



ARIZONA REGISTRAR OF CONTRACTORS

1700 WEST WASHINGTON STREET SUITE 105
PHOENIX, AZ 85007-2812

December 31, 2024

The Honorable Warren Petersen, President, Arizona State Senate
The Honorable Ben Toma, Speaker, Arizona House of Representatives

1700 West Washington Street Suite
Phoenix, AZ 85007

Dear President Petersen and Speaker Toma:

Pursuant to Laws 2024, Chapter 204, Sec. 6, we are pleased to submit the December 31, 2024 report for the potential opportunities of removing the Arizona Registrar of Contractors's oversight of the commercial contracting profession.

Sincerely,

Tom Cole
Director
Arizona Registrar of Contractors

Executive Summary

The Arizona Registrar of Contractors (ROC) has conducted a thorough study on the potential deregulation of commercial contractors, as mandated by Laws 2024, Chapter 204. This report evaluates whether deregulation of commercial contractors could be a viable option and examines its possible impacts on safety, quality, consumer protection, financial stability, and the overall construction industry in Arizona.

Arizona's commercial contracting sector was deregulated in the 1980s, but this move was reversed due to significant concerns about quality, safety, and unfair competition. This study revisits the potential risks and benefits of deregulation.

Key findings include:

- **Quality and Safety Concerns:** Deregulation could lead to decreased quality and safety in commercial construction, as unqualified contractors could enter the market, potentially endangering workers and the public.
- **Consumer and Worker Protection:** Deregulation could diminish consumer protections, making it harder to hold contractors accountable and potentially increasing financial risks for consumers. Worker safety could also be compromised due to reduced oversight of labor standards.
- **Impact on Dual-Licensed Contractors:** Deregulation could create confusion and operational challenges for dual-licensed contractors who perform both residential and commercial work, possibly exacerbating the state's housing shortage and increasing construction costs.
- **Financial Impacts:** Deregulation could lead to substantial revenue losses for the ROC, jeopardizing its ability to fund vital operations such as licensing, enforcement, and consumer protection programs.

Industry stakeholder feedback indicates strong opposition to deregulation. Surveys revealed that a significant majority of commercial contractors (71%) and overall contractors (66%) expressed concerns about the negative effects on service quality and industry safety. A large portion of respondents also rated ROC oversight as effective.

ROC Recommendations:

- **Maintain Regulatory Oversight:** The ROC recommends that Arizona continue to regulate commercial contractors to ensure public safety, service quality, and worker protection.
- **Reduce Regulatory Burdens:** To ease regulatory burdens, the ROC has identified an option to extend the license renewal period, which would increase the licensing threshold and reduce burdens in lower-risk scopes of work.
- **Consumer Protection Standards:** In the event of deregulation, clear consumer protection measures should be implemented, including enforceable standards for contractor accountability.

The report concludes that while deregulation may have certain outcomes, the risks—particularly to public safety, industry quality, and consumer protection—outweigh these potential advantages. The ROC advocates for maintaining regulatory oversight while exploring strategic reforms to improve efficiency and reduce unnecessary burdens on the commercial contracting sector.

By continuing to regulate the commercial contracting industry, the ROC will ensure that Arizona’s construction sector remains safe, reliable, and competitive, supporting the state’s growing economy.

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2024 Study on Commercial Contractor Deregulation

Introduction

Established in 1931, the Arizona Registrar of Contractors (ROC) is a regulatory agency responsible for licensing and regulating both residential and commercial contractors. The ROC's mission statement is: Protect the health, safety and welfare of the public through a regulatory system designed to promote quality construction by Arizona contractors.

In addition to licensing, the ROC protects Arizona consumers by investigating and resolving complaints against licensed contractors and unlicensed entities, maintains records of all applications and licenses, develops rules necessary for effective regulation, and refers criminal violations to the appropriate law enforcement or prosecuting authorities. Furthermore, the ROC oversees the Residential Contractors' Recovery Fund, which is designed to protect and reimburse claimants harmed by licensed residential contractors' statutory violations.

Laws 2024, Chapter 204, directs the ROC to “study and compile a report on commercial contractors to determine whether opportunities exist to statutorily remove the agency’s oversight of the commercial contracting profession.” This report aims to assess whether opportunities exist to remove the ROC's oversight of the commercial contracting profession. This study sets the stage for future discussions about regulatory frameworks and oversight of commercial contractors.

As defined by A.R.S. § 32-1101(A)(2), a commercial contractor is synonymous with the terms "commercial builder", "industrial builder" and "public works builder"; it refers to any entity that, for compensation, undertakes to perform, directly or through others, construction services on non-residential property including buildings, highways, roads, railroads, and excavations; or to connect such structures to utility services, or to provide mechanical or structural services for such structures.

History

Since its establishment in 1931, the ROC has regulated both residential and commercial contractors. However, significant changes occurred in 1981, when deregulation of commercial and industrial construction, including public works, was passed in Laws 1981, Chapter 221. The purpose statement of this legislation declared that “regulation of the commercial and industrial construction business, including public works, by the Registrar of Contractors agency is not necessary for the protection of the public health, safety and welfare and that it is in the public interest to deregulate such business.” This deregulation measure was later repealed in 1986 through SB 1224. A 1987 article in the Yuma Sun read, “At the urging of the construction industry last spring, the state Legislature restored the regulatory authority of the registrar over commercial construction effective July 1.”

Additionally, the October 23, 1986 Yuma Daily Sun reported that “City officials said the Legislature’s decision opened the floodgates to unlicensed and unscrupulous contracts. As a result, many commercial builders said Phoenix building codes routinely are violated. Building industry officials said some contractors use unqualified labor and substitute inferior materials. They also construct buildings that could be structurally unsound or lack adequate fire protection. In some cases, builders simply refuse to obtain building permits, officials added...The news angered Mike Bielicki, the president of the Central Arizona Labor Council. ‘We’ve created a system where substandard construction has become the new standard. It’s disgusting.’”

Mr. Bielicki provided the ROC with an anecdote about his involvement in the reregulation of commercial contracting, “[Burton] Barr and Bruce Babbitt had supported deregulation. However, within six months of its passage, it became apparent that the move was a mistake. Both leaders recognized this and began working toward re-regulation. Complaints came from individuals and companies after the incompetent work done by unregulated contractors became apparent. Additional deaths and injuries were reported among workers hired by incompetent contractors. The press became aware. Local licensed contractors were being underbid for work by new, desperate companies that cut corners at every opportunity. Arizona firms lost work. Barr and Babbitt knew they had made a mistake and worked to reverse it, succeeding on a bipartisan basis.”

In preparing this study, the ROC engaged in conversations with contractors and industry representatives who were active during the deregulation of commercial contracting in the 1980s. These individuals shared their experiences, noting that during that period, it

became increasingly difficult to assess the legitimacy of subcontractors bidding on projects. Marcia G. Weeks stated, "We tried this before and it didn't work," emphasizing that "this is the only protection that the government can afford, and for small business owners, a construction project may represent a life's work."

The March 13, 1986 Arizona Republic newspaper read, "A bill that would require all contractors to be licensed was passed by a Senate committee...Rep. Dave Carson, said that relicensing is 'needed to mend a festering wound that was opened with delicensing. We've got to bring back licensing for the protection of the entire public.' Many contractors, he said, have taken the attitude that the state doesn't know they exist and are not paying sales taxes. He estimates that the state loses millions of dollars in uncollected sales tax. 'Licensing would weed out the ones that are clearly unqualified', he said. Some of the strongest opposition to the bill was expressed by committee members Tony West and Hal Runyan." They argued that the bill does not include stronger rules to ensure that only qualified contractors will be licensed, and they emphasized the need for more robust regulations regarding commercial construction licensing.

Larry Adams, founder and President of the Mohave Valley Contractors Association and a member of the ROC Industry Advisory Council, a seasoned contractor with decades of experience in Arizona, offers a firsthand account of the challenges following the 1980s deregulation of commercial contracting. As a general contractor during this time, Mr. Adams found it increasingly difficult to assess the legitimacy of subcontractors bidding on projects, as deregulation removed essential safeguards like licensing, bonding, and insurance requirements. This led to the acceptance of low, unqualified bids, which ultimately resulted in costly corrections for projects. Additionally, out-of-state contractors flooded the Arizona market, especially those from California and Nevada, bypassing tax and workers' compensation regulations, creating unfair competition for local contractors. Mr. Adams observed that up to 80% of major road projects were awarded to unregistered firms, leading to millions of dollars in lost sales tax revenue and underscoring the need for regulation to protect both contractors and the public interest.

Mr. Adams' experience, coupled with the resulting financial losses and the unfair competition faced by local contractors, demonstrates why regulation is vital for ensuring fair practices, protecting the public interest, and supporting Arizona's economy. Overall, this historical context highlights the evolving nature of contractor regulation and underscores the significance of ongoing evaluations of regulatory practices in the commercial contracting sector.

ROC Arizona Current Data on Commercial Contractors

As part of the ongoing assessment of the commercial contracting sector, the following data provides insights into the current state of commercial contractors. This analysis is based on internal reports and other relevant metrics to offer a comprehensive understanding of the scope and dynamics of the commercial contracting industry in Arizona.

Commercial Contracting License Classifications

There are currently a total of 57 commercial contractor classifications, including 12 engineering classifications, two general contractor classifications, and 43 specialty classifications. See A.A.C. R4-9-102. Specialty classifications include trades such as boilers; steamfitting and process piping; concrete; electrical; fire protection systems; plumbing; and roofing.

Number of Commercial Contractors Under ROC Regulation

The following table outlines the current number of contractors licensed with the ROC across various commercial contractor categories:

Current Number of Commercial Contractors Licensed by the ROC

Contractor Category	Number of Contractors
General Commercial	6,680
General Dual (Residential + Commercial)	8,665
Specialty Commercial	4,012
Specialty Dual (Residential + Commercial)	26,386
Total Commercial/Dual Licenses	45,743

These figures reflect the diverse scope of commercial contracting activity in Arizona, with a significant proportion of contractors holding dual licenses in both residential and commercial sectors. The large number of “Dual Specialty Contractors” suggests that many contractors operate in both sectors, providing services across both areas.

Quality and Safety Concerns and Consumer Protection Issues

The potential deregulation of commercial contractors raises significant concerns regarding quality, safety, and consumer protection. These issues are crucial to both the public well-being and the integrity of Arizona's construction industry. A lack of regulatory oversight could increase risks to public safety, cause financial harm, and lead to legal disputes.

- **Quality and Safety Concerns:** The absence of regulatory oversight could lead to a decline in the quality and safety standards of commercial construction projects. Deregulation would allow unqualified individuals or entities to perform highly specialized trades in Arizona, which poses substantial risks to both workers and the general public. Commercial contracting encompasses a wide range of technical and safety-critical work, including:
 - (a) Construct, alter, repair, add to, subtract from, improve, move, wreck or demolish any building, highway, road, railroad, excavation or other structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or any other structure or work in connection with the construction.
 - (b) Connect such a structure or improvements to utility service lines and metering devices and the sewer line.
 - (c) Provide mechanical or structural service for any such structure or improvements. A.R.S. § 32-1101(A)(2).

These specialties require a high level of expertise, technical knowledge, and adherence to strict safety protocols. Without regulatory oversight, there would be no guarantee that contractors possess the necessary skills or certifications to perform these tasks safely and to code. Further, many of these contractors may lack the necessary insurance, bonding, or financial stability to ensure the successful completion of projects, leaving the public exposed to financial loss and potential safety hazards. An example of the catastrophic consequences of deregulation and inadequate oversight is the 2017 Grenfell Tower fire in London, where poor fire safety practices and the use of combustible materials led to a devastating tragedy. The lack of regulatory clarity and enforcement in construction practices, such as the use of unsafe cladding, played a significant role in the scale of the disaster. A similar incident in the United States occurred with the 1980 Hyatt Regency Walkway Collapse in Kansas City, Missouri. The subsequent investigation revealed that the original design sketches were not properly followed and were even modified during construction. A second example is the 2021 Surfside Condominium Collapse in Surfside,

Florida, which is still under investigation. Early reports have pointed to structural issues that had been identified years prior to the disaster, where proper oversight was not ensured, and the inspection report outlining these concerns was ignored. These incidents underscore the importance of regulatory frameworks to ensure safety and prevent such dangers.

- **Cost and Quality Impacts:** Larger, established commercial contractors in Arizona have raised concerns that deregulation could lead to unfair competition. Contractors who cut corners to reduce costs may be able to underbid reputable, experienced companies that prioritize quality, safety, and customer service, and consumers may be unable to distinguish between quality contractors and inferior products. A key concern voiced by representatives from licensed contractors in Arizona is that deregulation would open the door for unsafe practices, jeopardizing the reputation and reliability of the industry. Additionally, the potential influx of unlicensed or underqualified contractors could significantly jeopardize public health, safety, and welfare. This may result in substandard work that ultimately requires costly corrections by other contractors. As a consequence, consumers would bear the financial burden of fixing these issues, driving up overall construction costs. An article published by Construction Dive states, “With fewer regulations in place, the risk of noncompliance and unethical practices increases. For instance, the previous administration’s efforts to relocate federal agencies out of Washington, D.C., to reduce the federal workforce — for example, its decision to move the Bureau of Land Management to Colorado — led to decreased scrutiny over construction projects, primarily due to the reported 87% of staff that either left the agency or retired. This environment can foster mismanagement and abuse, as it removes certain checks and balances that typically prevent such issues”.
- **Consumer Protection Issues:** The deregulation of commercial contractors would undermine consumer protections, exposing clients to greater risks from unscrupulous and underqualified contractors. Deregulation would allow unlicensed contractors to flood the market, often resulting in unfinished or substandard work. The lack of regulation would make it harder for clients to hold contractors accountable, potentially leading to significant financial losses if these contractors fail to deliver on their proposals or leave projects incomplete. Additionally, deregulation could lead to higher insurance premiums for both contractors and property owners, as insurers might increase rates to offset the greater risks associated with working with unlicensed contractors. This would create ongoing financial burdens for both property

owners and tenants, impacting the overall cost of construction projects and potentially increasing liability exposure. The “Deregulation of the Construction Industry and its consequences” article states that a significant drawback of deregulation in the construction industry is the potential increase in lawsuits and frustrations for all stakeholders, leading to higher costs and inefficiencies. When disputes arise, parties may find themselves embroiled in complex legal battles, requiring extensive resources to resolve. In many cases, individuals may need to hire multiple experts and professionals, such as engineers, contractors, and attorneys, to ensure a fair process and outcome. This creates a substantial financial burden, especially if the case does not result in a favorable resolution. The heightened risk of litigation, coupled with the absence of adequate oversight, could turn the construction industry into a more litigious, inefficient, and costly sector, ultimately harming all involved.

- **Worker Protection Issues:** The potential deregulation of commercial contractors in Arizona also poses significant risks to worker protections. Regulatory oversight ensures that contractors comply with safety standards, worker training, and labor laws that safeguard employee well-being. Without these protections, workers could face hazardous working conditions, inadequate training, and the absence of necessary safety measures. Deregulation might lead to increased workplace injuries, as contractors may be tempted to bypass important safety protocols to cut costs. Furthermore, workers could find themselves without proper insurance coverage, workers' compensation, or fair wages. This lack of oversight would undermine the rights and protections workers currently rely on, ultimately jeopardizing their safety. The “Worker protection or deregulation?” article mentions that studies done in California, Washington, and Pennsylvania, have shown that enforcement of safety standards through regulatory activities can lower injury-related costs by 9% to 26%.
- **Lack of License History and Information:** The deregulation of commercial contractors would prevent consumers from being able to view a contractor’s license history on the ROC’s license search tool (<https://azroc.my.site.com/AZRoc/s/contractor-search>). This tool allows consumers to view a contractor’s history of complaints and discipline, verify bond information, and confirm the individuals associated with the license.

- **Contractor Accountability:** Since 2020, the ROC has revoked 26 commercial contractor licenses. This number does not include dual licenses, or suspended licenses. Without ROC oversight, there would be no direct mechanism to prevent unqualified and unscrupulous contractors such as these from continuing in business.
- **Uncertainty and confusion for dual-licensed contractors:** Without regulatory oversight, dual-license holders—licensed in both the residential and commercial sectors—might find it harder to distinguish themselves from unlicensed or less-qualified commercial contractors, as the lack of regulation could reduce the perceived value or credibility of their qualifications, especially in commercial work. This could lead to challenges in maintaining their reputation and ensuring clients trust their commercial services. While they are licensed for both residential and commercial projects, this distinction may lose its value, particularly if commercial work is no longer regulated. Dual-licensed contractors may find that consumer protection standards become less clear, especially in the commercial sector. Without the oversight of the ROC, consumers might lose confidence in the work of contractors, which could negatively impact the reputation of the entire industry.
- **Burden on Local Jurisdictions:** Local governments rely on ROC licensing as a uniform standard for contractor qualifications. If deregulation passed, municipalities would struggle to fill the regulatory void. A.R.S. § 32-1101.01 explicitly states that contractor licensing is a proper state function and prevents cities and counties from licensing contractors themselves. Even if this statute were amended, most local jurisdictions lack the capacity to manage contractor licensing or enforcement, making it even more difficult to ensure that construction projects meet basic safety and quality standards. Deregulation would also place an overwhelming burden on local jurisdictions, forcing them to deal with an increase in unqualified contractors without the resources to properly monitor or enforce safety standards. This could also lead to further delays in obtaining city permits, as unqualified work may not meet the required standards, necessitating additional inspections or revisions. Barbara Rice, Vice President of the Arizona Building Officials Association (AZBO), highlighted the importance of ROC oversight, “Code officials in Arizona are required to enforce minimum building and life safety code standards to ensure safe buildings for occupants and owners. Most, if not all jurisdictions in our state require licensed contractors to carry out the work. Without the Arizona Registrar of Contractors overseeing this program and its processes, local jurisdictions would not be able to oversee licensing and consistent, minimum standards required of contractors. Even if the state law allowed municipalities to license contractors, funding for staff resources, training, administrative policies and oversight, etc. would be needed for cities and counties to have the capacity to manage contractor licensing and enforcement”.

Financial Impact of Potential Statutory Changes

Any statutory changes, such as deregulation or removal of ROC oversight over commercial contractors, could significantly impact the agency's finances. In fiscal year 2024, commercial contractors contributed \$2,909,427 to the ROC Fund, supporting essential operations like licensing, enforcement, and consumer protection. This is an essential contribution to the ROC Fund as it funds critical agency operations such as licensing and enforcement activities, maintaining compliance with safety and building standards, and providing consumer protection services. These functions are key to ensuring the integrity of the contracting industry and protecting both businesses and consumers. Additionally, the ROC currently contributes 15% of fee revenues to the General Fund, further supporting the state's broader financial stability.

These cuts could also hinder the ROC's ability to efficiently serve the public and the contracting community, leading to delays in processing, fewer inspections, and a weakened ability to investigate complaints or enforce penalties against violators. Additionally, deregulation could negatively impact prompt payment practices, as the absence of a regulatory framework could lead to disputes over payment terms and contractors facing delayed payments or non-payment. This would overall compromise the agency's ability to ensure industry standards are met, ultimately leading to an increase in unsafe or non-compliant work in the construction industry.

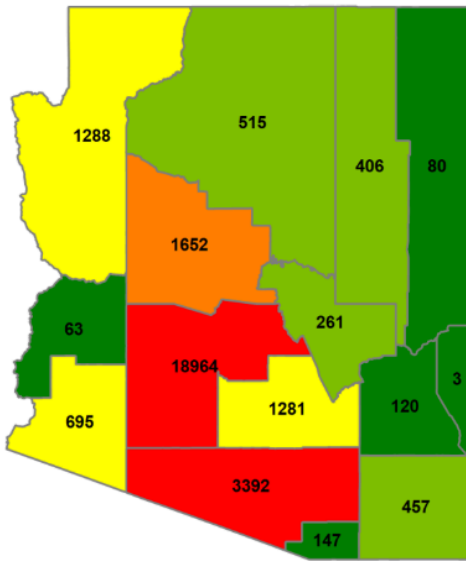
Statutory Changes Impact on Dual-Licensed Contractors

The deregulation of commercial contractors could have unique implications for dual-licensed contractors—those who are licensed to perform both residential and commercial work. These contractors may face challenges in adjusting their licenses to focus solely on residential work, while bifurcating their business into separate licensed residential and unlicensed commercial operations. It is also foreseeable that some dual-licensed contractors would abandon their license entirely, choosing to cease their residential operations and instead perform only commercial construction. This could possibly exacerbate the State’s housing shortage.

Dual-licensed contractors may face confusion or added burdens if separate regulatory frameworks are established for residential and commercial sectors. The shifting regulatory landscape could lead to increased costs and uncertainty for dual contractors, as well as for residential contractors in general, as they would need to implement additional actions to maintain operational efficiency under the new requirements. Without a regulatory body overseeing commercial contractors, legal ambiguity could also increase, and contractors may face difficulties navigating such situations. Additionally, if deregulation occurs, Title 32, Chapter 10 would need to be rewritten in order to properly differentiate between residential and commercial contractors, addressing the specialties and distinctions between these two sectors.

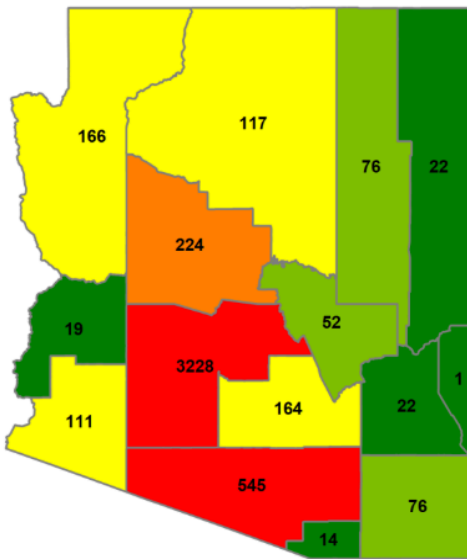
The following graphs provide an overview of the number of commercial contractors and dual-licensed contractors by county in Arizona. These visualizations help illustrate the distribution of contractors across the state and provide insight into the potential impact of deregulation on different regions.

Active Dual Licenses by County



County	Dual Licenses
%	3,997
Apache	80
Cochise	457
Coconino	515
Gila	261
Graham	120
Greenlee	3
La Paz	63
Maricopa	18,964
Mohave	1,288
Navajo	406
Pima	3,392
Pinal	1,281
Santa Cruz	147
Yavapai	1,652
Yuma	695
Total	33,321

Active Commercial Licenses by County



County	Commercial Licenses
%	5,217
Apache	22
Cochise	76
Coconino	117
Gila	52
Graham	22
Greenlee	1
La Paz	19
Maricopa	3,228
Mohave	166
Navajo	76
Pima	545
Pinal	164
Santa Cruz	14
Yavapai	224
Yuma	111
Total	10,054

Industry Stakeholder Feedback on Deregulation

To gather specific data from the construction industry regarding the potential impacts of deregulation, the Arizona Registrar of Contractors (ROC) distributed two surveys: one targeting commercial contractors and the other aimed at contractors of all categories across the state. These surveys were sent via email from the ROC to licensed contractors in Arizona as well as other industry stakeholders to collect their input and gain a deeper understanding of the potential impacts of deregulation on the construction industry.

The survey was open from October 1st to October 31st, and the ROC received 942 responses to the commercial contractor survey and 775 responses to the overall contractor survey. The surveys included several key questions designed to assess the industry's views on regulatory oversight, and also collected data on the company/association name, ROC license number(s) if applicable, the type of construction service(s) the company/association provides, and how long the company/association has been in business. In analyzing the results from both surveys, several notable trends emerge.

A significant portion of respondents from both surveys felt that the Arizona Registrar of Contractors (ROC) has the “right number” of regulations, with 67% of commercial contractors and 61% of overall contractors agreeing, compared to only 16% of commercial contractors and 20% of overall contractors stating there are “too many” regulations.

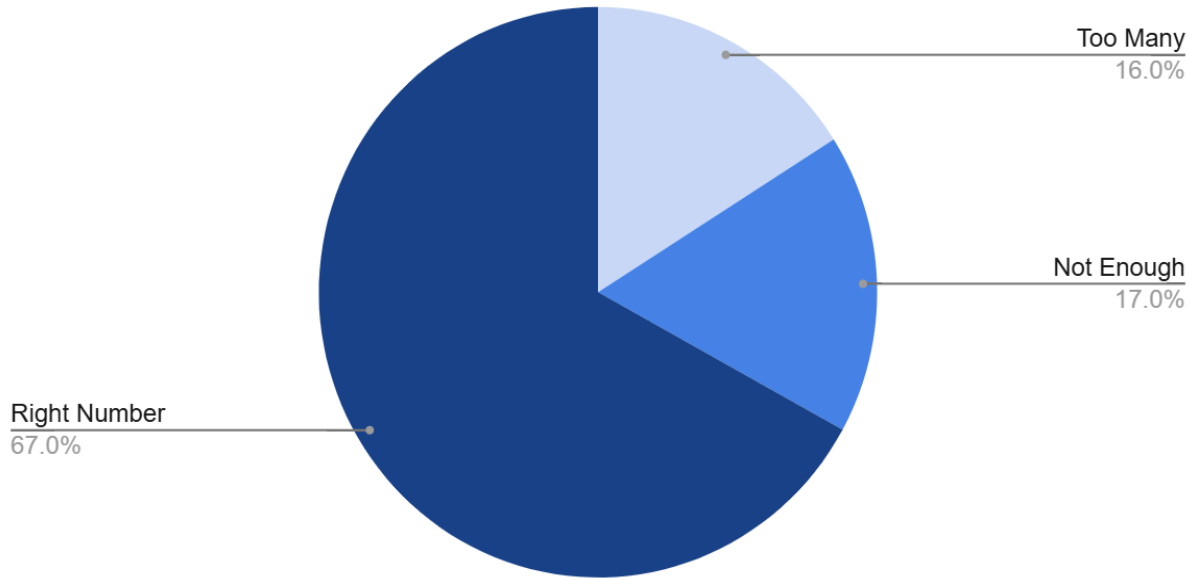
In opposition to deregulation, a combined 71% of commercial contractors (25% opposed and 46% strongly opposed) and 66% of overall contractors (25% opposed and 41% strongly opposed) expressed concerns about potential negative impacts on their operations and service quality.

Furthermore, a large number of respondents across both groups believed that deregulation would decrease the quality of service provided to consumers, with 78% of commercial contractors and 73% of overall contractors expressing this view; compared to only 8% of commercial contractors and 9% of overall contractors stating it would increase the quality of service provided to consumers.

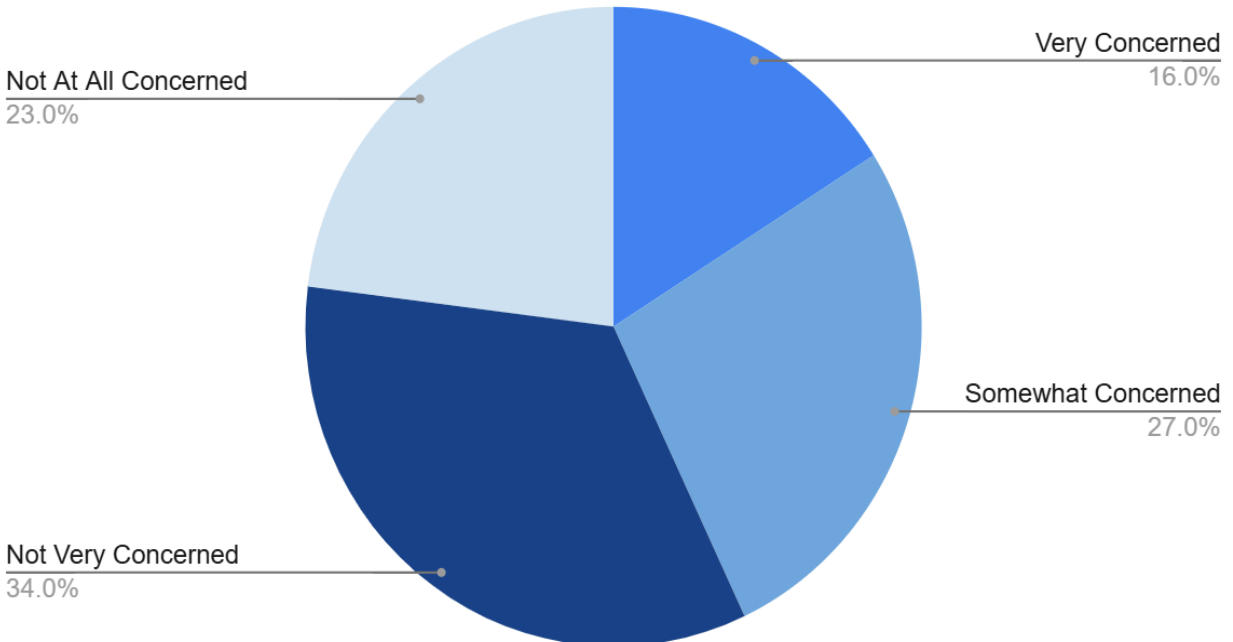
Additionally, the effectiveness of ROC oversight was generally viewed positively, with over half of respondents from both groups rating ROC oversight as either "effective" or "very effective." These findings provide valuable insight into industry perspectives on regulation, oversight, and the potential consequences of deregulation. The graphs included below provide the results from each survey.

Commercial Contractors Survey Results:

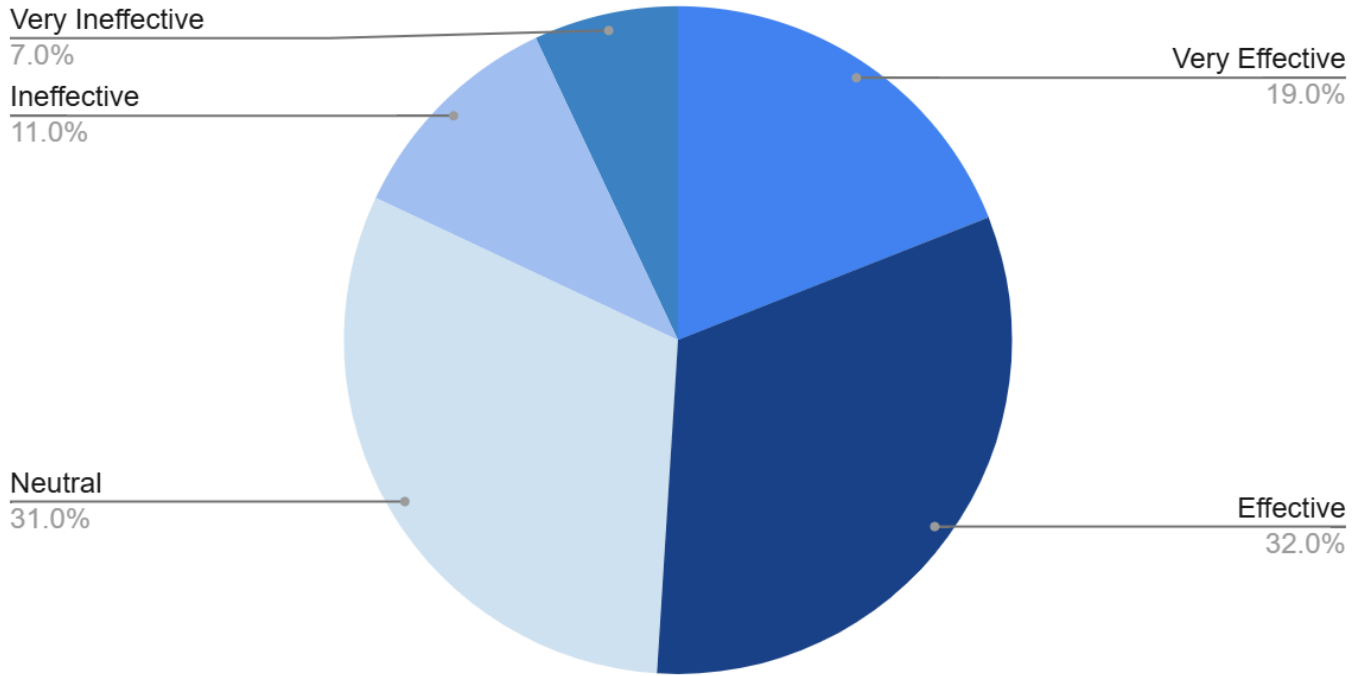
Do you think the Arizona Registrar of Contractors has too many regulations, not enough regulations, or the right number of regulations for commercial contractors?



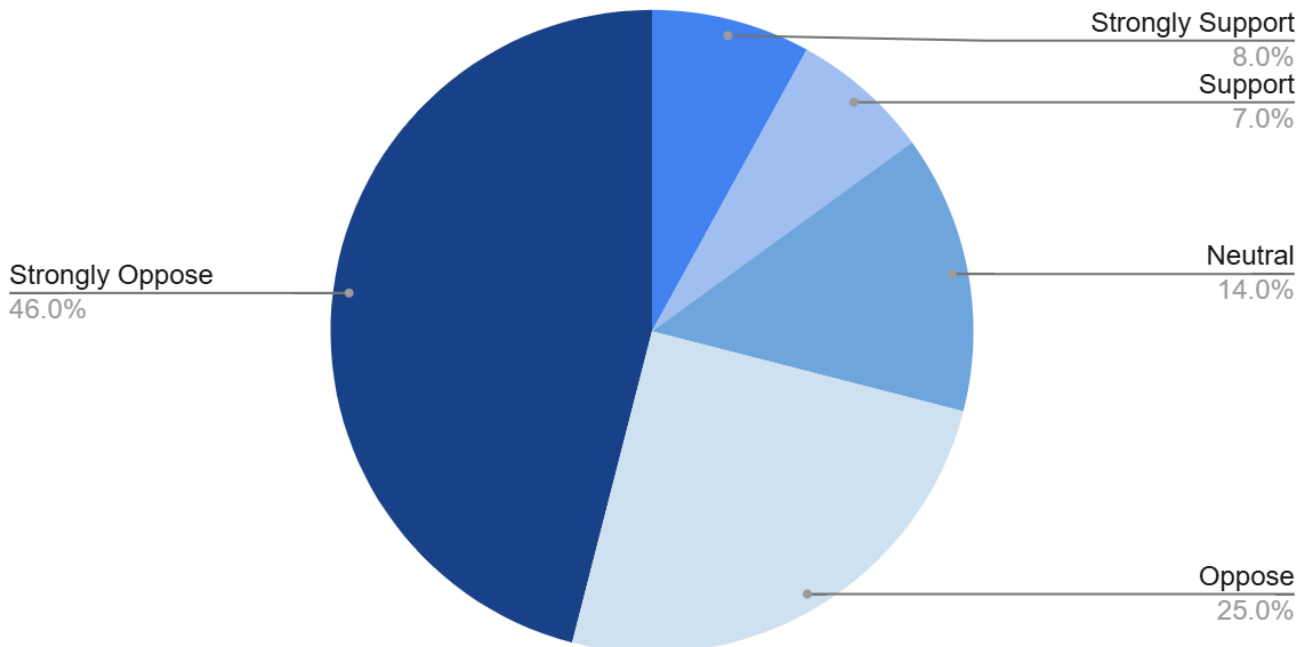
How concerned are you about the number of regulations affecting the commercial construction industry?



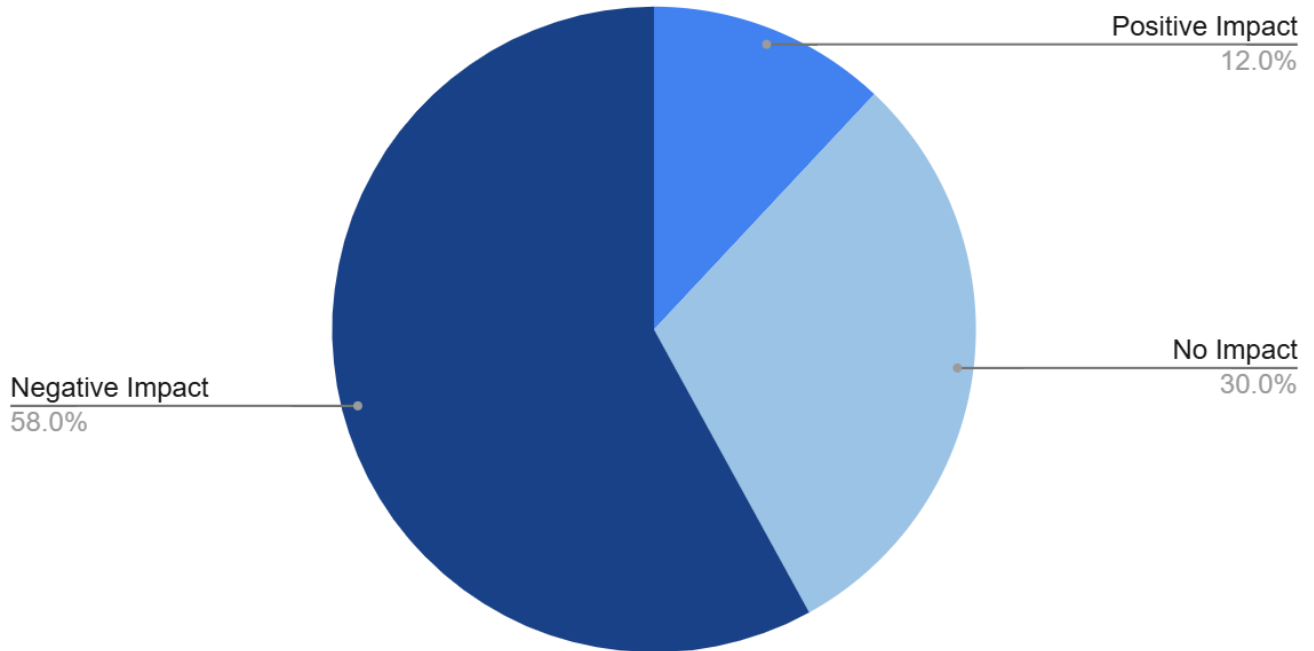
How effective do you believe ROC oversight is in ensuring the quality and safety of commercial construction projects?



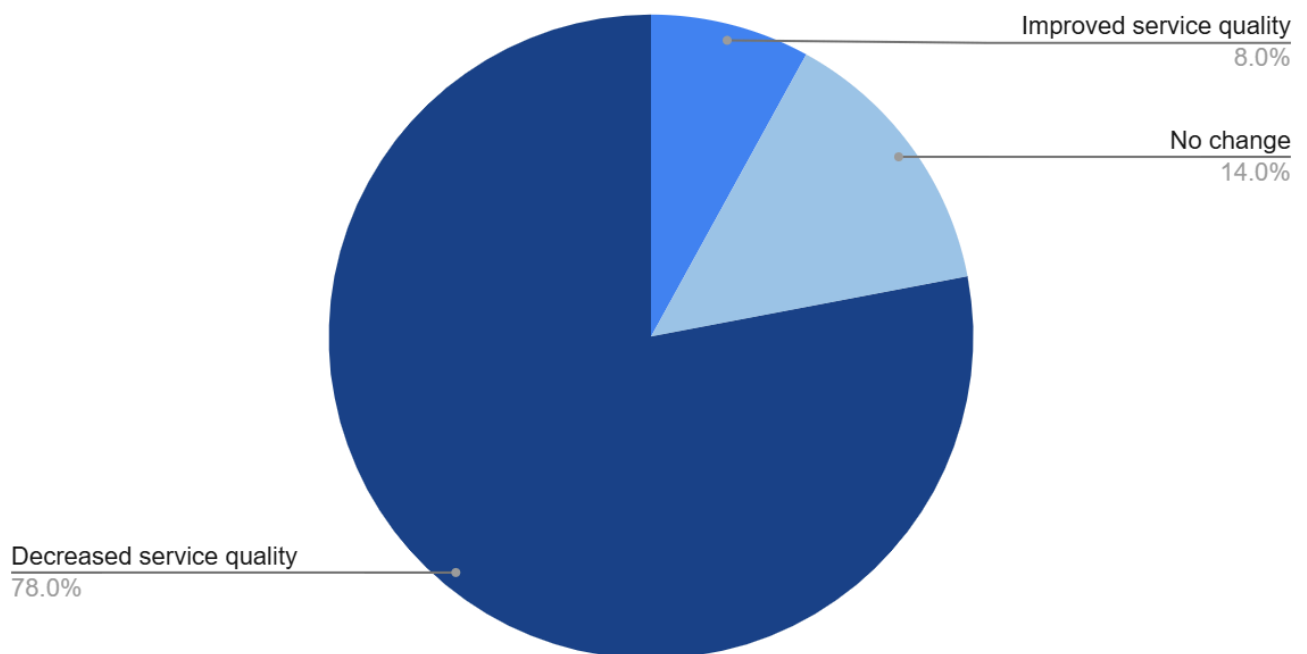
Would you support or oppose the deregulation of commercial contractors from the Arizona Registrar of Contractors?



How would deregulation of commercial contractors impact your company's operations or business model?

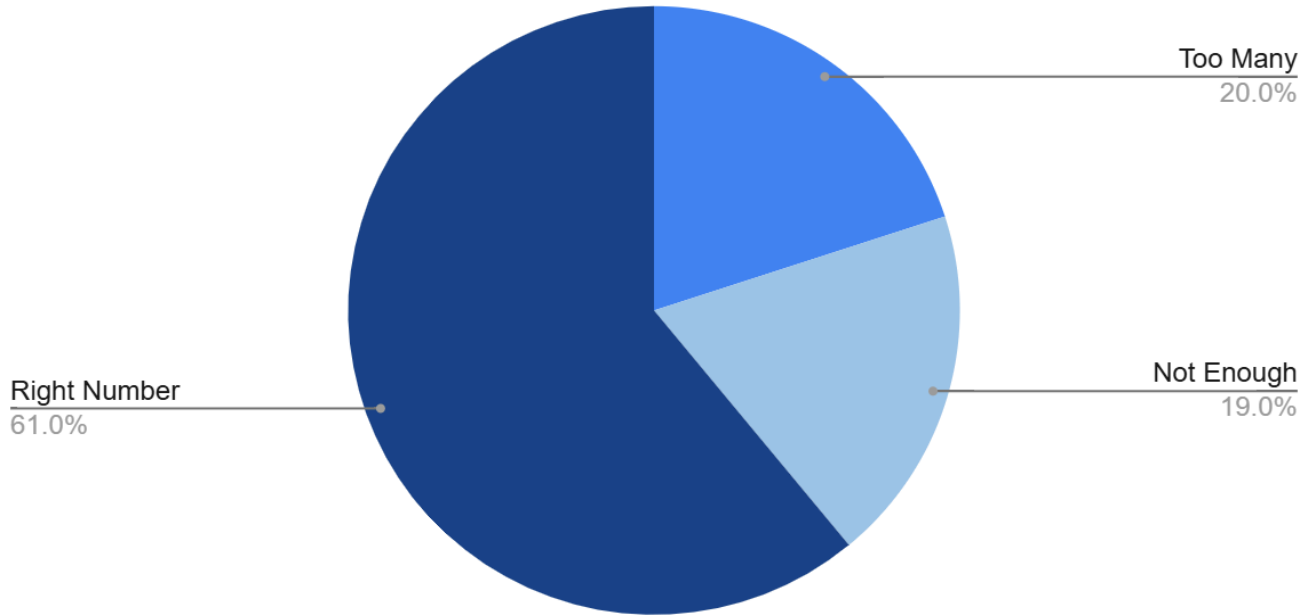


How do you think deregulation of commercial contractors would affect consumers or clients of construction services?

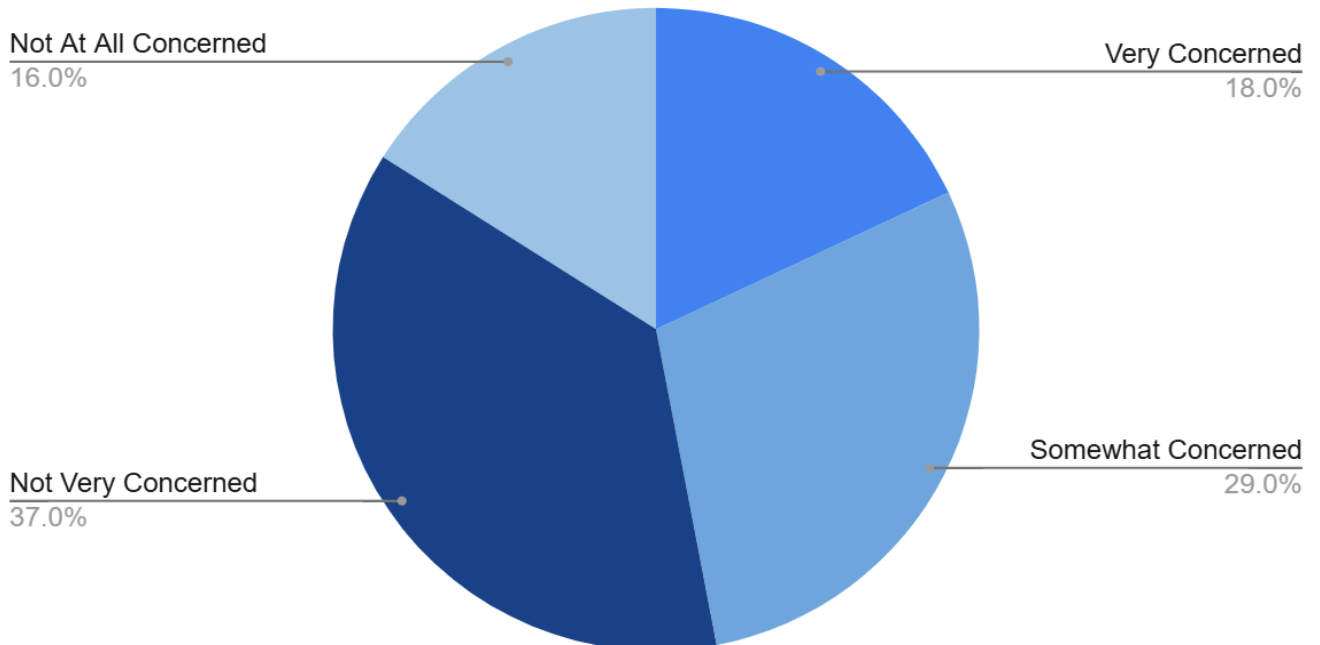


Overall Contractors Survey Results:

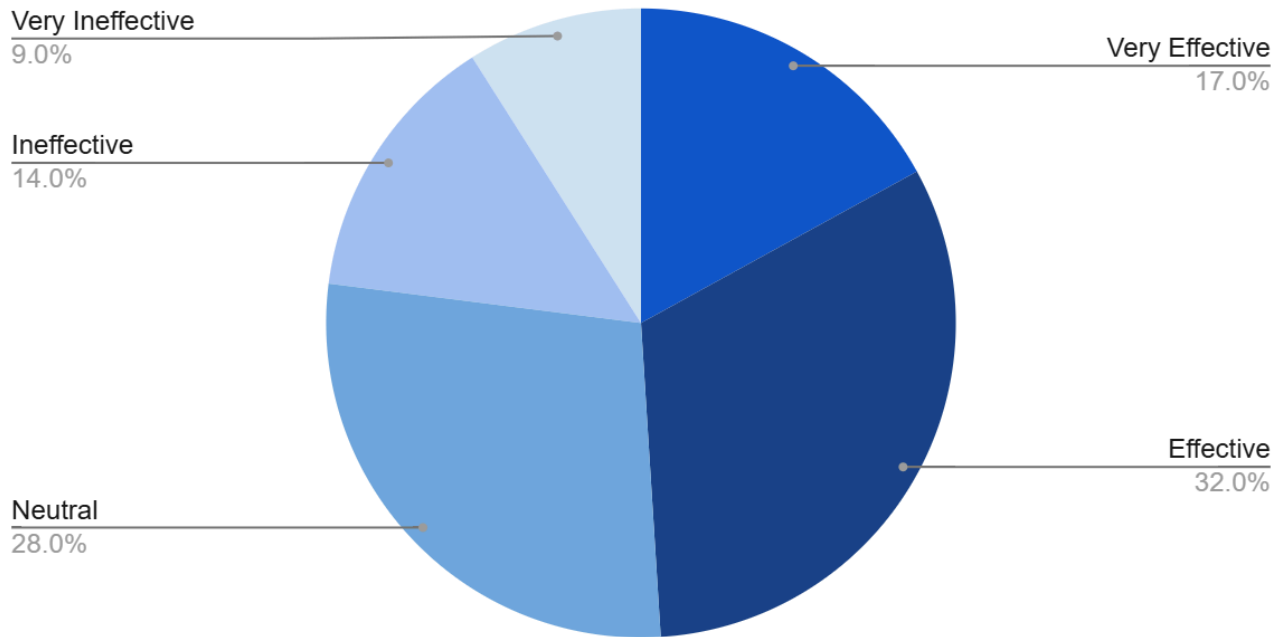
Do you think the Arizona Registrar of Contractors has too many regulations, not enough regulations, or the right number of regulations for contractors?



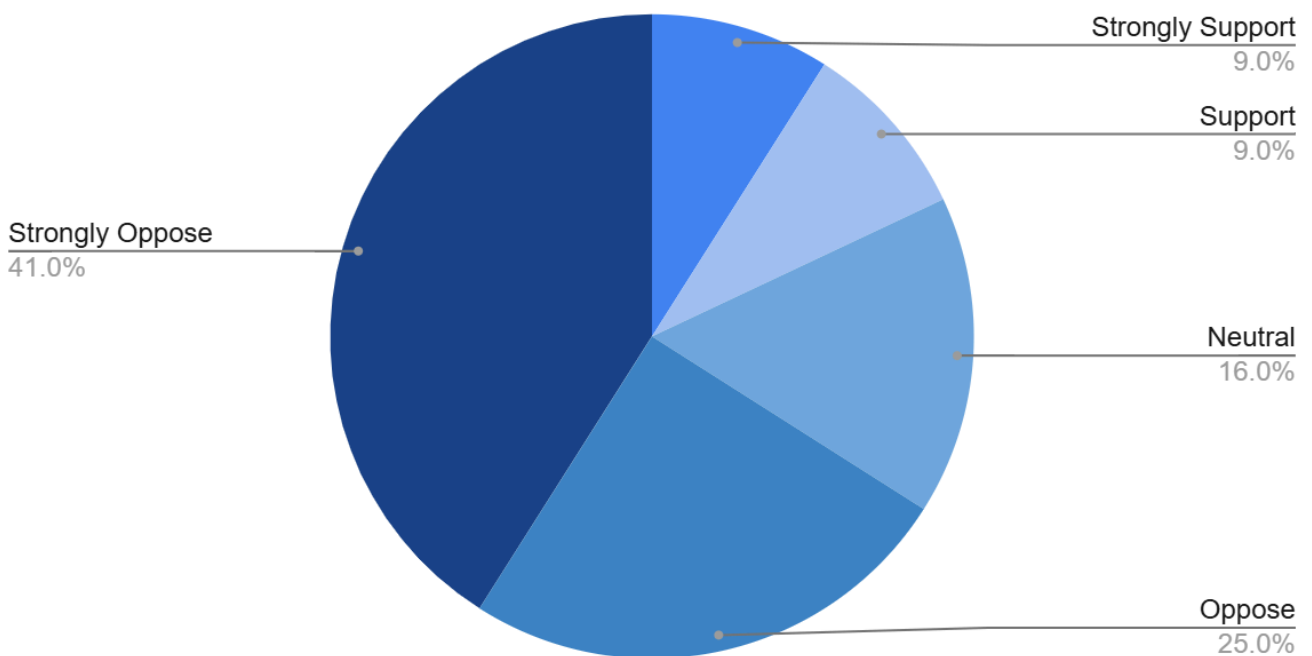
How concerned are you about the number of regulations affecting the construction industry?



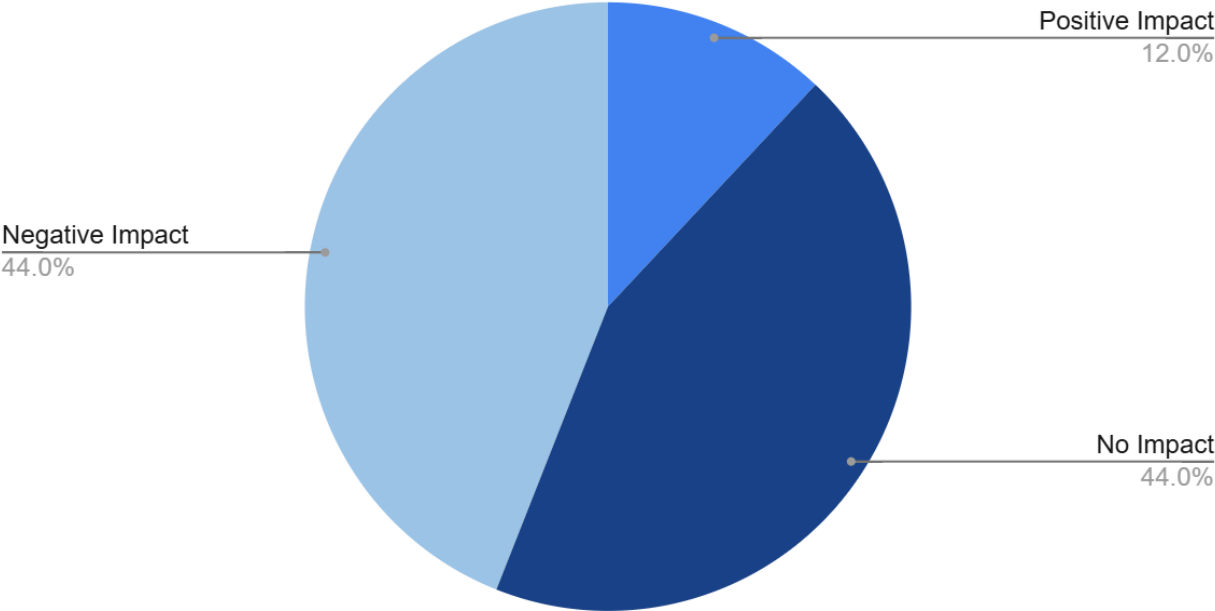
How effective do you believe ROC oversight is in ensuring the quality and safety of construction projects?



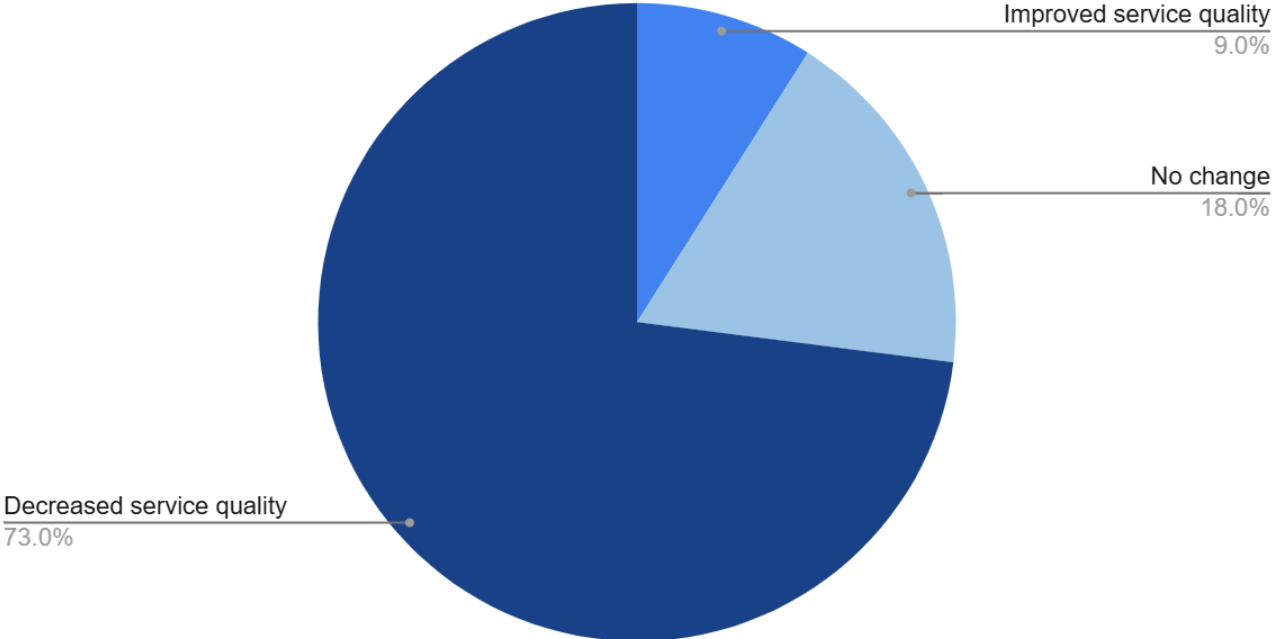
Would you support or oppose the deregulation of commercial contractors from the Arizona Registrar of Contractors?



How would deregulation of commercial contractors impact your company's operations or business model?



How do you think deregulation of commercial contractors would affect consumers or clients of construction services?



ROC Recommendations

The ROC provides the following recommendations to the Arizona Legislature based on the findings from this study on commercial contractor deregulation:

1. The ROC should continue to regulate commercial contractors.

- Based on the results of this study and feedback from the regulated population, the ROC recommends maintaining regulatory oversight over commercial contractors to ensure public safety, quality construction, and consumer and worker protection.
- Deregulation of commercial contractors could lead to a decline in safety standards in commercial construction in Arizona, with unqualified individuals potentially entering the market, putting workers and the public at risk. Given the technical and safety-critical nature of commercial construction, regulatory oversight is essential to uphold the integrity of Arizona's construction industry.
- Deregulation of the commercial contracting industry could also result in a number of contractors leaving the residential construction field and working solely in commercial construction, thereby exacerbating the State's current housing shortage and raising residential construction costs.
- With Arizona currently experiencing a manufacturing and commercial construction boom, a shift toward deregulation of commercial contractors could potentially jeopardize workmanship standards in the commercial sector. As contractors move into the high-demand commercial market, there may be fewer experienced professionals available to meet the quality standards required for complex commercial projects. This could lead to a decrease in the overall quality of workmanship, potentially affecting the durability and safety of commercial structures.

2. The Legislature can reduce regulatory burdens on commercial contractors while maintaining ROC oversight.

- **Extended License Renewal Period:** While the AZ ROC has proposed maintaining the initial two-year license renewal period for all commercial contractors, it also suggests extending the renewal period to every three years for contractors in good standing with a clean record. This proposal would reward contractors who demonstrate consistent compliance by reducing the frequency of renewals, while still ensuring accountability. The renewal fee would be adjusted accordingly for those who qualify for the extended renewal period, but this adjustment would not result in a reduction of fees, and there would be no change to the overall cost of licensure. Contractors with a history of compliance would

benefit from a longer renewal period, while others would continue to renew every two years.

- **Increased Threshold for License Requirements:** Currently, a license is required for any contracting work over \$1,000. A.R.S. § 32-1121(A)(14), a threshold that was set in 2006, up from the previous limit of \$750 established in 1988. An increase of this threshold—either for all contractors or for just commercial contractors—would permit more work to be performed without requiring a license. Adjusted for standard inflation, these amounts would be approximately \$2,000 and \$1,500 today, respectively. This adjustment would help ensure the threshold stays consistent with current market conditions and inflationary trends.
- **Regulatory Oversight Changes:** The ROC firmly believes that current regulations are crucial to maintaining public safety and upholding standards within the construction industry. While the ROC does not support deregulation, if the legislature decides to pursue it, it is our responsibility to evaluate lower-risk scopes as a first step; those certain classifications that don't involve structural work or other construction that poses imminent risk to public safety such as non-structural commercial work or areas with fewer classifications. We acknowledge that while the status quo effectively ensures safety and industry standards, deregulation of certain lower-risk scopes may present less imminent risk to public safety or the industry.

3. If ROC oversight of the commercial contracting profession is statutorily abolished, the Legislature should implement clear consumer protection standards.

- In this case, to address consumer concerns, the ROC identifies establishing clear and enforceable standards for contractor accountability in the absence of state-level oversight. This includes ensuring that consumers can easily identify qualified and reputable contractors, understand their rights, and seek redress in the event of substandard or incomplete work.
- **Regulatory Oversight Changes:** Prior to moving forward with any statewide deregulatory efforts, the ROC recommends forming a committee or panel to engage with industry stakeholders and gather feedback from the public. This discussion would allow us to carefully assess the potential impacts of deregulation and identify which lower-risk scopes could be safely considered for deregulation without compromising safety or quality.

Conclusion

The findings of this study highlight the critical role that the ROC plays in ensuring public safety, quality, and consumer protection within the commercial contracting sector, and this role is reflected and supported in the industry feedback. Deregulating commercial contractors would open the door to unqualified entities entering the market, potentially compromising the safety and quality of commercial construction projects across the state – an area where Arizona leads the nation and which is a staple of our booming economy.

Without the ROC's comprehensive oversight, the integrity of commercial construction could deteriorate, jeopardizing public health, safety, and welfare, as well as our economic trajectory. Additionally, the ROC is on record requesting a full performance audit from the Arizona Auditor General, a process through which regulatory efficiencies can be identified and acted upon. This audit could provide valuable insights into how the ROC's oversight can be optimized while maintaining high standards for safety and consumer protection.

From the perspective of the ROC and many experienced contractors, the risks of deregulation far outweigh the potential benefits; moreover, deregulation is not supported by the industry. Rather than fostering healthy competition, deregulation could lead to a race to the bottom, where companies that prioritize low costs over safety and quality invade the market, leaving consumers and the public at significant risk.

In light of these concerns, the ROC recommends maintaining regulatory oversight while exploring targeted reforms, such as careful and controlled testing of deregulation in low-risk settings and expansion of the license renewal period for qualified contractors. These steps aim to balance regulatory efficiency with the need to safeguard public safety and ensure the continued quality of Arizona's construction industry.

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