phrase "other business entity" could be interpreted broadly to include cities or counties. Some local government contacts, including city attorneys, expressed concern that the definition of "construction professionals" could be applied to city building inspectors.

The proposed language is very similar to sections of the Construction Defect Claims Act, enacted by the Legislature in 2002 (RCW 64.50.010). A search of Westlaw finds seven cases under that RCW. In none of those cases was a government or a government building inspector identified as a defendant. Because no cases could be identified where this definition of "construction professional" was applied to local government building inspectors, this fiscal note proceeds under the assumption that the proposed language in this bill would not impact local governments.

## B. SUMMARY OF EXPENDITURE IMPACTS

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

Given the assumption outlined above regarding the definition of "construction professional" in Section 15, this bill would have a moderate impact (greater than \$50,000, but less than \$1 million) on local government expenditures. However, if Section 15 were interpreted to apply to local government building inspectors in the future, expenditures associated with the mediation process provided in sections 9-11 and/or eventual litigation could be significant. In any case, Sections 18 through 24 and Section 25 would impact local government expenditures.

Sections 18 through 24 require that certain "enclosure design documents" be received by counties or cities before building permits or certificates of occupancy are issued. These sections do not require that the documents be evaluated by the jurisdiction, just that they must have been received, therefore expenditure impacts are assumed to be minor (less than \$50,000).

Section 25 amends RCW 19.27 to require the State Building Code Council to adopt rules regarding testing of moisture content in wood framing used for residential construction. The rules would allow testing to either be conducted by local building officials or privately employed special inspectors. Impact would depend on rulemaking and whether jurisdictions choose to test for moisture themselves. It is assumed that most jurisdictions would require the testing to be done by private inspectors. In these cases, the local expenditure would be limited to roughly 10 minutes of staff time to process each certificate of compliance.

For moisture testing performed by local government building inspectors, the most convenient time would be when an inspector was on site to inspect the building's framing. According to the Washington Association of Building Officials, this would not add significant time to framing inspections. However, an additional site visit would be necessary if there were a significant delay between the framing inspection and installation of sheathing, which would take roughly an hour on average including travel.

For the purpose of providing an estimate of the expenditure impact of Section 25, local government fiscal note staff assume 30,000 housing starts per year based on data from the Washington State Economic and Revenue Forecast Council. Assuming 10 percent of starts would be moisture-tested by local building inspectors, 10 percent of those would require an additional visit, and an average building inspector wage of \$75/hour, the annual local expenditure impact would be \$393,750 (detailed below).

27,000 private moisture tests processed x 10 minutes x \$75/hour = \$337,500

2,700 local government moisture tests during framing inspection x 10 minutes x \$75/hour = \$33,750

300 local government moisture tests requiring additional site visit x 1 hour x \$75/hour = \$22,500

In addition to this annual cost, many jurisdictions would need to train building inspectors to conduct moisture testing, and purchase testing equipment at a cost of roughly \$350 per unit.

## C. SUMMARY OF REVENUE IMPACTS

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

This bill does not directly impact local government revenue or revenue authority. As described above, rules developed to implement Section 25 would allow testing for moisture content of wood framing materials to be conducted by local building officials. If so, local officials would incur costs to conduct testing and would likely charge fees for additional site visits. This would indirectly result in increased revenue for city and county officials. Such revenue would be linked to expenditures and so not represent a net gain. The amount of revenue would depend on future rulemaking, the number of local building official site visits and fees charged, so cannot be estimated.

### SOURCES

Association of Washington Cities

Washington Association of Building Officials

Washington State Association of Municipal Attorneys

Washington Cities Insurance Authority

Puyallup City Attorney's Office

Yakama City Attorney's Office

Sammamish City Attorney's Office

Burlington City Attorney's Office

Spokane City Attorney's Office

City of Lacey

Washington State Economic and Revenue Forecast Council, Economic Forecast Fiscal Year Summary Tables, March 13, 2009



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b>	<b>Title</b>
5895 E 2S SB	Residential real property

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts (Dollars in Thousands)

Agency Name	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	2010-19 TOTAL
Department of Labor and Industries	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	56,000,000
Community, Trade & Economic Develop	0	0	0	0	0	0	0	0	0	0	0
Admin Office of the Courts	0	0	0	0	0	0	0	0	0	0	0
Office of State Treasurer	0	0	0	0	0	0	0	0	0	0	0
Community, Trade and Econ Dev-Local	0	0	0	0	0	0	0	0	0	0	0
Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>56,000,000</b>





# Ten-Year Analysis

<b>Bill Number</b> 5895 E 2S SB	<b>Title</b> Residential real property	<b>Agency</b> 055 Admin Office of the Courts
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimates

☒ **No Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Fee	Acct Code											
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Agency Preparation: Julia Appel	Phone: (360) 705-5229	Date: March 12, 2009
Agency Approval: Dirk Marler	Phone: 360-705-5211	Date: March 12, 2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 3/20/2009 3:48:03PM



# Ten-Year Analysis

<b>Bill Number</b> 5895 E 2S SB	<b>Title</b> Residential real property	<b>Agency</b> 090 Office of State Treasurer
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimates

☒ **No Cash Receipts**                      ☐ **Indeterminate Cash Receipts**

Name of Fee	Acct Code											
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Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: March 12, 2009
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: March 12, 2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 3/20/2009 3:48:03PM



# Ten-Year Analysis

<b>Bill Number</b> 5895 E 2S SB	<b>Title</b> Residential real property	<b>Agency</b> 100 Office of Attorney General
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimates

☒ **No Cash Receipts** ☐ **Indeterminate Cash Receipts**

<b>Name of Fee</b>	<b>Acct Code</b>											
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## Narrative Explanation (Required for Indeterminate Cash Receipts)

It is assumed LNI will show cash receipts for the Consumer Education for Home Construction Account, created in section 3.

Agency Preparation: Donna Turner Cobb	Phone: (360) 586-6475	Date: March 20, 2009
Agency Approval: Sarian Scott	Phone: (360) 586-2104	Date: March 20, 2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 3/20/2009 3:48:03PM



# Ten-Year Analysis

<b>Bill Number</b> 5895 E 2S SB	<b>Title</b> Residential real property	<b>Agency</b> 103 Community, Trade & Economic Develop
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimates

☒ **No Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Fee	Acct Code											
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Agency Preparation: Krista Braaksma	Phone: 360-725-2964	Date: March 12, 2009
Agency Approval: Tim Nogler	Phone: 360-725-2969	Date: March 12, 2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 3/20/2009 3:48:03PM



# Ten-Year Analysis

<b>Bill Number</b> 5895 E 2S SB	<b>Title</b> Residential real property	<b>Agency</b> 235 Department of Labor and Industries
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimates

☐ **No Cash Receipts**
☐ **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Fee	Acct Code	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	2010-19 TOTAL
Consumer Education Fee	new	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	56,000,000
<b>Total</b>		<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>5,600,000</b>	<b>56,000,000</b>
<b>Biennial Totals</b>		<b>11,200,000</b>	<b>11,200,000</b>		<b>11,200,000</b>		<b>11,200,000</b>		<b>11,200,000</b>		<b>56,000,000</b>	

Agency Preparation: Steven D Elwanger	Phone: 360-902-6319	Date: March 18, 2009
Agency Approval: Joshua Swanson	Phone: 360-902-6805	Date: March 18, 2009
OFM Review: John Shepherd	Phone: 360-902-0538	Date: 3/20/2009 3:48:03PM