

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|--------------------------------------|
| Bill Number: 1534 HB | Title: Construction consumers |
|-----------------------------|--------------------------------------|

Estimated Cash Receipts

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|------------------------------------|--|------------------|----------|------------------|------------------|----------|------------------|------------------|----------|
| | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total |
| Office of State Treasurer | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Department of Labor and Industries | 1,717,000 | 1,717,000 | 0 | 1,230,000 | 1,230,000 | 0 | 1,230,000 | 1,230,000 | 0 |
| Department of Labor and Industries | In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note. | | | | | | | | |
| Total \$ | 1,717,000 | 1,717,000 | 0 | 1,230,000 | 1,230,000 | 0 | 1,230,000 | 1,230,000 | 0 |

Estimated Operating Expenditures

| Agency Name | 2023-25 | | | | 2025-27 | | | | 2027-29 | | | |
|------------------------------------|------------|----------|-------------|----------------|------------|----------|-------------|----------------|------------|----------|-------------|----------------|
| | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total |
| Office of State Treasurer | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Office of Administrative Hearings | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Department of Labor and Industries | .0 | 0 | 0 | 256,000 | 2.4 | 0 | 0 | 584,000 | 4.3 | 0 | 0 | 826,000 |
| Total \$ | 0.0 | 0 | 0 | 256,000 | 2.4 | 0 | 0 | 584,000 | 4.3 | 0 | 0 | 826,000 |

Estimated Capital Budget Expenditures

| Agency Name | 2023-25 | | | 2025-27 | | | 2027-29 | | |
|------------------------------------|------------|----------|----------|------------|----------|----------|------------|----------|----------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Office of State Treasurer | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Office of Administrative Hearings | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Labor and Industries | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total \$ | 0.0 | 0 | 0 | 0.0 | 0 | 0 | 0.0 | 0 | 0 |

Estimated Capital Budget Breakout

| | | |
|-------------------------------------|---------------------------------|---|
| Prepared by: Anna Minor, OFM | Phone: (360) 790-2951 | Date Published: Final 2/10/2023 |
|-------------------------------------|---------------------------------|---|

Individual State Agency Fiscal Note

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|-----------------------------|--------------------------------------|--|
| Bill Number: 1534 HB | Title: Construction consumers | Agency: 090-Office of State Treasurer |
|-----------------------------|--------------------------------------|--|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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: Kelly Leonard | Phone: 360-786-7147 | Date: 02/01/2023 |
| Agency Preparation: Dan Mason | Phone: (360) 902-8990 | Date: 02/03/2023 |
| Agency Approval: Dan Mason | Phone: (360) 902-8990 | Date: 02/03/2023 |
| OFM Review: Amy Hatfield | Phone: (360) 280-7584 | Date: 02/03/2023 |

Part II: Narrative Explanation

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

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

HB 1534 creates the homeowner recovery account and allows the account to retain its earnings from investments.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------|--|
| Bill Number: 1534 HB | Title: Construction consumers | Agency: 110-Office of Administrative Hearings |
|-----------------------------|--------------------------------------|--|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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: Kelly Leonard | Phone: 360-786-7147 | Date: 02/01/2023 |
| Agency Preparation: Pete Boeckel | Phone: 360-407-2730 | Date: 02/06/2023 |
| Agency Approval: Deborah Feinstein | Phone: 360-407-2717 | Date: 02/06/2023 |
| OFM Review: Cheri Keller | Phone: (360) 584-2207 | Date: 02/06/2023 |

Part II: Narrative Explanation

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

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

No fiscal impact. This legislation will not measurably increase the appeal workload for the Office of Administrative Hearings (OAH).

OAH does not hear appeals of contractor registration denials which is what this bill amends in part. The rest of the bill does not appear to create any new appeal rights that would impact appeals heard at OAH.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

None

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|--------------------------------------|---|
| Bill Number: 1534 HB | Title: Construction consumers | Agency: 235-Department of Labor and Industries |
|-----------------------------|--------------------------------------|---|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

| ACCOUNT | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--|-------------|-------------|-------------|-------------|-------------|
| General Fund-State 001-1 | 1,102,000 | 615,000 | 1,717,000 | 1,230,000 | 1,230,000 |
| Construction Registration Inspection Account-State 21V-1 | (1,102,000) | (1,102,000) | (2,204,000) | (2,204,000) | (2,204,000) |
| Homeowner Recovery Account-Non-Appropriated New-6 | | 487,000 | 487,000 | 974,000 | 974,000 |
| Total \$ | | | | | |

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.0 | 0.0 | 0.0 | 2.4 | 4.3 |
| Account | | | | | |
| Construction Registration Inspection Account-State 21V-1 | 192,000 | 64,000 | 256,000 | 584,000 | 826,000 |
| Total \$ | 192,000 | 64,000 | 256,000 | 584,000 | 826,000 |

Estimated Capital Budget Impact:

NONE

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: Kelly Leonard | Phone: 360-786-7147 | Date: 02/01/2023 |
| Agency Preparation: Donald Jenson Jr | Phone: 360-902-6981 | Date: 02/09/2023 |
| Agency Approval: Trent Howard | Phone: 360-902-6698 | Date: 02/09/2023 |
| OFM Review: Anna Minor | Phone: (360) 790-2951 | Date: 02/10/2023 |

Part II: Narrative Explanation

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

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

See attached.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

| Account | Account Title | Type | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|-----------------|--|-------|---------|---------|---------|---------|---------|
| 21V-1 | Construction Registration Inspection Account | State | 192,000 | 64,000 | 256,000 | 584,000 | 826,000 |
| Total \$ | | | 192,000 | 64,000 | 256,000 | 584,000 | 826,000 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | | | | 2.4 | 4.3 |
| A-Salaries and Wages | | | | 293,000 | 524,000 |
| B-Employee Benefits | | | | 121,000 | 216,000 |
| C-Professional Service Contracts | 192,000 | 64,000 | 256,000 | | |
| E-Goods and Other Services | | | | 128,000 | 82,000 |
| G-Travel | | | | 2,000 | 4,000 |
| J-Capital Outlays | | | | 40,000 | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 192,000 | 64,000 | 256,000 | 584,000 | 826,000 |

III. C - Operating FTE 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 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|-------------------------------|--------|---------|---------|---------|---------|---------|
| Customer Service Specialist 2 | 46,980 | | | | 0.6 | 1.0 |
| Fiscal Analyst 5 | 71,520 | | | | 0.2 | 0.3 |
| Program Specialist 3 | 69,756 | | | | 0.6 | 1.0 |
| Revenue Agent 2 | 64,788 | | | | 1.0 | 2.0 |
| Total FTEs | | | | | 2.4 | 4.3 |

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

None

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached.

Part II: Explanation

This bill relates to strengthening protections for consumers in the construction industry.

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

Section 2(3)(a) amends RCW 18.27.030 by adding a condition for denial of registration for applicants who are a successor to a business entity with an unsatisfied final judgment.

Section 3 amends RCW 18.27.040, increasing bond amounts from \$12,000 to \$30,000 for general contractors and from \$6,000 to \$15,000 for specialty contractors. The increased bond can be submitted at the time of renewal.

Section 4 amends RCW 18.27.340, increasing minimum penalty amount from \$1,000 to \$1,200 and maximum penalty amount from \$5,000 to \$6,000. Penalties collected under this section are to be deposited in the homeowner recovery account instead of the general fund-state.

Section 5 amends RCW 18.27.400 stating penalties collected under this section are to be deposited in the homeowner recovery account instead of the general fund-state.

Section 6 adds a new section to RCW 18.27 establishing the homeowner recovery program administered by the Department of Labor and Industries (L&I). It gives L&I authority to establish rules to administer the program.

Section 6(2) states that beginning July 1, 2026, a claimant is eligible to recover from the homeowner recovery program after making a claims, and lists the conditions that must be satisfied, including the claimant proceeding against any bond covering the contractor.

Additional stipulations include:

- It requires L&I to provide a form on its website for claimants to apply for payment from the homeowner recovery account (account) in accordance with this section.
- Payment from the account may not exceed \$25,000 per contractor, per parcel.
- Payments are prioritized and paid in order of receipt by L&I.

- Payment is limited to actual damages only, other fees such as court costs, interest, punitive damages shall not be included in payment from the fund.
- Total payments from the account for each fiscal year may not exceed twenty percent of the account balance at the end of that fiscal year.
- L&I must create and maintain a waitlist for eligible claims unpaid due to an insufficient account balance.
- At the time of payment, the claimant must assign their right, title, and interest to the department to the extent of each payment.
- Upon any payment from the account to a claimant, L&I shall notify the contractor that a payment has been made and include information about how to reimburse the account.
- L&I may pursue reimbursement from the contractor and there are conditions surrounding payment plans.

Section 7 adds a new section to RCW 18.27 establishing the homeowner recovery account. Expenditures from the account may only be used for the homeowner recovery program. Administrative costs of the program may not be paid from account. An appropriation is not required for expenditures.

Section 8 adds a new section to RCW 18.27 requiring the department to submit an annual report to the appropriate committees of the legislature by December 1st of each year. The report is to include information on the total number of applications made to the homeowner recovery fund, payments made, and the status of the fund. The report will also include any recommendations for any changes to the program.

Section 10 amends RCW 51.44.190 eliminating the June 30, 2023 end date for the quarterly transfer of seven percent of licenses, permits, and registrations deposited the previous quarter from the construction registration inspection account to the general fund-state.

Section 11 stipulates that sections 3 through 9 of the bill take effect July 1, 2024.

Section 12 stipulates that section 10 of the bill takes effect June 30, 2023.

II. B – Cash Receipt Impact

Receivables – Non-appropriated

Section 5 of the bill requires fines and penalties received by L&I under RCW 18.27 to be deposited in the newly created Homeowner Recovery Account effective July 1, 2024.

- Based on current estimates, that reflects an annual increase in revenue of \$487,000 to the Homeowner Recovery Account, beginning in fiscal year 2025.

Section 4 of the bill increases the minimum and maximum penalty amounts effective July 1, 2024. The cash receipt impact of the new penalty amounts is indeterminate. The penalty amounts can vary, therefore L&I can't predict the amounts nor frequency of the penalties.

Section 6 of the bill makes consumers eligible to receive payments from the Homeowner Recovery Account effective July 1, 2026. This section also authorizes L&I to pursue recovery of those payments from the contractor. Since this is a new path for consumers to pursue, there is no data about how many complaints will be received, nor the amounts of the payments. However, the following assumptions yield the following estimate:

- 200 claimants per year, based on current data on contractor infractions where the consumer has exhausted the remedy of the contractor bond.
- \$25,000 maximum payment per contractor, per parcel.
- \$5,000,000 annual expenditures beginning in fiscal year 2027. (200 claimants X \$25,000 = \$5,000,000)
- The collections rate for contractor infractions is 15 percent.
- Therefore, \$750,000 received for the new fund beginning in fiscal year 2027. (\$5,000,000 x 15% = \$750,000)

Receivables – Operating

Section 5 of the bill requires fines and penalties received by L&I under RCW 18.27 to be deposited in the newly created Homeowner Recovery Account effective July 1, 2024. Those fines and penalties are currently deposited into the General Fund-State.

- Based on current estimates, that reflects an annual revenue decrease of \$487,000 to the General Fund-State, beginning in fiscal year 2025.

Section 10 of the bill removes the June 30, 2023 end date for the quarterly transfer of seven percent of licenses, permits, and registrations deposited the previous quarter from the Construction Registration Inspection account to the General Fund-State. Future fee increases are likely to offset the decrease in revenue to the Construction Registration Inspection account.

- Based on current estimates, that reflects an annual revenue decrease of \$1,102,000 to the Construction Registration Inspection account, beginning in fiscal year 2024, and an annual revenue increase of \$1,102,000 to the General Fund-State, beginning in fiscal year 2024.
- Future fee increases are likely in order to offset the decrease in revenue to the Construction Registration Inspection account.

II. C – Expenditures

Non-appropriated Costs

This bill increases expenditures to the newly created Homeowner Recovery Account beginning July 1, 2026. Since this is a new path for consumers to pursue, there is no data about how many complaints will be received, nor the amounts of the payments. Therefore, expenditures from the new account are indeterminate at this time. However, the following assumptions yield the following estimate:

- 200 claimants per year, based on current data on contractor infractions where the consumer has exhausted the remedy of the contractor bond.
- \$25,000 maximum payment per contractor, per parcel.
- \$5,000,000 annual expenditures beginning in fiscal year 2027. (200 claimants X \$25,000 = \$5,000,000)

Appropriated – Operating Costs

This bill increases expenditures to the Construction Registration Inspection account, fund 21V. The following assumptions were used to estimate the resources requested to implement this bill.

Staffing

1.0 FTE, Program Specialist 3, permanent, beginning April 1, 2026. Duties include reviewing required documentation, determining eligibility of claimants, reviewing court documents, calculating allowed payout amounts, preparing fund payout documentation, drafting and filing judgment paperwork with the superior court. Duties also include tracking and monitoring the recovery fund, and reviewing data and creating reports. This is based on the following assumptions:

- 200 claimants per year, based on current data on contractor infractions where the consumer has exhausted the remedy of the contractor bond.
- 10 hours per claim to perform the duties listed above.
- 2,000 hours per year. (200 claimants x 10 hours = 2,000 hours)
- Therefore, 1 FTE is needed. (2,000 hours / 2,088 FTE hours per year = 0.96 FTE)

1.0 FTE, Customer Service Specialist 2, permanent, beginning April 1, 2026. Duties include reviewing and verifying that summons and complaints received are in compliance with statutory requirements, processing and recording the lawsuit information, sending written explanation to private attorneys and homeowners with reason for denial of legal action. Duties also include suspending registration for unsatisfied judgment and impaired bonds, and educating consumers about the new recovery account. This is based on the following assumptions:

- Processing summons related to the claimant, 22.5 hours per week
- Processing judgments and dismissals, 5 hours per week
- Answering customers questions related to the homeowner recovery account, 5 hours per week.
- Therefore, 1 FTE is needed. (32.5 hours per week / 40 FTE hours per week = 0.82 FTE)

2.0 FTE, Revenue Agent 2 (RA2), permanent, beginning July 1, 2026. Duties include collecting reimbursements to the homeowner recovery account from contractors. This is based on the following assumptions:

- 200 claimants per year, based on current data on contractor infractions where the consumer has exhausted the remedy of the contractor bond.
- Due to the complexity in collecting these reimbursements from contractors, the average caseload for one RA2 is expected to be 100.
- Therefore, 2 FTE are needed. (200 claims / 100 case load = 2 FTE)

Information Technology

This bill adds increased bonding amounts for construction contractors and the ability for the department to deny new applications if the applicant is a successor to a business entity with an unsatisfied final judgement. IT contract support will be required for changes to existing licensing system, QuickCards. IT contract support will be required for solution architecture and development of a new Accounts Receivable (ARC) to recover any funds paid out. This is effective 6/30/2024, and it will require 8 months of time to implement the needed changes to the internal applications.

The bill also provides protection for homeowners through the creation of a homeowner recovery fund for monies awarded from final judgements but not paid by contractors. At this time, IT assumes this a manual process and will not be tracked via a technology solution. However, a request for IT resources related to this portion of the bill may be needed in the future if the manual process is not cost effective.

A total of \$250,160 is needed in the 2023-25 biennium for all information technology changes.

This includes:

- Contractor costs – \$210,160 is needed for 1,528 contractor hours
- QA – \$40,000

The expenditure calculations in this fiscal note include changes to the hourly rates for contract technology based on an annual analysis completed by L&I. These changes include rates based on

expert skill level and an inflationary factor in all categories. All expenditures in this section are for the 2023-25 biennium.

Printing & Mailing

\$60,000 is needed for printing and/or mailing costs for:

- Printing and mailing a one-page fact sheet to 67,000 construction contractors, \$46,230 to be spent during fiscal year 2026.
- Printing and mailing a one-page fact sheet to 20,000 consumers, \$13,800 to be spent during fiscal year 2026.

Rule making

\$2,500 is needed for one rule making hearings to occur during fiscal year 2024. The average cost of one rule making hearing is \$2,500.

Indirect Costs

The amount included in this fiscal note for indirect is:

| Fund Name | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|-----------|---------------------------|---------|---------|---------|----------|----------|----------|
| 21V | Contractor Reg Inspection | 0 | 0 | 3,000 | 25,000 | 25,000 | 25,000 |
| | Total: | \$0 | \$0 | \$3,000 | \$25,000 | \$25,000 | \$25,000 |

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries’ indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes, the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 5 (Range 59, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

This legislation would result in rule changes to:

- WAC 296-200A, Contractor certificate of registration renewals.
- New WACs may be necessary.