



State
of
Arkansas

CONTRACTORS LICENSING BOARD

4100 Richards Road
North Little Rock, Arkansas 72117
501/372-4661
Fax 501/372-2247

Summary of Contractor Licensing Board's proposed rules stemming from the 2019 legislative session.

These proposed rules are regarding: Bond in Lieu of Financial Statement, Subcontractor Registration, and "Clean Up" Language.

Purpose: The Contractor's Licensing Board is seeking approval of proposed rules propounded in response to new laws passed during the 2019 Legislative Session.

Authority: The Contractor's Licensing Board has authority to make rules pursuant to 17-25-203.

Background: The Arkansas Legislature passed a variety of bills during the 2019 Regular Session that impacted the Contractor's Licensing Board. As a result, it is necessary to promulgate rules to properly implement the laws enacted.

Key Points:

The proposed rules:

1. Create a process to allow for surety bond in lieu of providing a financial statement
2. Create a process for subcontractor registration
3. "Clean Up" language of Rule 224-25-5 regarding classification and experience

Discussion: The new laws implemented changes across a large swath of government agencies. The rules are necessary to implement legal requirements specific to this agency.

Notice is hereby given that the Contractors Licensing Board and the Residential Contractors Committee will hold a public hearing on their proposed changes to their Rules. The Public Hearing will be held on June 07, 2022 at 9:00 a.m. at the offices of the Contractors Licensing Board, 4100 Richards Road, North Little Rock, AR. Written comments from the public will be accepted in advance of the meeting if received prior to June 07, 2022. Written comments should be mailed to: Contractors Licensing Board, 4100 Richards Road, North Little Rock, AR 72117. Proposed modifications to the Rules include, but are not limited to: Subcontractor Registration; Bond in Lieu of a Financial Statement; Military Licensure; Fee Waivers; Criminal Background Checks; Residential Roofer Registrations; and grammatical and stylistic changes to existing rules. Copies of the proposed Rules may be reviewed at the Boards website: www.aclb.arkansas.gov.

ARKANSAS REGISTER

Proposed Rule Cover Sheet

Secretary of State
John Thurston
500 Woodlane Street, Suite 026
Little Rock, Arkansas 72201-1094
(501) 682-5070
www.sos.arkansas.gov

Name of Department Arkansas Department of Labor and Licensing
Agency or Division Name Contractors Licensing Board
Other Subdivision or Department, If Applicable _____
Previous Agency Name, If Applicable _____
Contact Person Greg Crow
Contact E-mail gregory.crow@arkansas.gov
Contact Phone 501-371-1500

Name of Rule 224-25-6 Financial Requirements
Newspaper Name Arkansas Democrat Gazette
Date of Publishing May 02, 2022, May 03, 2022 and May 04, 2022
Final Date for Public Comment June 07, 2022
Location and Time of Public Meeting Contractors Licensing Board, 4100 Richards Road, North Little Rock, AR, 72117 // June 07, 2022 at 9:00 a.m.

QUESTIONNAIRE
FOR FILING PROPOSED RULES WITH THE
ARKANSAS LEGISLATIVE COUNCIL

DEPARTMENT/AGENCY Department of Labor and Licensing _____
DIVISION Contractors Licensing Board _____
DIVISION DIRECTOR Greg Crow _____
CONTACT PERSON Greg Crow _____
ADDRESS 4100 Richards Road, North Little Rock, AR 72117 _____
PHONE NO. (501) 372-4661 **FAX NO.** (501) 372-2247 **E-MAIL** gregory.crow@arkansas.gov _____
NAME OF PRESENTER AT COMMITTEE MEETING Greg Crow _____
PRESENTER E-MAIL gregory.crow@arkansas.gov _____

INSTRUCTIONS

- A. Please make copies of this form for future use.
- B. Please answer each question completely using layman terms. You may use additional sheets if necessary.
- C. If you have a method of indexing your rules, please give the proposed citation after "Short Title of this
- D. Rule" below.
- E. Submit two (2) copies of the Questionnaire and Financial Impact Statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:

Jessica C. Sutton
Administrative Rules Review Section
Arkansas Legislative Council
Bureau of Legislative Research
One Capitol Mall, 5th Floor
Little Rock, AR 72201

1. What is the short title of this rule? Contractors Licensing Board Rule 224-25-1-13

2. What is the subject of the proposed rule? Bond in lieu of financial statement

3. Is this rule required to comply with a federal statute, rule, or regulation? Yes ☐ No ☒

If yes, please provide the federal rule, regulation, and/or statute citation.

4. Was this rule filed under the emergency provisions of the Administrative Procedure Act?

Yes ☐ No ☒

If yes, what is the effective date of the emergency rule? _____

When does the emergency rule expire? _____

Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act? Yes ☐ No ☐

5. Is this a new rule? Yes ☐ No ☒ If yes, please provide a brief summary explaining the rule.

Does this repeal an existing rule? Yes ☐ No ☒ If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does.

Is this an amendment to an existing rule? Yes ☒ No ☐ If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled "mark-up."

Allows for a person or entitiy licensed by the Contractor's Licensing Board to provide a surety bond in lieu of providing a financial statement.

6. Cite the state law that grants the authority for this proposed rule? If codified, please give the Arkansas Code citation.

Act 805 of 2019

7. What is the purpose of this proposed rule? Why is it necessary?

It is necessary to comply with Act 805 of 2019

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b).
www.aclb.arkansas.gov

9. Will a public hearing be held on this proposed rule? Yes ☒ No ☐ If yes, please complete the following:

Date: 06/07/2022

Time: 9:00 a.m.

Place: 4100 Richards Road, North Little Rock, AR 72117

10. When does the public comment period expire for permanent promulgation? (Must provide a date.)

06/07/2022

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

07/01/2022

12. Please provide a copy of the notice required under Ark. Code Ann. § 25-15-204(a), and proof of the publication of said notice.

13. Please provide proof of filing the rule with the Secretary of State as required pursuant to Ark. Code Ann. § 25-15-204(e).

14. Please give the names of persons, groups, or organizations that you expect to comment on these rules? Please provide their position (for or against) if known.

Association of General Contractors of Arkansas and Arkansas Building Contractors

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Labor and Licensing

DIVISION Contractors Licensing Board

PERSON COMPLETING THIS STATEMENT Sherry Seiffert

TELEPHONE NO. (501) 372-4661

FAX NO. (501) 372-2247

EMAIL: sherry.seiffert@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two (2) copies with the Questionnaire and proposed rules.

SHORT TITLE OF THIS RULE

Contractors Licensing Board Rule 224-25-1-13

1. Does this proposed, amended, or repealed rule have a financial impact? Yes ☐ No ☒
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes ☒ No ☐
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☒ No ☐

If an agency is proposing a more costly rule, please state the following:

- a) How the additional benefits of the more costly rule justify its additional cost;

- b) The reason for adoption of the more costly rule;

- c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

- d) Whether the reason is within the scope of the agency's statutory authority, and if so, please explain.

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total \$ 0.00

Total \$ 0.00

b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total \$ 0.00

Total \$ 0.00

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0.00

\$ 0.00

The bond will be ten times the net worth for the applicant's license or registration classification. There is no known financial impact to the agency.

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0.00

\$ 0.00

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?
Yes ☐ No ☒

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Bond in Lieu Rules – Mark Up Copy

224-25-6 FINANCIAL REQUIREMENTS

(a)(1) Except as provided in subsection (e), all All applications for an Unrestricted license must contain an audited or reviewed financial statement of the applicant's year end or more current, and prepared on the GAAP or accrual income tax basis, of the company, an audited Opinion Letter or Review report from an Independent CPA or RPA.

(e)(1) A bond in lieu of a financial statement, as authorized by Ark. Code Ann. § 17-25-304(c), may be filed by a contractor seeking a license. The bond shall be made by surety companies which have qualified and are authorized to do business in the State of Arkansas. The bonds shall be executed by a resident or nonresident agent, broker or producer licensed by the Arkansas Insurance Commissioner to represent the surety company executing the bond and shall file with the bond the agent's, broker's or producer's power of attorney to demonstrate his authority.

(2) The bond shall be on the form provided by the Contractors Licensing Board.

Bond in Lieu Rules – Clean Copy

224-25-6 FINANCIAL REQUIREMENTS

(a)(1) Except as provided in subsection (e), all applications for an Unrestricted license must contain an audited or reviewed financial statement of the applicant's year end or more current, and prepared on the GAAP or accrual income tax basis, of the company, an audited Opinion Letter or Review report from an Independent CPA or RPA.

(e)(1) A bond in lieu of a financial statement, as authorized by Ark. Code Ann. § 17-25-304(c), may be filed by a contractor seeking a license. The bond shall be made by surety companies which have qualified and are authorized to do business in the State of Arkansas. The bonds shall be executed by a resident or nonresident agent, broker or producer licensed by the Arkansas Insurance Commissioner to represent the surety company executing the bond and shall file with the bond the agent's, broker's or producer's power of attorney to demonstrate his authority.

(2) The bond shall be on the form provided by the Contractors Licensing Board.