

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 651(Delegate Bozman, et al.)
 Economic Matters

Home Improvement Licenses - Inactive Status

This bill requires the Home Improvement Commission to place the license of a licensee on inactive status if the licensee (1) submits an application for inactive status; (2) pays a \$50 fee; (3) qualifies for inactive status; and (4) returns the license to the commission. The holder of an inactive license is not subject to an assessment by the commission to fund the Home Improvement Guaranty Fund. The bill establishes the renewal fees for inactive licenses and provides that the holder of an inactive contractor license may renew the license without complying with liability insurance requirements. In addition, the bill provides that the commission must reactivate a license if the licensee submits an application for reactivation, pays a \$10 fee, and meets the requirements for a license.

Fiscal Summary

State Effect: General fund revenues would increase by about \$37,000 in FY 1997 which reflects the fees collected from licensees who place their licenses on inactive status. General fund revenues in the out-years reflect the renewal fee change, reinstatement fees, biennial licensing, and growth. Special fund revenues would decrease by \$50,100 which reflects a decrease in assessments payable to the Home Improvement Guaranty Fund. Special fund revenues in the out-years reflect growth. General fund expenditures would increase by \$10,000 in FY 1997 to reflect a one-time cost for computer programming changes.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$37,000	(\$82,100)	\$1,400	(\$83,900)	\$1,500
SF Revenues	(50,100)	(51,100)	(52,100)	(53,200)	(54,200)
GF Expenditures	10,000	0	0	0	0
Net Effect	(\$23,100)	(\$133,200)	(\$50,700)	(\$137,100)	(\$52,700)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Revenues: The Home Improvement Commission advises that there are 12,700 active contractor licensees, 640 active subcontractor licensees, and 1,500 active salesperson licensees.

The Department of Fiscal Services (DFS) has made the following assumptions in developing this fiscal estimate:

- 5% of all licensees will elect to place their licenses on inactive status in FY 1997;
- 10% of all inactive licenses will be reinstated annually; and
- The number of inactive licenses will grow at a rate of 2% annually.

Based on these assumptions, general fund revenues would increase by \$37,000 in fiscal 1997 which reflects the \$50 inactive status fee collected from 740 licensees.

Under current law, the holder of a contractor license may be assessed a fee to fund the Home Improvement Guaranty Fund. The bill provides that a holder of an inactive contractor license may not be assessed a fee. In fiscal 1995, the commission assessed each licensed contractor a fee of \$80. Assuming that this assessment remains relatively constant, special fund revenue would decrease by \$50,100 in fiscal 1997 which reflects a decrease in the assessments paid by licensees with inactive licenses. However, DFS advises that the commission may simply assess all active licensees a larger fee to recover this difference.

The holder of an inactive license must renew that license at the time of renewal and pay an inactive license renewal fee established by the bill. This inactive license renewal fee is one-half of the current active license renewal fee. Licenses issued by the Home Improvement Commission expire on June 30 of every odd-numbered year. Therefore, the licenses must be renewed in fiscal 1998 and fiscal 2000.

Based on the assumption identified above, general fund revenues in fiscal 1998 and 2000 would decrease by about \$83,000 which reflects changes in the renewal fees for inactive licenses, the collection of reinstatement fees, and growth. Revenue projections in fiscal 1999 and 2001 reflect the collection of inactive status fees and reinstatement fees.

State Expenditures: The Department of Labor, Licensing, and Regulation would need to make computer programming changes to track inactive licensees. It is estimated that a program could be developed for \$10,000. This is a one-time cost which would not occur in future years.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Fiscal Services

Fiscal Note History: First Reader - February 27, 1996

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