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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Martinez/Dow **ORIGINAL DATE** 02/03/2025

BILL

SHORT TITLE Construction Cost Studies **NUMBER** House Bill 168

ANALYST Lobaugh

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$0.0 to \$80.0	\$0.0 to \$80.0	\$0.0 to \$80.0	\$0.0 to \$240.0	Recurring	General Fund
Total	\$0.0 to \$80.0	\$0.0 to \$80.0	\$0.0 to \$80.0	\$0.0 to \$240.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of House Bill 168

The Construction Industries Division (CID) of the Regulation and Licensing Department (RLD) adopts building codes and minimum standards for the state's construction industry as recommended by its trade bureaus and approved by the construction industries commission (a nine-member commission of construction industry stakeholders appointed by the governor). CID has four trade bureaus (the general construction bureau, the electrical bureau, the mechanical bureau, and the liquefied petroleum gas bureau) that recommend the minimum standards for their respective jurisdictions.

House Bill 168 (HB168) would require the trade bureaus to produce a cost study estimating the change to the cost of commercial and residential construction resulting from any recommended:

- Changes to a minimum standard,
- Changes to a specification, or
- Adoption of a new rule anticipated to affect the cost of commercial or residential construction.

HB168 would also require the construction industries commission to produce a cost study for any rule anticipated to affect the cost of commercial or residential construction for which a trade bureau has not already produced a cost study and then submit the study to CID.

The effective date of this bill is June 20, 2025.

FISCAL IMPLICATIONS

HB168 does not include an appropriation. RLD would need to allocate resources from its operating budget to cover any costs of HB168. RLD reverted \$1.2 million in unspent funds to the general fund at the end of FY24 and \$1.1 million at the end of FY23.

RLD reports that the department would need to hire an economist to analyze the fiscal impact of any changes to construction standards, specifications, or rules. RLD anticipates it would cost between \$5,000 to \$20 thousand for each cost study, depending on the complexity of the building code or rule changes. The annual expenses for cost studies could vary each year depending on how many code adoptions or rule changes are recommended by the trade bureaus. Based on the past three years, RLD anticipates that no more than four code adoptions will occur during any given year. Consequently, the annual cost of implementing HB168 could range from \$0.0 (if no building code changes are recommended) to \$80 thousand (if four building code changes are adopted).

RLD notes that it collects written public comments from industry stakeholders before any proposed changes to building codes are adopted. RLD reports that industry stakeholders carefully evaluate the financial implications of adopting new codes and that CID considers this stakeholder feedback. RLD also reports that the CID often weighs costs against benefits when considering new building codes. Current stakeholder cost-benefit analyses and CID review of written public comment may reduce the need to hire external economists when producing cost studies of building code changes.

SIGNIFICANT ISSUES

CID trade bureaus review proposed rule changes and building code adoptions through technical advisory committees made up of experts in the trades. After consensus is reached, the proposed rule or code changes are presented at a public hearing following the State Rules Act. As part of the process, CID notifies all its licensees with a registered email address about the proposed rule changes or building code adoptions.

PERFORMANCE ISSUES

RLD notes that “mandating cost analyses could lead to a more complex and lengthy process.” RLD reports this could delay the adoption of necessary codes, particularly in urgent situations like public safety improvements and keeping with current Insurance Service Office rating requirements.

CSL/hj/SR