

ARIZONA STATE SENATE

RESEARCH STAFF



TO: MEMBERS OF THE SENATE
GOVERNMENT COMMITTEE OF
REFERENCE

JASON THEODOROU
LEGISLATIVE RESEARCH ANALYST
GOVERNMENT COMMITTEE
Telephone: (602) 926-3171

DATE: January 19, 2024

SUBJECT: Sunset Review of the Arizona Registrar of Contractors

Attached is the final report of the sunset review of the Arizona Registrar of Contractors, which was conducted by the Senate Government Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Katie Hobbs

President of the Senate
Senator Warren Petersen

Speaker of the House of Representatives
Representative Ben Toma

Senate Members

Senator Jake Hoffman, Chair
Senator Wendy Rogers, Vice-Chair
Senator Eva Diaz
Senator David C. Farnsworth
Senator Juan Mendez
Senator Janae Shamp
Senator Priya Sundareshan
Senator Justine Wadsack

Arizona Registrar of Contractors
Office of the Auditor General
Arizona State Library, Archives and Public Records

Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff

Office of the Chief Clerk
House Republican Staff
House Democratic Staff
House Research Staff

Senate Government Committee of Reference Final Report

Arizona Registrar of Contractors

Background

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona Registrar of Contractors (ROC) to the Senate Government Committee of Reference and the House Commerce Committee of Reference.

Established in 1931, the ROC is a regulatory agency that licenses, regulates and conducts examinations of residential and commercial contractors. The Registrar oversees the agency's day-to-day operations. The Registrar is appointed by the Governor with consent of the Senate and serves at the pleasure of the Governor. The agency is self-funded, depositing 10 percent of its revenues from fees, fines and interest into the state General Fund and 90 percent into its operational ROC Fund.

The duties of the ROC include: 1) maintaining a complete indexed record of all applications and licenses; 2) making rules deemed necessary to effectually carry out its regulatory requirements; 3) preparing and furnishing decals and business management books when deemed advisable; 4) administering oaths, certifying to official acts, issuing subpoenas for attendance of witnesses and producing books, papers and records for any investigation, proceeding or hearing; and 5) referring criminal violations of statute to the appropriate law enforcement agency or prosecuting authority.

The ROC must also administer the Residential Contractors' Recovery Fund for the benefit of a claimant damaged by an act, representation, transaction or conduct of a licensed residential contractor that is in violation of statutory rules or regulations relating to contractors ([A.R.S. Title 32, Ch. 10](#))

The ROC is statutorily set to terminate on July 1, 2024, unless legislation is enacted for its continuation ([A.R.S. § 41-3024.04](#)).

Committee of Reference Sunset Review Activity

Pursuant to [A.R.S. § 41-2954](#), the Senate Government Committee of Reference met on Wednesday, January 17, 2024, to review and consider the ROC's responses to the statutorily-outlined sunset factors and receive public testimony.

Committee of Reference Recommendations

The Senate Government Committee of Reference recommended that the ROC be continued for two years, until July 1, 2026.

Appendices

1. Meeting Notice
2. Minutes of the Senate Government Committee of Reference

Attachment A: Presentation by the ROC

3. Chairperson's letter requesting the ROC's response to sunset factors
4. The ROC's response to sunset factors

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

ARIZONA STATE SENATE

INTERIM MEETING NOTICE

OPEN TO THE PUBLIC

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Date: Wednesday, January 17, 2024

Time: 9:00 A.M.

Place: SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2024011033>

AGENDA

1. Call to Order
2. Roll Call
3. Opening Remarks
4. ~~Sunset Review of the Arizona Commerce Authority~~
 - ~~• Presentation by the Arizona Office of the Auditor General~~
 - ~~• Response by the Arizona Commerce Authority~~
 - ~~• Public Testimony~~
 - ~~• Discussion and Recommendations~~
5. ~~Sunset Review of the Arizona Department of Administration~~
 - ~~• Presentation by the Arizona Office of the Auditor General~~
 - ~~• Response by the Arizona Department of Administration~~
 - ~~• Public Testimony~~
 - ~~• Discussion and Recommendations~~
4. Sunset Review of the Arizona Department of Homeland Security
 - Presentation by the Arizona Department of Homeland Security
 - Public Testimony
 - Discussion and Recommendations
5. Sunset Review of the Arizona Registrar of Contractors
 - Presentation by the Arizona Registrar of Contractors
 - Public Testimony
 - Discussion and Recommendations
6. Sunset Review of the Arizona State Board of Technical Registration
 - Presentation by the Arizona State Board of Technical Registration
 - Public Testimony
 - Discussion and Recommendations
7. Sunset Review of the Governor's Office on Tribal Relations
 - Presentation by the Governor's Office on Tribal Relations
 - Public Testimony
 - Discussion and Recommendations

8. Sunset Review of the State Personnel Board
 - Presentation by the State Personnel Board
 - Public Testimony
 - Discussion and Recommendations
9. Sunset Review of the Industrial Commission of Arizona
 - Presentation by the Industrial Commission of Arizona
 - Public Testimony
 - Discussion and Recommendations
10. Sunset Review of the Boiler Advisory Board
 - Presentation by the Boiler Advisory Board
 - Public Testimony
 - Discussion and Recommendations
11. Sunset Review of the Occupational Safety and Health Advisory Committee
 - Presentation by the Occupational Safety and Health Advisory Committee
 - Public Testimony
 - Discussion and Recommendations
12. Sunset Review of the Occupational Safety and Health Review Board
 - Presentation by the Occupational Safety and Health Review Board
 - Public Testimony
 - Discussion and Recommendations
13. Sunset Review of the Arizona Commerce Authority
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Commerce Authority
 - Public Testimony
 - Discussion and Recommendations
14. Sunset Review of the Arizona Department of Administration
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Department of Administration
 - Public Testimony
 - Discussion and Recommendations
15. Adjourn

Members:

Senator Jake Hoffman, Chair

Senator Wendy Rogers, Vice-chair

Senator Eva Diaz

Senator David C. Farnsworth

Senator Juan Mendez

Senator Janae Shamp

Senator Priya Sundareshan

Senator Justine Wadsack

01/11/2024

01/12/2024

hf

For questions regarding this agenda, please contact Senate Research Department.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA STATE SENATE

SENATE GOVERNMENT COMMITTEE OF REFERENCE

Minutes of the Meeting

January 17, 2024

9:00 A.M., SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2024011033>

Members Present:

Senator Jake Hoffman, Chair
Senator Wendy Rogers, Vice-Chair
Senator Eva Diaz
Senator David C. Farnsworth
Senator Juan Mendez
Senator Janae Shamp
Senator Priya Sundareshan
Senator Justine Wadsack

Staff:

Jason Theodorou, Government Research Analyst
Alanna Bendel, Government Research Assistant Analyst
Michael Ayala, Government Research Intern

Chairman Hoffman called the meeting to order at 9:09 a.m. and attendance was taken.

OPENING REMARKS

Senator Hoffman requested the staff introduce themselves as follows:

- Jason Theodorou, Government Research Analyst
- Alanna Bendel, Government Research Assistant Analyst
- Michael Ayala, Government Research Intern
- Jackson Cooper, Government Committee Secretary

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF HOMELAND SECURITY

Presentation by the Arizona Department of Homeland Security

Kimberly O'Connor, Executive Deputy Director, Arizona Department of Homeland Security, distributed and explained a PowerPoint presentation entitled "Arizona Department of Homeland Security" (Attachment A). Ms. O'Connor also distributed a booklet entitled "Sunset Review, 2024 Report" (Attachment B).

Susan Dzbanko, Deputy Director of Grant Administration, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A).

Ryan Murray, Deputy Director, Statewide Information Security and Privacy Office, and Interim Chief Information Security Officer, Arizona Department of Homeland Security, continued with the PowerPoint presentation (Attachment A) and answered questions posed by the Committee.

Ms. Dzbanko answered questions posed by members of the Committee.

Public Testimony

Gil Orrantia, Former Director, Arizona Department of Homeland Security, testified in support of the Arizona Department of Homeland Security.

Sheriff Mark Lamb, Pinal County, testified in support of the Arizona Department of Homeland Security.

Sheriff Leon Wilmot, Yuma County, testified in support of the Arizona Department of Homeland Security.

Robert Watkins, on behalf of Sheriff Mark Danells, Cochise County, testified in support of the Arizona Department of Homeland Security.

Discussion and Recommendations

The Committee offered comments.

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Homeland Security for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 1).

Senators Shamp, Sundareshan, Wadsack, Mendez, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE ARIZONA REGISTRAR OF CONTRACTORS

Presentation by the Arizona Registrar of Contractors

Tom Cole, Executive Deputy Director, Arizona Registrar of Contractors, distributed and explained a PowerPoint presentation entitled "Arizona Registrar of Contractors" (Attachment C) and explained the function and purpose of the Arizona Registrar of Contractors. Mr. Cole answered questions posed by members of the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Registrar of Contractors for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 2).

Senator Hoffman explained his vote.

SUNSET REVIEW OF THE ARIZONA STATE BOARD OF TECHNICAL REGISTRATION

Presentation by the Arizona State Board of Technical Registration

Judith Stapley, Executive Director, Arizona State Board of Technical Registration, distributed and explained a PowerPoint presentation entitled "Sunset Audit Review Committee of Reference 2024" (Attachment D) and explained the function and purpose of the Arizona State Board of Technical Registration. Ms. Stapley answered questions posed by members of the Committee.

Senator Hoffman offered comments.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to convert the Occupational Licenses under the Arizona State Board of Technical Registration to a less restrictive regulation.

The Committee offered comments.

The motion CARRIED with a roll call vote of 5-3-0 (Attachment 3).

Senators Mendez, Sundareshan, Wadsack and Hoffman explained their vote.

SUNSET REVIEW OF THE GOVERNOR'S OFFICE ON TRIBAL RELATIONS

Presentation by the Governor's Office on Tribal Relations

Jason Chavez, Director of Tribal Affairs, Governor's Office on Tribal Relations, distributed and explained a PowerPoint presentation entitled "Governor's Office on Tribal Relations" (Attachment E) and a folder with documents referring to the Governor's Office on Tribal Relations (Attachment F). Mr. Chavez answered questions posed by the Committee.

Public Testimony

Senator Theresa Hatathlie, Legislative District 6, testified in support of the Governor's Office on Tribal Relations.

Senator Sally Gonzales, Legislative District 20, testified in support of the Governor's Office on Tribal Relations and answered questions posed by the Committee.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Governor's Office on Tribal Relations for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 8-0-0 (Attachment 4).

Senators Mendez, Sundareshan, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE STATE PERSONNEL BOARD

Presentation by the State Personnel Board

Zachariah Tolliver, Executive Director, State Personnel Board, distributed and explained a PowerPoint presentation entitled "Arizona State Personnel Board" (Attachment G). Mr. Tolliver answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the State Personnel Board for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 6-0-2 (Attachment 5).

Senators Mendez and Sundareshan explained their vote.

SUNSET REVIEW OF THE ARIZONA COMMERCE AUTHORITY

Presentation by the Arizona Office of the Auditor General

Monette Kiepke, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, Performance Audit and Sunset Review" (Attachment H) and explained the findings from the Auditor General's Sunset Review. Ms. Kiepke answered questions posed by the Committee.

Response by the Arizona Commerce Authority

Sandra Watson, President and CEO, Arizona Commerce Authority (ACA), distributed and explained a PowerPoint presentation entitled "Arizona Commerce Authority, An Overview" (Attachment I) as well as a handout entitled "Update on ACA Actions In Response to September 2023 Performance Audit" (Attachment J). Ms. Watson played a video on the ACA's role in bringing Lucid Motors to Arizona. Ms. Watson answered questions posed by the Committee.

RECESS

At 12:15 p.m. the Chairman recessed the meeting to the sound of the gavel.

RECONVENE

At 3:33 p.m. the Chairman called the meeting to order.

Response by the Arizona Commerce Authority (continued)

Ms. Watson answered additional questions posed by the Committee.

Public Testimony

Greg Blackie, Arizona Free Enterprise Club, testified against the continuation of the Arizona Commerce Authority.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to revise or consolidate the Arizona Commerce Authority. The motion CARRIED with a roll call vote of 4-3-1 (Attachment 6).

Senators Sundareshan, Mendez, Wadsack, Shamp, Rogers and Hoffman explained their vote.

SUNSET REVIEW OF THE INDUSTRIAL COMMISSION OF ARIZONA

SUNSET REVIEW OF THE BOILER ADVISORY BOARD

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH ADVISORY COMMITTEE

SUNSET REVIEW OF THE OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD

Presentation by the Industrial Commission of Arizona

Gaetano Testini, Executive Deputy Director, Industrial Commission of Arizona, distributed and explained a PowerPoint presentation entitled "Industrial Commission of Arizona" (Attachment K) and explained the function and purpose of the Industrial

Commission of Arizona, the Occupational Safety and Health Advisory Committee, the Boiler Advisory Board, and the Occupational Safety and Health Review Board. Mr. Testini also distributed a booklet entitled "The Industrial Commission of Arizona and Related Advisory/Review Boards, Review of Sunset Factors, 2023" (Attachment L). Mr. Testini answered questions posed by the Committee.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Industrial Commission of Arizona, the Boiler Advisory Board, the Occupational Safety and Health Advisory Committee and the Occupational Safety and Health Review Board for 2 years until July 1, 2026.

Senator Hoffman offered comments.

The motion CARRIED with a roll call vote of 7-0-1 (Attachment 7).

Senators Mendez, Shamp, Sundareshan and Rogers explained their vote.

SUNSET REVIEW OF THE ARIZONA DEPARTMENT OF ADMINISTRATION

Presentation by the Arizona Office of the Auditor General

Miguel Caro Mateus, Performance Audit Manager, Office of the Auditor General, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Performance Audit and Sunset Review" (Attachment M) and explained the findings from the Auditor General's Sunset Review. Mr. Caro Mateus answered questions posed by the Committee.

Response by the Arizona Department of Administration

Elizabeth Alvarado Thorson, Executive Deputy Director, Arizona Department of Administration, distributed and explained a PowerPoint presentation entitled "Arizona Department of Administration, Sunset Hearing Presentation" (Attachment N) and explained the purpose and function of the Arizona Department of Administration.

Public Testimony

No public testimony took place.

Discussion and Recommendations

Senator Rogers moved that the Senate Government Committee of Reference make the recommendation to continue the Arizona Department of Administration for 2 years until July 1, 2026. The motion CARRIED with a roll call vote of 7-0-1 (Attachment 8).

Senators Farnsworth, Mendez, Champ, Sundareshan, Rogers and Hoffman explained their vote.

Attached is a list noting the individuals who registered their position on the agenda items (Attachment O).

Attached are forms noting the individuals who submitted a speaker slip on the agenda items (Attachment P).

There being no further business, the meeting was adjourned at 5:19 p.m.

Respectfully submitted,

Jackson Cooper
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



Arizona Registrar of Contractors

Senate Government Committee of Reference



Arizona Registrar of Contractors

A.R.S. § 32-1101.01 - "The legislature determines that the licensing of construction contractors is a proper state function."

Mission: To protect the health, welfare and safety of the public through a regulatory system designed to promote quality construction by Arizona contractors.

The Registrar of Contractors has been promoting quality construction and protecting Arizona consumers since 1931 by:

- Licensing and regulation of commercial, residential, and engineering contractors
- Investigation of complaints against licensed and unlicensed contractors
- Referral of unlicensed contracting and related criminal offenses to prosecuting authorities
- Administration of the residential contractors' recovery fund
- Public outreach and education

○

Registrar of Contractors

License No. 1

Class B.

Issued to Serbe & Bawa


R2 Bop 443

Jucan

Dated July 28, 1931

Cancelled

Dated _____, 193____

 THE MANUFACTURING STATIONERS INC. PHOENIX, ARIZONA 43891

ROC is a 90/10 Agency

- 90% of licensing fees fund agency operations through the ROC Operations Fund (agency budget).
- The remaining 10% of licensing fees are deposited in the State General Fund.
- The agency does not receive State General Fund money.
- In FY 2023 the agency contributed \$1.4M to the State General Fund.
- Since FY 2013 the agency has deposited \$15.6M into the State General Fund.
- The Residential Contractors' Recovery Fund is funded through a separate assessment.



Major Functions of the ROC

- Licensing – Receives and processes applications and license maintenance requests (for example, personnel changes).
- Compliance – Investigates alleged violations of licensed and unlicensed contracting laws.
- Legal and Recovery Fund – Support licensing and compliance departments, conduct informal settlement conferences, direct contested cases and appealable agency actions through OAH, administer Residential Contractors' Recovery Fund.
- Outreach and Education – Educate the public and contractors regarding statutes, rules, policies and operations of the agency and develop and support construction-related programs designed to benefit the public.



Licensing

- 14 Licensing Account Professionals
- The ROC regulates approx. 51,500 current contractor licenses.
- Process license applications and renewals
 - 6,361 new license applications submitted in 2023
 - 21,589 renewal applications submitted in 2023
- Process service/maintenance requests
 - Approximately 26,000 each year
- Fee waivers for U.S. military veterans and low income qualified applicants are accessible through the AZ ROC Customer Portal.
- Trade specific testing is administered by a third party vendor, PSI Exams.



Legal

Over the past 12 months our legal department has handled:

- 400 hearings at the Office of Administrative Hearings
- 114 informal settlement conferences conducted (71 complaints settled prior to hearing)
- Reviewed 109 petitions for criminal record review, and qualified 100 petitioners

In 2023, the Registrar's Residential Contractors' Recovery Fund compensated:

- 393 claimants
- \$4,953,329
- In the last 5 years, decreased days to issue payment from 180 days to 100 days.

Individual awards limited to \$30,000, with a \$200,000 maximum liability per license. Where valid claims against a license exceed this amount, individual awards are paid on a prorated basis.

Represented by Attorney General's Office:

- AGO's Licensing and Enforcement Section represents ROC in appealable agency actions, JRA appeals of agency decisions, & civil recovery fund matters
- AGO's Bankruptcy Collection & Enforcement Division assists ROC in collecting debts, including Recovery Fund payments and civil penalties.



Compliance

- 38 Investigators across Arizona
- Investigate licensed complaints and ensure compliance with statutory requirements
 - 6,287 submitted in 2023
- Investigate unlicensed entity complaints
 - 1,249 submitted in 2023
- Develop and enforce minimum standards of Workmanship, guided by established usage and procedure in the Arizona construction industry.
- Current average timeframe to close a complaint is 33 days, compared to 120-140 days in 2015.



Outreach

- Contractor Outreach
 - [Applicant Education Seminars](#)
 - New Licensee Forums
 - Licensed Contractor Forums
 - Trade Association Forums
- Community Outreach / Consumer Protection
 - Homeowners Association Presentations
 - SCHOA (Sun City Homeowners Association), Barrio Anita Neighborhood Association (Tucson)
 - [Retirement Community Expos](#)
 - PORA (Property Owner & Residents Association - Sun City West), CantaMia at Estrella (Goodyear); Venture Out (Mesa), Palmas del Sol (Mesa)
 - On the Road with Let Joe Know
- Task Force Against Senior Abuse (TASA)
- Partnerships with County Attorneys and AGO
- Workforce Development
 - [AZ ROC Construction Science Technology Apprenticeship Fair at Chase Field](#)
 - Construction Career Days Events (Phoenix, Tucson & Yuma)
 - Veteran Events (Statewide Symposium and State of AZ Hiring Event)
 - High School Career Fairs (Districts: Buckeye, Mesa, Phoenix)
 - SkillsUSA State Conference
 - [BuilditAZ Apprenticeship Initiative](#)

Total # of people reached in 2023 = 29,847 / Total # of people reached since FY 2020 = 62,254

Over 71,000 searches of the ROC Contractor Search by more than 22,500 citizens in 2023.



Recent Accomplishments

- Industry Advisory Council (IAC)
 - Kicked off in October 2023
 - Formed in order to offer advice and counsel to support and advance AZ ROC's mission to protect the public by promoting quality construction in Arizona.
 - Comprised of professionals who represent various fields within the construction industry.
- Initiated an update to Workmanship Standards in collaboration with industry experts.
- Spanish Initiative
 - Increase the number of documents and materials available in spanish
 - Ensure that each ROC department has the capacity to assist customers in spanish



Information Technology/Modernization

- AZ ROC Customer Portal launched in September 2019
 - 93% of new applications submitted online
 - 75% of renewal applications submitted online
 - 84% of complaints submitted online
- Improved time from application to granted license
- Technological efficiencies enabled closure of satellite offices
- Agency documentation and procedures through each department to increase clarity and consistency, significant reduction in use of paper



Agency Operations/Human Resources

Operations

- Legislative Liaison
- Office management
- Agency communications - mailroom, phones & reception desk
- Accounting - Payroll, budget, fees, financial reporting
- Continuous Improvement

Human Resources

- 99 current employees - 465 years total ROC experience
- Employees are valued - Telework options, tuition reimbursement, support for career development



Current Challenges and Opportunities

- Income vs. Expenses
- Agency brick and mortar footprint right-sizing
- Aging Fleet
- Need for an updated full performance audit



ROC Fund Trend

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	\$8,006,745	\$8,717,845	\$8,532,337	\$9,076,958	\$9,691,085	\$10,992,877
Expense	\$8,669,300	\$9,529,100	\$10,526,400	\$10,671,700	\$10,574,200	\$11,190,900
P/L	\$662,555	\$811,255	\$1,994,063	\$1,594,742	\$883,115	\$198,023
						\$6,143,753*

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Cash Balance	\$8,193,397	\$7,389,800	\$5,327,300	\$3,990,000	\$2,896,938	\$2,699,071

*Reflects expenses related to the implementation of the Salesforce CRM software and AZ ROC Customer Portal = \$2M



Current Efforts for Efficiency

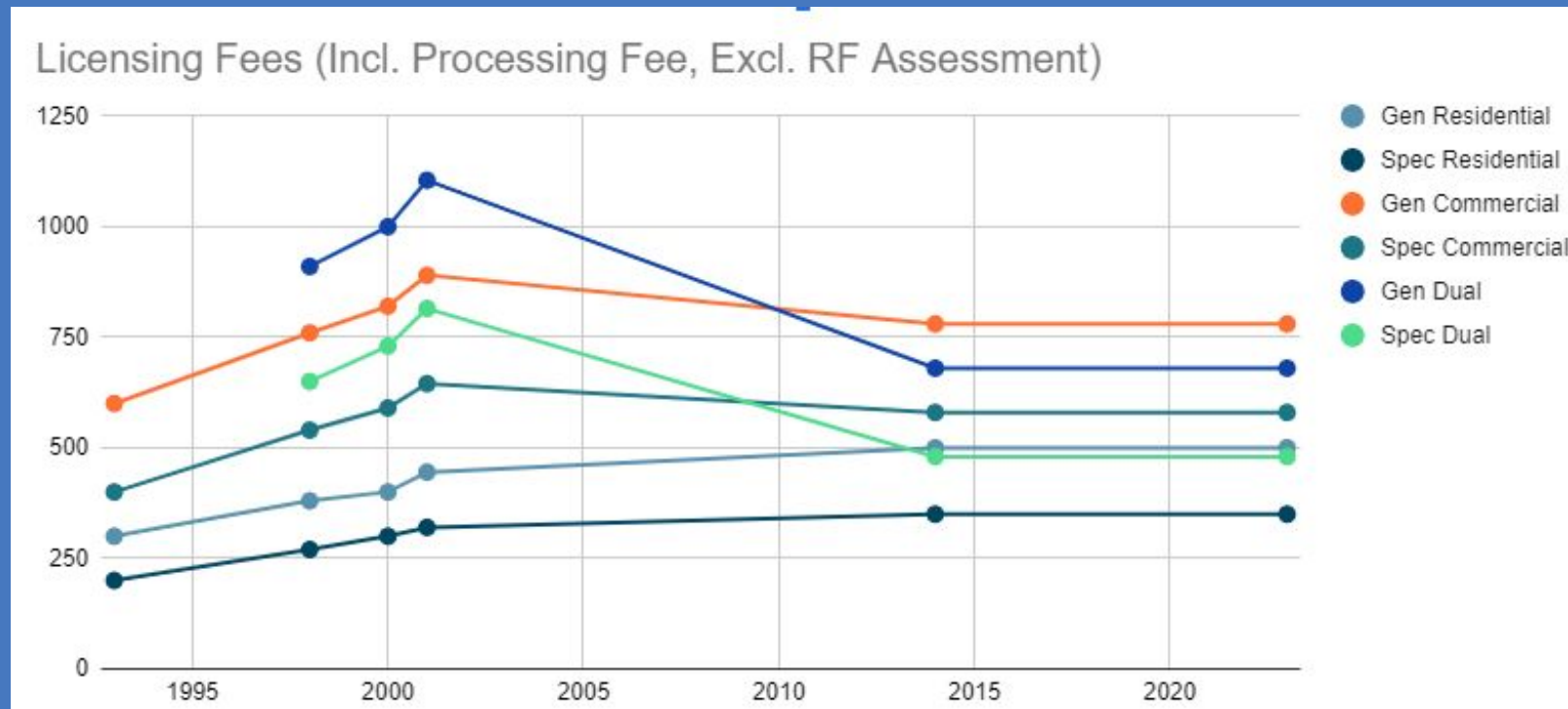
- With the change in leadership and a realignment of our reporting structure, we have trimmed over \$105,000 from our annual payroll budget.
- Working with ADOA to reduce physical footprint to match current business practices
 - Current rent is \$393,500 per year
 - Most recent info from ADOA, upwards of \$200,000 savings is likely
- Renegotiation of software license - DocuSign
- Initiating a plan to reduce paper usage and postage expense dramatically by replacing full sized letter mailers with postcards, eliminating paper ID cards, and emailing statutorily required documents.





Licensing Fees

ROC Licensing Fees have generally decreased since 2001, although costs (salaries, etc.) have risen substantially. Most of the current licensing fees are considerably below the statutory maximum. ROC leadership is evaluating the concept of fee changes and associated rule changes.



Summary

The Registrar of Contractors is a dedicated team of state employees - professionals and experts - who are focused on facilitating qualified applicants to become licensed contractors, to hold existing licensed contractors accountable for the quality of their work, investigate unlicensed entities, bring thieves and fraudsters to justice, educate the public as to the advantages of hiring licensed contractors, and promote the development of a quality construction workforce in the State of Arizona.





Questions?



Arizona State Legislature

1700 West Washington
Phoenix, Arizona 85007

June 22, 2023

Assistant Director Cindy Casaus, Operations
Assistant Director Emily Verdugo, Regulatory Affairs
Arizona Registrar of Contractors
1700 W. Washington St., Suite 105
Phoenix, AZ 85007

Dear Assistant Directors Cindy Casaus and Emily Verdugo:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee has assigned the sunset review of the Arizona Registrar of Contractors to the COR comprised of members of the Senate Commerce Committee and the House of Representatives Commerce Committee.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. Please provide your agency's response to the factors listed below:

1. The key statutory objectives and purposes in establishing the agency.
2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.
3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.
4. The extent to which rules adopted by the agency are consistent with the legislative mandate.
5. The extent to which the agency has provided appropriate public access to records, meetings and rulemakings, including soliciting public input in making rules and decisions.
6. The extent to which the agency timely investigated and resolved complaints that are within its jurisdiction.
7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.
8. The extent to which the agency has established safeguards against possible conflicts of interest.
9. The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.
10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

Additionally, please provide written responses to the following:

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

Additionally, statute requires the COR to consider certain factors for each agency that administers an *occupational regulation*, which is defined as: 1) a statute, rule, practice, policy or other state law that allows an individual to use an occupational title or work in a lawful occupation; and 2) a government registration, government certification and occupational or professional license. An *occupational regulation* does not include a business license, facility license, building permit or zoning and land use regulation, except to the extent those state laws regulate an individual's personal qualification to perform a lawful occupation. If your agency falls under this category, please provide written responses to the following:

1. The extent to which the occupational regulation meets the requirements of A.R.S. § 41-3502.
2. The extent to which the failure to regulate a profession or occupation will result in:
 - a. the loss of insurance.
 - b. an impact to the ability to practice in other states or as required by federal law.
 - c. an impact to the required licensure or registration with the federal government.
 - d. the loss of constitutionally afforded practices.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Jason Theodorou
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Thank you for your time and cooperation. If you have any questions, please feel free to contact me at 602-926-3249 or Jason Theodorou, the Senate Commerce Committee Research Analyst, at 602-926-3171.

Sincerely,



Senator Frank Carroll
Senate Commerce Committee, Vice Chair

cc: Representative Justin Wilmeth, House Commerce Committee, Chair
Paul Benny, House Commerce Committee, Analyst

Katie Hobbs
Governor



Cindy Casaus
Interim Director

Registrar of Contractors

State of Arizona
1700 W. Washington St • Suite 105
Phoenix, Arizona 85007
(602) 542-1525

August 29, 2023

Jason Theodorou
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Mr. Theodorou,

As the Arizona Registrar of Contractors approaches the sunset review process as prescribed in Arizona Revised Statutes, Title 41 Chapter 27, attached are the requested responses by the Committee of Reference (COR) assigned to our agency in accordance with A.R.S. § 41-2954.

1. The key statutory objectives and purposes in establishing the agency.

The key statutory objectives and purposes in establishing the Arizona Registrar of Contractors (ROC) are outlined in the laws and regulations governing the agency's operations. These objectives and purposes include:

- Contractor Licensing: Since 1931 one the ROC's primary objectives has been to ensure that contractors in Arizona are appropriately licensed based on the statutes put in place by the Arizona Legislature. This objective serves to protect consumers and maintain the integrity and quality of the construction industry in Arizona. The ROC upholds the statutory requirements and manages the processes for licensing contractors including: verifying qualifications (through testing and experience), conducting background checks, and ensuring all businesses are registered to conduct business in Arizona.
- Contractor Regulation: The ROC is tasked with regulating the activities of contractors in the state. This objective involves enforcing compliance with construction industry standards, building codes, safety regulations, and other applicable laws. The agency monitors contractor practices, investigates complaints, and takes appropriate enforcement actions against those who violate licensing laws and regulations.

- **Consumer Protection:** The ROC's purpose includes safeguarding consumers who engage the services of both licensed and unlicensed contractors. The agency aims to protect consumers from fraudulent or substandard contracting practices by establishing mechanisms for handling consumer complaints, resolving disputes, and providing accessible information and resources to the public. Consumer protection efforts focus on enforcing minimum workmanship standards and ensuring fair and ethical practices in the construction industry. For eligible consumers who are damaged by a licensed residential contractor, the ROC's Recovery Fund can provide compensation of up to \$30,000 directly to the consumer. The agency's statewide outreach efforts include educating home and property owners about the importance of hiring licensed contractors and protecting themselves from common contracting scams. The ROC performs targeted outreach in areas experiencing higher levels of unlicensed contracting activities such as retirement communities and areas affected by natural disasters.
- **Quality Assurance/Compliance:** Another objective of the ROC is to promote quality assurance in the construction sector. The agency establishes and enforces standards and regulations to ensure that contractors meet certain competency requirements, adhere to building codes, and deliver quality workmanship. By upholding these standards, the ROC aims to enhance the overall quality and professionalism of contractors operating in Arizona.
- **Industry Education and Outreach:** The ROC also has a role in educating and informing contractors and the public about licensing requirements, regulatory obligations, industry best practices, and changes in laws and regulations. The agency hosts forums to share this information and regularly solicits feedback from contractors and stakeholders. The agency provides resources, conducts outreach programs, and collaborates with industry stakeholders to disseminate information and promote awareness of legal and ethical obligations within the construction industry.

The statutory objectives and purposes of the ROC reflect a commitment to promoting consumer trust, ensuring contractor competence, and maintaining the integrity of the construction industry in Arizona. By fulfilling these objectives, the agency aims to create a fair and transparent marketplace that protects both consumers and contractors.

2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

The ROC is responsible for regulating and licensing contractors in the state of Arizona. To evaluate its effectiveness and efficiency in fulfilling its key statutory objectives and purposes, several factors are considered:

- **Licensing and Registration Process:** One of the ROC's primary objectives is to ensure that contractors in Arizona have the appropriate knowledge and experience and become duly licensed in the correct classifications. The agency's effectiveness can be evaluated by looking at the efficiency of its processes for issuing these licenses. License applications, once submitted, are normally reviewed the next business day. The ROC

team has also created documents and seminars for prospective licensees to assist them in getting licensed quickly. Timely processing of applications, and maintaining accurate records of the licenses, applications and renewals are indicators of efficiency. We currently receive and approve an average of 25 applications a day.

- **Compliance and Enforcement:** Another key objective of the ROC is to enforce compliance with contractor regulations, including adherence to building codes, safety standards, and contractual obligations. The agency's effectiveness can be assessed by considering its enforcement actions, such as investigating complaints, conducting jobsite inspections, and taking appropriate disciplinary actions against contractors who violate regulations. The number and quality of investigations, the rate of successful enforcement actions, and the impact of penalties or sanctions are factors to consider.
- **Consumer Protection:** The ROC plays a crucial role in protecting consumers from fraudulent or substandard contracting practices. The agency's effectiveness can be measured by its ability to handle consumer complaints, resolve disputes, issue awards from the Recovery Fund, and provide accurate and accessible information to the public. Timely handling of complaints, fair resolution of disputes, payments from the Recovery Fund, and proactive outreach and education programs are indicators of effective consumer protection efforts.
- **Stakeholder Engagement:** The ROC's effectiveness can also be evaluated based on its engagement with stakeholders, including contractors, industry associations, consumer advocacy groups, and other relevant parties. The ROC holds monthly contractors forums and new licensee forums to share agency information and ensure new licensees have the tools they need to prosper. Additionally, the agency holds quarterly trade association forums. These forums provide an opportunity for contractors and association leaders to communicate with the ROC team, ask questions and provide feedback. Regular communication, solicitation of feedback, and consideration of stakeholder perspectives in rulemaking and decision-making processes demonstrate an agency's commitment to inclusivity and collaboration. Currently, the ROC is in the first stages of forming the ROC Industry Advisory Council (IAC) to strengthen this collaboration and involve a variety of stakeholder perspectives in rulemaking and agency processes.
- **Performance Measurement:** The ROC's effectiveness and efficiency can be further assessed by the existence of performance metrics and regular reporting on key indicators. Performance measures may include the number of licensed contractors, compliance rates, complaint resolution timelines, and customer satisfaction surveys. Transparent reporting of performance data allows for accountability and identifies areas for improvement.

It is important to note that evaluating an agency's effectiveness and efficiency requires a comprehensive and data-driven analysis. Assessments can involve reviewing internal reports, conducting surveys, analyzing enforcement data, and seeking feedback from stakeholders. Such evaluations contribute to the continuous improvement of the agency's operations and its ability to fulfill its statutory objectives and purposes effectively.

3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

The ROC is responsible for regulating and licensing contractors in the state. Its primary statutory objectives and purposes are centered around ensuring the safety and protection of the public while maintaining high standards in the construction industry. It is important to note that other governmental agencies or private enterprises with identical objectives as the ROC are nonexistent.

When there are no other agencies or private enterprises in Arizona that share the same objectives and purposes as the ROC, its role becomes unique and irreplaceable. This situation often arises in states where the regulation of contractors and construction-related matters is solely entrusted to a dedicated agency like the ROC. It's worth noting that some level of overlap or duplication among agencies and entities with similar objectives is not uncommon. The key is to ensure effective coordination, collaboration, and streamlined processes to minimize redundancies and optimize resources. Regular assessments and communication between the ROC and other stakeholders can help identify areas of potential duplication and foster a more efficient regulatory environment.

To evaluate the extent to which the Arizona ROC's key statutory objectives and purposes duplicate those of other governmental agencies or private enterprises, a comparison can be made considering the following factors:

- **Regulatory Authority:** We have determined that two agencies have indirect overlapping authority. The Department of Manufactured Housing has their own licensing requirements, however, they may utilize licensed ROC contractors such as a General Contractor or a contractor who holds an electrical license. If there is a compliance issue alleging workmanship related issues, generally the ROC will become involved. For example, if a patio cover is installed outside the original contracted work for the installation of the manufactured home and a workmanship issue arises out of the installation of the patio cover, the ROC will investigate the workmanship allegation for the patio cover.

The Arizona Department of Water Resources also has requirements for their licensees for water well drilling and installation. This may overlap with an ROC electrical license or well drillers license. If a workmanship issue arises with the installation of the well and a complaint was filed with the ROC, the ROC would then investigate this complaint for the alleged workmanship issues.

- **Consumer Protection:** The ROC is responsible for protecting consumers of contracting services. The agency's regulatory authority is exclusive, as no other government entity is vested with jurisdiction to enforce the provisions of A.R.S. Title 32, Chapter 10. However, in certain cases the ROC uses its regulatory authority to assist different agencies in enforcement of their laws and regulations. For example, because licensed contractors must comply with labor and wage laws and regulations governing workers' compensation insurance, the ROC is able to assist the Department of Labor or the Arizona Industrial Commission by imposing discipline against a licensee who fails to comply with such requirements. Additionally, in enforcing the criminal provisions related

to unlicensed contracting, the ROC relies on the Attorney General, county, and city attorneys' offices to prosecute these cases.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate.

A.R.S. § 32-1104(A)(5) provides the ROC with authority to make rules as necessary to carry out the provisions and intent of Title 32, Chapter 10, including the adoption of minimum workmanship standards. Additionally, under A.R.S. § 32-1105, the ROC may adopt rules to classify contractors and specify the field and scope of operations of each license classification.

Pursuant to this authority, and in accordance with ARS Title 41, Chapter 6, the ROC has adopted all rules necessary to carry out the provisions and intent of Title 32, Chapter 10, and those rules are consistent with statute. However, the ROC's workmanship standards were last updated in 2009, and are currently being reviewed by the agency. The ROC expects to update its workmanship standards in the near future to be more consistent with current industry standards and building codes.

5. The extent to which the agency has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and the expected impact on the public.

The ROC is required to provide appropriate public access to records, meetings, and rulemakings in accordance with Arizona's public records and open meeting laws. These laws are designed to promote transparency and accountability in government agencies and ensure that the public has access to information and the ability to participate in the decision-making process.

The ROC makes records, meeting agendas, and minutes available to the public upon request. Public records may be requested through the agency's Public Records Request One-Stop, which allows for easier submission and faster processing of requests. Additionally, we publish certain information on our website to proactively provide access to the public including monthly newsletters and posting lists. The agency's website also includes an annotated statute and rule book, and substantive policy statements. Substantive Policy Statement 2017.01, entitled "Collection of Guiding Cases & Authorities", provides guidance to the public.

Regarding rulemaking, the ROC, in accordance with A.R.S. Title 41, Chapter 6, Article 5, submits rule proposals to the Governor's Regulatory Review Council (GRRC). The ROC will solicit public input before adopting or changing rules that affect the public. This involves holding public hearings, accepting written comments, and allowing stakeholders and interested parties to provide their input on proposed rule changes.

The agency has not made significant changes to its rules in the past 6 years. When changes were made in the past, the agency notified the public through its monthly newsletter, emails, website, and the administrative register. Additionally, as required by A.R.S. § 32-1104(A)(6), the agency sends copies of proposed rule changes to all trade associations and licensed contractors who have filed requests to receive such information.

6. The extent to which the agency timely investigated and resolved complaints that are within its Jurisdiction.

One of the mandates of the Arizona ROC is regulating contractors in the state. When a complaint is filed against a licensed contractor or an unlicensed entity, the Registrar's office investigates the matter to determine if there has been a violation of state law. The timeliness of investigations and resolutions can vary based on various factors, including the complexity of the complaint, the number of complaints being processed at any given time, available resources, and the level of cooperation from all parties involved.

The agency investigates every submitted complaint with an average of less than 40 days to investigate and resolve each complaint. For perspective, the average time to close or resolve a complaint in 2015 exceeded 120 days. Recognizing that timeliness to resolution was an issue, the agency developed a structured procedure to drastically reduce the excessive resolution timeline. The average time to close or resolve a complaint for July 2023 is 33 days.

In FY 2023, the ROC received 8763 complaints.

Complaint Type	Number in FY23	Average Days to Close	Most Common Outcome	Second Most Common Outcome	Third Most Common Outcome
Licensed Complaints	6145	41	Insp Action By Complainant-Unverified	Insp Dismissed - Unverified	Insp Compliance by Contractor - Confirmed
Unlicensed Complaints	1326	43	INV - Warning Letter Served	INV - Non-Actionable: Insufficient Evidence	INV - Cease and Desist Served
Buidling Confidence Program Complaints	660	24	Insp BCP – No recommendations	Insp BCP - Recommendations	Registrar- Unverified
No Pay Complaints	632	53	Legal - Dismissed	Legal - Resolved	Legal - Suspended
1 Overall	Total: 8763	Average: 40.25			

7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.

The level of regulation exercised by the Arizona Registrar of Contractors is directly in line with the agency's mission statement: "Protect the health, safety and welfare of the public through a regulatory system designed to promote quality construction by Arizona contractors."

According to the National Association of State Contractors Licensing Agencies (NASCLA) State Contractor and State Trade Licensing Research², out of 53 states and territories, Arizona is:

- 1 of 9 states/territories that require background checks
- 1 of 13 states/territories with a Recovery Fund
- 1 of 17 states/territories that require both bond/insurance
- 1 of 38 states/territories that require a state-issued residential license
- 1 of 33 states/territories that require a state-issued commercial license

¹ Arizona Registrar of Contractors data 8/8/20223

²

https://cdn.ymaws.com/www.nascla.org/resource/resmgr/members_only_misc_documents/NASCLA_State_Contractor_and_.pdf July 2021

In regards to other states with an approximate population to Arizona and a similar construction industry, our regulation is not only appropriate but also comparable.

State	Pop April 2020 ³	States with most Construction jobs ⁴	Required State Issued license Both Comm/residential	Background check required	Bond or Insurance Required	Recovery Fund
Virginia	8,631,393	#9 — 166,280	X	X	X	X
Washington	7,705,281	#10 — 165,750	X		X	
Arizona	7,151,502	#14 — 135,000	X	X	X (both required)	X
Massachusetts	7,029,917	#15 — 127,940	X		X	X
Tennessee	6,910,840		X	X	X	

Although our regulations might be seen as more comprehensive than other states our size, the Arizona ROC is proud to ensure the proper safeguards are in place to provide the highest quality of transparency and safety, not only for contractors, but for consumers as well.

8. The extent to which the agency has established safeguards against possible conflicts of interest.

The Arizona ROC follows all statutes and rules in regard to conflicts of interest, including the provisions of A.R.S. Title 38 Chapter 3, and the Arizona Administrative Code Title 2, Chapter 5, R2-5A-501.

Upon hire, employees disclose any potential conflicts of interest with a final determination by the ROC Director if the disclosed activity is an actual conflict of interest. While employed, employees can complete a form to disclose a new activity or secondary employment opportunity. Once completed, the form is routed to the ROC Director to determine if a conflict of interest exists. If approved, meaning the activity is not deemed a conflict of interest, the signed form is retained in the employee’s personnel file.

9. The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.

Below are some general considerations on how the Arizona ROC might strive for more efficiency and effectiveness.

³ <https://www.census.gov/data/tables/time-series/demo/popest/2020s-national-total.html>
⁴ <https://www.conexpoconagg.com/news/10-best-states-for-construction-jobs>

- **Training and Skill Development:** While regular training is part of our normal process we continue to find ways to provide even more training and professional development opportunities for staff. Providing regular training to staff can improve their expertise and familiarity with changing industry standards, new construction techniques, and updated statutes and regulations. This will help them fulfill their responsibilities more effectively.
- **Enhanced Communication in Several Languages:** Ensuring clear and transparent communication and resources with contractors, consumers, and other stakeholders is crucial for maintaining trust and reducing conflicts. Implementing a dedicated translation template can improve customer service.
- **Collaboration and Information Sharing:** Establishing partnerships with other regulatory bodies, construction associations, and industry professionals can lead to valuable insights and best practices, allowing the Registrar to adapt more effectively to changing needs.
- **Continuous Improvement:** Although the ROC has a strong culture of continuous improvement within the organization, we continually encourage innovation and allow adjustments based on feedback from employees, stakeholders and lessons learned from past experiences.
- **Recovery Fund Limits:** The legislature should consider increasing the maximum individual award and the maximum liability of individual licenses to better protect consumers who are damaged by licensed residential contractors. These increased amounts could be covered through increased biennial Recovery Fund assessments. The current limits were established by Laws 2002, Chapter 179 §§ 1 and 2, which increased the maximum individual award from the Fund from \$20,000 to \$30,000, and increased the maximum total amount that can be assessed against an individual license from \$100,000 to \$200,000. In 2002, only 34 homeowners had valid claims that exceeded \$30,000, and there were no licenses that had valid claims that exceeded \$200,000. In FY 2023, 46 homeowners had valid claims that exceeded \$30,000. The actual damages in these cases totaled \$3,231,776, while the Fund was only able to pay \$1,256,523 due to the \$30,000 limitation. And the ROC currently handles several “pro rata” matters every year, where the amount paid to all claimants must be reduced on a pro rata basis due to the \$200,000 maximum liability on a single license.
- **Recovery Fund Assessments:** The increased Fund amounts discussed above could be offset by an increase in biennial Recovery Fund assessments. Pursuant to A.R.S. § 32-1126(G), the biennial assessment may be up to \$600. Currently, under A.A.C. R4-9-130, the Recovery Fund fee for each biennial new license is \$370, and \$270 for each biennial renewal. The change in assessments could therefore be accomplished through rulemaking.

After careful analysis, we recommend eliminating the following statutory responsibilities:

- ***A.R.S. § 32-1104.C and A.R.S. § 32-1151.02 - ROC posting lists.***

We currently post .csv files daily for pending applications, new licenses, disciplinary actions, a curated list of all active contractors and a list of unlicensed violations. We understood that listing these pending applications, new licenses, and disciplinary lists were required by

statute. We attempted to dissuade vendors from trying to screen scrape our website by providing curated lists of all active contractors; however this has not been an issue in a long time.

These are the reasons we recommend removing this statutory requirement:

1. The ROC, from our research, is the only licensing entity in the State with this kind of requirement.
2. No one has ever brought forward any legitimate complaints because of data shown on the pending applications list or the new licenses list. This demonstrates that no public utility is being found in these lists as their purpose was to give the public the opportunity to notify us of issues before, or shortly after issuing a license to the entities listed.
3. We have built the most appropriate solution possible given the systems involved, but it requires a considerable amount of staff effort and resources to maintain them. In particular, because the ROC lacks authority to prosecute unlicensed contracting violations, maintaining a list of persons who have been convicted of this offense requires significant effort and monitoring of criminal cases. This staff effort could be better used in other efforts that would better serve our customers and the public.
4. This requirement duplicates information already on our website in other forms that is more used by the public, such as on the Contractor Search.
5. This requirement opens up our systems to additional security vulnerabilities by having multiple data areas being opened in our source system and moved to separate places for display and access.

10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

The ROC is responsible for regulating the construction industry in the state. The ROC's primary objective is to protect the public health, safety, and welfare by ensuring that contractors operate in compliance with relevant laws and regulations. Listed are the potential impacts if the termination of the Arizona ROC were to occur.

- **Reduced Oversight:** The termination of the ROC would result in reduced oversight of contractors and construction projects. Without a regulatory body to enforce standards and ensure compliance, there would be an increased risk of substandard workmanship, inadequate safety measures, and potential dangers to the public.
- **Consumer Protection:** The ROC plays a crucial role in protecting consumers from fraudulent contractors and unethical practices. If the regulatory body were to be terminated, it would become more challenging for consumers to find reputable contractors and seek recourse in case of disputes or unsatisfactory work.
- **Safety Concerns:** The construction industry involves activities that can be inherently dangerous if not conducted properly. The ROC's absence would lead to a lack of safety guidelines and enforcement, potentially leading to more workplace accidents and hazards for both workers and the public.

- **Impact on the Construction Industry:** The construction industry in Arizona would undergo significant changes if the ROC were to be terminated. Contractors who previously adhered to licensing requirements and regulations might no longer face the same level of scrutiny, leading to a potential decline in overall quality of work and safety standards. Additionally, public trust of contractors would be reduced because there would no longer be an assurance that the contractor is qualified to perform the work, nor would members of the public have a resource to review a contractor's license history.
- **Legal and Regulatory Challenges:** The termination of the ROC could lead to legal and regulatory challenges, as the absence of a central governing body may create confusion and inconsistencies in contractor licensing and compliance.
- **Economic Implications:** The construction industry is a significant contributor to Arizona's economy. If the termination of the ROC results in reduced public trust and increased risks, it could potentially impact the demand for construction services, leading to economic repercussions.

Additionally, please provide written responses to the following:

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

As a 90/10 agency, the ROC does not increase the cost of government. While licensed contractors are required to pay mandatory licensing fees, these fees do not significantly impact the ability of contractors to operate efficiently. Indeed, by focusing on efficient dispute resolution and providing a forum for parties to settle disputes, the ROC helps licensed contractors to operate more efficiently.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.

The legislature passed SB1397 in 2018, which provided the first significant updates to Title 32, Chapter 10 since 1981. The changes addressed numerous deficiencies and cleaned up language throughout the chapter. The amendments included substantial changes to the Residential Contractors' Recovery Fund, creation of a 2-year limitation period for Recovery Fund Claims, recognition of joint ventures, and revisions to the prompt pay statutes.

3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.

The Attorney General acts as legal counsel for the ROC pursuant to A.R.S. § 41-192. Accordingly, the Attorney General represents the ROC in all matters in which the ROC appears before the courts and Office of Administrative Hearings. The ROC also relies on the Attorney General's collections and enforcement division in Recovery Fund subrogation matters.

Additionally, where the ROC identifies criminal violations as set forth A.R.S. § 32-1164(A), the ROC will refer the matter to the appropriate prosecuting authority, including the Attorney General and county and city attorney's offices.

4. The consequences of eliminating the agency or consolidating it with another agency.

The ROC was created in 1931. Elimination of the ROC would have drastic consequences for public safety and the construction industry in Arizona. Consumers would lose the protections afforded by the ROC, particularly the ability to recover from the Residential Contractors' Recovery Fund. Further, the approximately 49,922 licensed contractors would no longer benefit from the imprimatur provided by state licensure, and would no longer have access to the forum provided by the ROC to efficiently resolve disputes with customers. Additionally, unscrupulous or unqualified contractors would be able to continue contracting, as they would have no license that could be suspended or revoked for misconduct or poor workmanship. Consequently, the public would be subject to the same misconduct and unscrupulous behavior.

Consolidation of the ROC with another agency would likely be impracticable due to the ROC's unique responsibilities and expertise and administration of the Residential Contractors' Recovery Fund.

Additionally, statute requires the COR to consider certain factors for each agency that administers an occupational regulation, which is defined as:

1) a statute, rule, practice, policy or other state law that allows an individual to use an occupational title or work in a lawful occupation; and

2) a government registration, government certification and occupational or professional license. An occupational regulation does not include a business license, facility license, building permit or zoning and land use regulation, except to the extent those state laws regulate an individual's personal qualification to perform a lawful occupation.

If your agency falls under this category, please provide written responses to the following:

1. The extent to which the occupational regulation meets the requirements of A.R.S. § 41-3502.

The ROC administers its occupational regulations in the least restrictive manner in accordance with A.R.S. § 41-3502. Public health, safety and welfare is harmed by unlicensed contractors, and the benefits provided by the ROC's regulation of contractors clearly exceeds the costs to consumers and contractors. Reduced regulation of contractors by the ROC would result in equally reduced protection of the public.

2. The extent to which the failure to regulate a profession or occupation will result in:

a. the loss of insurance.

b. an impact to the ability to practice in other states or as required by federal law.

- c. an impact to the required licensure or registration with the federal government.**
- d. the loss of constitutionally afforded practices.**

The ROC does not anticipate that the failure to regulate contractors would result in any of the above outcomes.

Thank you for your time and consideration. If you have any questions, please feel free to contact me at 623-238-8005.

Sincerely,

A handwritten signature in blue ink that reads "Emily Verdugo". The signature is written in a cursive, flowing style.

Emily Verdugo
Assistant Director, Regulatory Affairs
Arizona Registrar of Contractors