

## FIVE-YEAR STRATEGIC PLAN

### EXECUTIVE SUMMARY

The Great Recession had a tremendous impact on Arizona. The State's construction industry suffered significant job loss as a result. The number of active Registrar of Contractors' issued licenses decreased from over 52,000 at 2006 peak to approximately 37,000 as of 12/30/2016.

Though the number of employed construction professionals has not returned to extraordinary pre-recession levels, the root cause of the current perceived shortfall is more likely a lack of properly skilled workers to fill specific needs of builders rather than a shortage of potential employees. Cooperation between education and business will be critical in filling these needs. Arizona State's Office of Economic Opportunity predicted construction jobs are expected to continue to grow at a rate of close to 4.1 percent a year over the next decade.

However, new start single-family building permits have not returned to incredible pre-recession levels, for 2016 and beyond the overall construction outlook in Arizona is good. Population growth is ticking up and residential building permits are on the rise.

<b>Arizona Forecast*</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<u>Residential Building Permits (units)</u>	34,345.90	37,372.40	41,685.90	43,732.60	44,722.20
<b>% Chg from Year Ago</b>	18.80%	8.80%	11.50%	4.90%	2.30%

*\*Arizona Housing Units Authorized By Building Permits: Total; Source: U. S. Bureau of the Census, C\_40 Construction Reports; Economic and Business Center Forecast.*

The Registrar has made a number of internal changes, using LEAN process improvement protocols. Contractor license issue times and typical complaint process times have been reduced significantly.

During the strategic planning process, the Registrar considered the needs and expectations of Arizona's citizens. The mission statement and strategic issues will guide the Agency's efforts to improve the services it provides.

### **MISSION STATEMENT**

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

### **AGENCY DESCRIPTION**

The Registrar of Contractors was established in 1931. The Registrar licenses and regulates residential and commercial contractors. The licensing process consists of reviewing license applications and issuing licenses to qualified applicants. The regulatory process consists of investigating and, if warranted, determining appropriate disciplinary action against licensed contractors and unlicensed entities. Complaints against licensed contractors that go unresolved may result in discipline of licenses. Complaints against unlicensed entities may result in criminal convictions, including jail time, fines, and restitution. The Residential Contractors' Recovery Fund, which consists of statutory assessments held in trust, is managed by the Agency and allows for reimbursement to eligible homeowners for poor workmanship or non-performance by a licensed residential contractor.

The Registrar is a 90/10 agency. This means that the Agency is funded by 90% of its licensing fees. The remaining 10% of licensing fees are deposited into the State General Fund. The Agency does not receive State General Fund money.

### **STRATEGIC ISSUES**

#### **Issue 1      Inadequate Public Awareness of Agency Activities**

The Agency has not properly educated the public about its existence, purpose and the importance of hiring licensed contracting professionals. Prior to 1990, Agency records indicate that we infrequently placed paid advertisements in local newspapers. While earned media has been possible, little evidence of proactive engagement with the media exists. The press has covered the Agency's

work with local law enforcement and the National Association of State Contractors Licensing Agencies. There's also been an annual press release regarding storm chasers to curb exploitation of property owners after natural disasters. Beyond that, we've had limited interaction with the media. The Agency has prepared a newsletter, but this activity has been inconsistent from director to director. Finally, a widely known issue was the current design of the Agency's website and its presentation of information.

## **Issue 2 Database Does Not Meet Agency Needs**

The Registrar is responsible for licensing, compliance and consumer complaint resolution for over 36,000 contracting entities in Arizona. These contractors include general, mechanical, electrical, roofing, swimming pool and other scopes. At the moment, requests are submitted primarily on paper. The Registrar's current case and license management system allows for online renewals, but that's the extent of our online interaction. The Agency's system lacks web-enabled interfaces. This is an inconvenience for the public, and it's inefficient for our staff. In addition, our case management system does not have the flexibility we need to fully automate some of our processes. Even if the Agency developed an external application to automate these processes, the current system couldn't use data from an external source to update the case management system. Those updates require manual data entry.

## **Issue 3 Inconsistent Customer Service**

The Registrar engages with the public daily and finds that the quality and consistency of the customer service varies by department. The Agency has five departments that provide very different services to the public. The goal of the Agency as a whole, however, is to focus on improving the following customer service areas: professional interaction with others (whether it's on the phone or in written correspondence), interacting with the public over-the-counter, consistent and correct information being disseminated, and being proactive in handling issues before they become problems.

## **Issue 4 Lengthy Complaint Processes**

From the time a complaint is filed - whether it's for poor work, abandonment or unlicensed activity - the complaint process can take several weeks. Some of the time delay is required by statute. For example, per 32-1155(C)(1), the contractor must be allowed to inspect the work listed within the complaint no later than 15 days after the Registrar's written notice has been received by the parties involved. When the contractor goes out to inspect, the parties may reach an agreement that gives the contractor more time to complete repairs or finish the job. The goal with every complaint is of course resolution. Allowing the contractor more time to complete the work, so long as the complainant is amenable, is generally permitted by the Agency. What can happen is the relationship between the

parties can once again breakdown. This setback in the inspection process can cost days or even weeks of lost time. This is not the normal course of complaints usually close with both parties reaching resolution. This is just an example of a situation where time is added to the process when the parties have requested additional time to resolve the complaint.

The same can be said of the unlicensed activity department. After a complaint for unlicensed activity is filed, we may need several weeks to complete the investigation. This includes background checks for the unlicensed entity and phone interviews with the victim. It may also include subpoenaing of records and in-person interviews with both parties. The amount of time required may increase significantly if the unlicensed entity is a repeat offender. These cases may be referred to the Attorney General's office, local law enforcement, or city and county attorneys for prosecution.

## STRATEGIES

### **Issue 1      Inadequate Public Awareness of Agency Activities**

During the last year, the Agency secured an email service provider to communicate effectively and efficiently with licensed contractors, contracting associations and the media. With this email service provider, the Agency disseminates timely press releases regarding discipline of licensed contractors and actions taken against unlicensed entities. The Registrar is also emailing a monthly newsletter to all of the contracting associations and our 27,000 licensed contractors. In addition, the Agency secured two advertisement buys in rural newspaper markets in FY 2016. This helps us reach people who are not covered by Phoenix and Tucson television markets or the Internet. Finally, the Registrar launched a newly-designed and intuitive website in July 2016.

Within the next five years, the Agency will continue to increase public awareness of Agency activities. We will continue to use press releases to proactively engage with the media and the public. The Agency PIO will work with appropriate vendors and resources to develop Video PSAs and explore the potential of additional advertisement buys in rural papers. Facebook and Twitter accounts were established in FY 2016, and the Agency will continue to grow its social media presence. We will continue to improve the Agency's newsletter to target and educate industry constituents. In addition, we will monitor analytics from our new website to push pertinent information and promote rankings to better serve the public at large. We will also increase our collaborative efforts so the public knows why they should hire licensed contractors. This is particularly important after natural disasters; we will respond actively. Clearly labeled Agency vehicles will also continue to increase public awareness.

## **Issue 2      Database Does Not Meet Agency Needs**

The Registrar has selected and is implementing a modern commercial off-the-shelf (COTS) solution that will streamline Agency processes and improve the services we provide. This solution will address a number of our concerns, including lack of external data interface functionality, limited data entry validation and limited configurability. It will also help us extend interactive options to our constituents. With these modern applications, the public will submit forms and supporting documentation while the system validates the minimum elements that are required for their submittal.

The Registrar is working toward the Governor's mandate to increase automation by taking advantage of the Department of Administration's enterprise-wide solutions. The Agency is also working with Apple and IBM to develop a new mobility platform that will interact with the COTS solution. Our field investigators will conduct their jobsite investigations more efficiently, and they will complete their follow-up work with a solution custom-developed for the Agency. The Registrar will take advantage of limited customization while we use the COTS system on the back end to host our data.

## **Issue 3      Inconsistent Customer Service**

Agency-wide customer service training began with our phone center personnel. Telephone calls and written correspondence are being monitored and reviewed. The Agency also began reviewing our over-the-counter interactions to ensure that the quality of our customer service is consistent throughout the Agency. We have reviewed, modified and updated our customer comment cards and increased their use. Monthly reports have been created that document the number of responses received and customer feedback. This feedback helps us ascertain the public's perception of our response time to customer inquiries; in particular, with our responses within the 48-hour timeframe goal. With this new quality control procedure in place, information we obtain from the responses provides opportunities for improvement.

We are creating materials that will help employees communicate with customers in non-technical terms and assist customers effectively regardless of the challenges presented. In addition, the Agency is in the process of reviewing all of our Agency processes to reduce the amount of time that's required to complete certain tasks. Each of the departments is participating in this review and will alter processes as we discover possibilities for improvement.

**Issue 4      Lengthy Complaint Processes**

Complaint processing and procedures within the compliance department have been evaluated and revised. With these revisions, our construction complaint closure timeline has improved dramatically. Eighteen to 24 months ago, the time to complete or close an investigation averaged 160 days. Today that average is less than 60 days. The Agency will continue to review and streamline processes to ensure that our citizens are receiving clear, concise, and fair decisions. We will also work to strengthen relationships with local law enforcement and the state agencies that assist the Registrar of Contractors.

**RESOURCE ASSUMPTIONS**

	FY 2017 Appropriation	FY 2018 Budget Request	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Full-time-equivalent (FTE) Positions	105.6	105.6	105.6	105.6	105.6
General Fund	\$0	\$0	\$0	\$0	\$0
Other Appropriated Funds	\$12,165,400	\$12,165,400	\$12,165,400	\$12,165,400	\$12,165,400
Non-Appropriated Funds	\$4,666,800	\$4,666,800	\$4,666,800	\$4,666,800	\$4,666,800
Federal Funds	\$0	\$0	\$0	\$0	\$0
Total Agency Funds	\$16,832,200	\$16,832,200	\$16,832,200	\$16,832,200	\$16,832,200