

JIM GIBBONS
Governor

State Of Nevada



STATE CONTRACTORS BOARD

Reply To: **Southern Nevada**
2310 Corporate Circle, Suite 200
Henderson, Nevada 89074
(702) 486-1100
Fax (702) 486-1190
Investigations: (702) 486-1110
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Northern Nevada
9670 Gateway Drive, Suite 100
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(775) 688-1141
Fax (775) 688-1271
Investigations: (775) 688-1150

MEMBERS
Margaret Cavin, Chair
Spiridon G. Filios, Vice Chair
Michael Efstratis
Jerry Higgins
William "Bruce" King
Randy Schaefer
Guy M. Wells

September 2, 2008

The Honorable Jim Gibbons
Governor of Nevada
State Capitol
Carson City, Nevada 89701

Dear Governor Gibbons:

On behalf of the Nevada State Contractors Board, I am pleased to enclose the 2007-2008 Annual Report.

As mandated by Nevada Revised Statute (NRS) 624.355, a review of complaints received by the board has been completed. This summary report presents the findings of our review regarding common trends in complaints and potential difficulties in the regulation of contractors and the protection of the public. We have also included recommendations for possible legislation.

I would also like to thank you for giving the Board the opportunity to serve the citizens of Nevada. We take pride in our accomplishments and will continue to strive for improvement in the years ahead.

If you have any questions concerning the report or any other matter, I can be reached at the following telephone numbers: Henderson: (702) 486-1111 and Reno: (775) 688-1141, Extension 7862.

Sincerely,

A handwritten signature in cursive script that reads "Margi A. Grein".

Margi Grein
Executive Officer

C: Lorne Malkiewich, Director
Legislative Counsel Bureau

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NEVADA STATE CONTRACTORS BOARD REPORT IN COMPLIANCE WITH NRS 624.355

The State Contractors Board has been charged with the responsibility of enforcing Chapter 624 of Nevada Revised Statutes. The Statutory Mission Statement declares that the provisions of Chapter 624 relating to the discipline of licensees are intended to promote public confidence and trust in the competence and integrity of licensees and to protect the health, safety and welfare of the public. The Board is committed to fulfilling its statutory responsibility and adopted a mission statement to promote quality construction by Nevada licensed contractors through a regulatory licensing system designed to protect the health, welfare and safety of the public.

ENFORCEMENT PROGRAM OVERVIEW

The Investigations Division functions as the enforcement arm for the Contractors Board. In compliance with Nevada Revised Statutes, (NRS) 624.335, the Board initiates an investigation of all complaints involving possible violations of NRS 624 filed with the Board. In addition, the Board has implemented several programs to inform the public of its rights as well as monitoring the activities of contractors to ensure compliance with the law. One program focuses on consumer awareness and public education of the pitfalls of hiring an unlicensed contractor. Utilization of administrative citations has resulted in lowered enforcement costs and swift resolution of many cases.

The majority of complaints against licensed contractors received by the Board are from owners of residential properties although the Board also investigates complaints received from other contractors and suppliers. The Board has experienced an increase in money owing complaints from subcontractors and suppliers due to the lagging economy. Unlicensed contracting activity complaints are received from homeowners and properly licensed contractors. Board investigators also provide proactive enforcement against unlicensed contractors. Homeowner complaints usually involve remodeling or repair work and construction of swimming pools and spas.

In FY 2007-08, the Nevada State Contractors Board received a total of 3123 complaints against licensed contractors. Complaints of substandard workmanship were the highest number at 1,256; industry regulation violation complaints totaled 869 and money owing complaints totaled 1,013. Contractors who violate the law and fail to correct substantiated violations are brought before the Board for a disciplinary hearing or issued an Administrative Citation. Multiple complaints against the same contractor are combined into one hearing.

The number of licensed contractors in the State of Nevada increased from 17,102 in FY 2006-07 to 17,837 in FY 2007-08; an increase of 735 licensed contractors.

Disciplinary Action

Statutory references:

NRS 624.300 Disciplinary actions may include: Revocations, Suspensions, Administrative Fines, Corrective Actions, Reprimands, Limitations Imposed, Citations, or other.

NRS 622.400 authorizes recovery of legal and investigative costs on settlement agreements and Final Orders.

NRS 624.341 Administrative Citations may include: Corrective Orders, Administrative Fines, and Reimbursement of investigative Expenses.

NRS 624.361 Regulations were adopted for requirements for issuing citations and assessing fines under NAC 624.725 through 624.72518.

One of the most publicly recognized roles of the Board is the investigation of contractors and the subsequent discipline of licensees who violate the law. The Board takes any complaint filed against a contractor seriously and the decision to issue discipline is not made without considerable deliberation. Formal disciplinary action against a contractor becomes public record. The Board is bound by its duty to protect the health, safety and welfare of Nevada's citizens who hire contractors, and the actions the Board takes are reflective of that mission.

While disciplinary actions are an indication of the Board's ability to protect the public, ongoing improvements in the investigation and enforcement process and support from the Board's internal and administrative processes such as licensing, public outreach and education, information technology and accounting all contribute to the Board's success.

Formal Disciplinary Hearings are conducted twice a month in accordance with the Open Meeting Law and the Administrative Procedures Act. The Executive Officer of the Board is responsible for presenting the case to the Board for appropriate action. Counsel may represent the parties, although it is not a requirement. Individual Board Members serve as Hearing Officers on a rotational basis.

During the 2007-08 fiscal year, the Board conducted 164 Disciplinary Hearings resulting in discipline to 235 licenses. Administrative Citations were issued to an additional 271 licenses.

Disciplinary Actions and Administrative Citations

<u>DISCIPLINARY ACTIONS</u>	FY-2006 – 2007	FY 2007 – 2008
Revocations	72	85
Reprimands	4	3
Suspensions	8	25
Probation	2	1
Corrective Orders	22	4
Total Fines	\$358,500.00	\$397,050.00
Case Costs assessed	\$264,926.50	\$269,428.00
<u>ADMINISTRATIVE ACTIONS</u>		
Administrative Citations	133	271
Administrative Fines Assessed	\$148,500.00	\$356,000.00
Investigative Costs Recovered	\$196,215.47	\$458,060.76

Unlicensed Contracting

For the past several years, the Board has worked with the Nevada judicial system to encourage court ordered restitution to injured homeowners in cases involving unlicensed contractors. The coordinated effort of the NSCB and the court system has resulted in a significant number of cases of court ordered restitution.

UNLICENSED CONTRACTING	FY-2006-07	FY 2007-08
Cases Opened	1321	1202
Cases Closed	1430	1152
Cases Filed with Courts	875	668
Convictions	428	320
Plea Bargains	172	106
Restitution	\$1,080,393.98	\$584,846.75

Other Enforcement Programs

During fiscal year 2007-08, the Investigations Department conducted 29 sting operations targeting unlicensed contractors resulting in 52 criminal charges.

The Board continued to expand its Enforcement Awareness Program for members of the community, contractors and law enforcement through publications, electronic media, public speaking engagements and various forms of Public Service Announcements (PSAs). Board personnel participated in several presentations and trade show exhibitions.

The Board's Senior Awareness Program continues to be successful providing senior citizen groups information about the services of the Nevada State Contractors Board. Attendees are provided with informational brochures and telephone contact numbers for reporting complaints.

Another effort to reduce the number of unlicensed contractors operating in our state includes participation in a Joint Task Force (JTF) in Reno. The Task Force meets quarterly to discuss areas of mutual concern and coordinate investigative activities to identify and address the problem of unlicensed contractors in Northern Nevada. The JTF includes representatives from the Associated General Contractors, Nevada Attorney General's Office, Washoe County Sheriff's Department, Washoe County District Attorney's Office, Carson City Sheriff's Department, Reno and Sparks Building Departments, Nevada Department of Agriculture, Builders Association of Western Nevada and representatives from the Reno and Sparks Police Departments.

The Top Ten Program places photos of unlicensed contractors who have violated the State's contracting laws and have outstanding arrest warrants on the Board's website. The program was established in 2004.

During the past year, representatives of both offices of the Board have conducted several visits with District Attorneys, Building Officials and contractor's association representatives in the rural counties of Elko, White Pine, Lincoln, Nye and Humboldt. Board investigators worked with local officials to alert homeowners of the pitfalls of using unlicensed contractors.

Under the provisions of the Nevada Administrative Code (NAC) 624.780 - 624.795 inclusive, nine requests for opinions involving a construction defect matter were processed.

Recovery Fund

The Residential Recovery Fund program has been very successful in helping homeowners who have been harmed by a residential contractor to recover losses experienced because of poor workmanship. In fact, over the past three years claims paid to homeowners from the Residential Recovery fund have exceeded the revenue generated by the reduced assessment the Board had been collecting. The trend necessitated reinstating the collection of the full assessment allowed by statute effective July 1, 2008. The Board has awarded approximately 400 Residential Recovery Fund claims in the past three years.

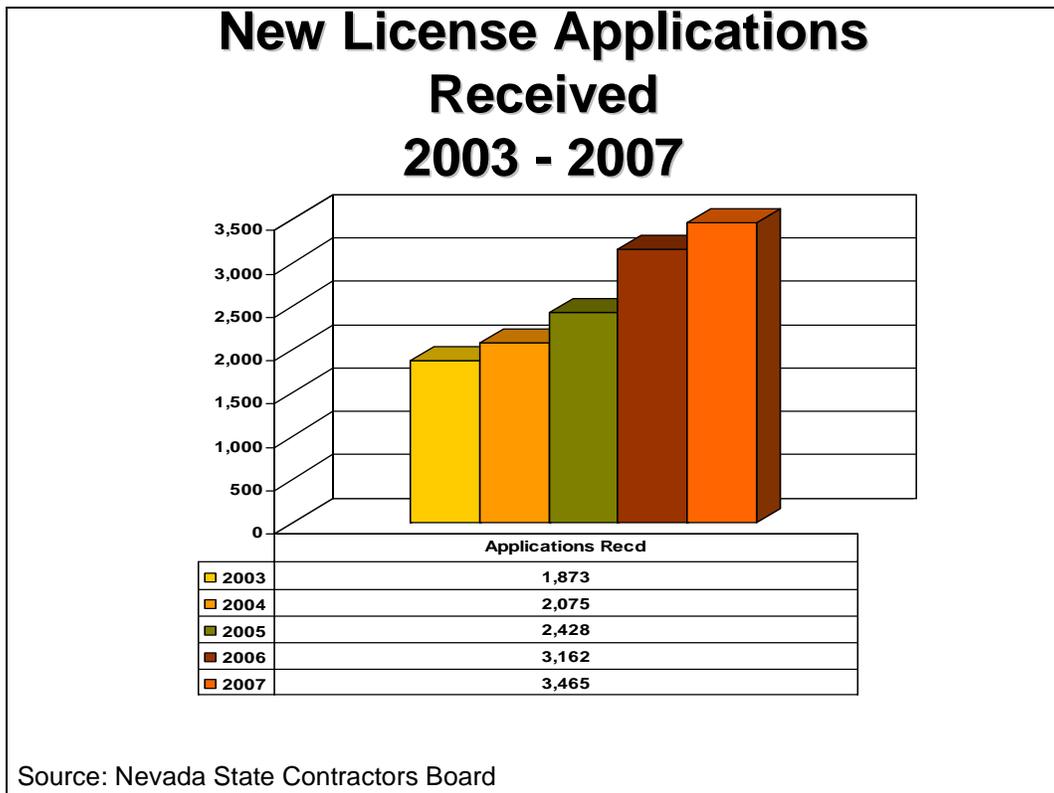
RECOVERY FUND CLAIMS		
	FY 2006-07	FY 2007-08
Number of Claims Received	172	142
Total Dollar Amount of Claims Filed	\$1,969,268.99	\$2,430,742.05
Claims Denied	10	7
Claims Closed – Inadequate Documentation	4	11
Claims Closed – Outside the Statute of Limitations	4	2
No Jurisdiction	2	7
Total Claims Paid	147	75
Total Amount of Claims Paid	\$1,418,021.31	\$1,076,808.85
Average Claim Paid	\$9,646.40	\$14,357.45
Claims Pending	0	38
Withdrawn	5	2

IDENTIFIED ISSUES – TRENDS

The phenomenal growth Nevada experienced for several years led many to believe that the state would not be affected by a downturn in the overall economy. Unfortunately, as we now know, Nevada is not immune to the economic woes facing our country due to the sub-prime mortgage crisis and its impact on the construction industry.

Las Vegas, in particular, has been especially hard-hit. Mortgage foreclosures are at an all time high and many construction enterprises are facing bleak times with lay-offs and in some instances, business closure. Northern Nevada is also facing a high foreclosure rate although not quite as significant as the Las Vegas area.

Although the slowdown in residential construction has had a serious impact on the industry, the Board has not seen a dramatic change in the number of license applications or the number of licensed contractors. The number of licensed contractors as of June 30, 2008 is 18,945. Some contractors are choosing to place their licenses on inactive status in response to the economic slowdown. Additionally, we anticipate some contractors may choose not to renew their licenses at all. If those numbers increase by a substantial number, the Board's revenue would be detrimentally impacted.

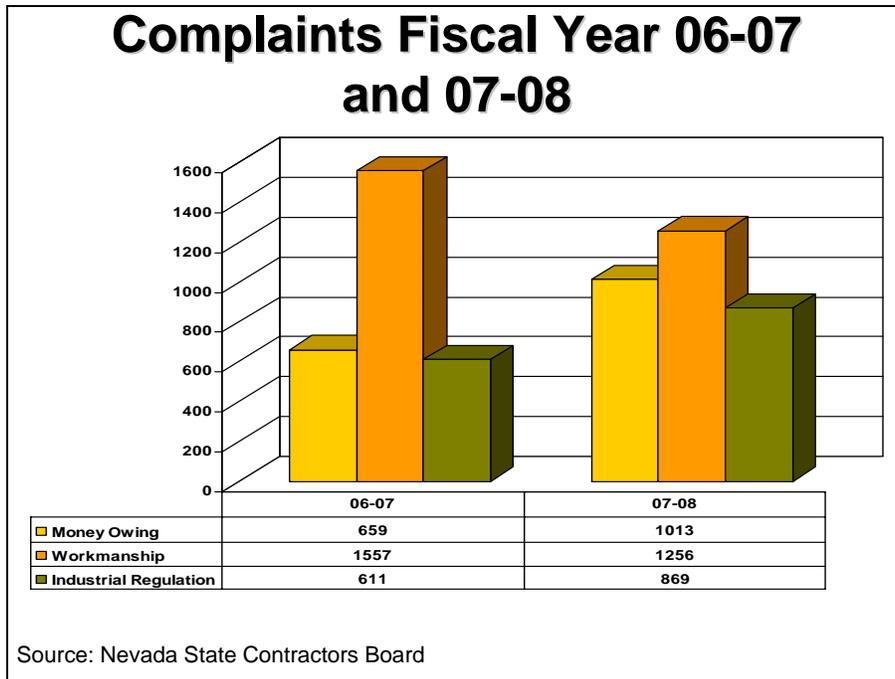


The Board has, however, seen an increase in complaints filed by homeowners and suppliers. In addition, some construction employees previously employed by residential construction companies are now working without licenses.

As the industry continues to suffer, we may see an increase in matters that require disciplinary action, residential recovery fund claims and investigations into unlicensed activity. The Board continually evaluates available resources to cover these high priority issues.

While the Board has received more money owing and industrial regulation violation complaints over the past year, substandard workmanship complaints have decreased. An increase in money owing complaints may require the reallocation of certain

investigative staff personnel to conduct informal administrative meetings. In addition, formal disciplinary proceedings and summary suspension of licenses may result.



NSCB PROPOSED LEGISLATION

The Board has the legislatively mandated responsibility to protect the interest of the public. The Board is requesting a bill draft for the 2009 Legislative Session that would authorize the dissemination of statistical complaint data to members of the public.