

**Department of Fiscal Services**  
 Maryland General Assembly

**FISCAL NOTE**

House Bill 1300 (Delegate Schade)  
 Economic Matters

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**Business Regulation - Home Improvement Commission - Exemptions from Licensure**

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This bill exempts individuals who earn 10% or less of their annual gross income from home improvement work from licensure requirements. An individual who is exempted from licensure as a result of this bill may perform home improvement work for compensation if the individual first obtains a signed acknowledgment from the consumer that the consumer knows that the person is not licensed to perform home improvement work.

The Home Improvement Commission is required to adopt regulations to effectuate and enforce these provisions, including a definition of “annual gross income”. This requirement takes effect on June 1, 1997 and the regulations must be adopted by October 1, 1997.

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**Fiscal Summary**

**State Effect:** General fund expenditure increase of \$22,200 in FY 1998. Out-year expenditures reflect salary growth and inflation. Revenues would not be affected as discussed below.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$22,200	\$17,600	\$18,200	\$18,900	\$19,600
Net Effect	(\$22,200)	(\$17,600)	(\$18,200)	(\$18,900)	(\$19,600)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful effect on small business as discussed below.

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## **Fiscal Analysis**

**State Effect:** It is estimated that the Home Improvement Commission would need to hire a part-time Accountant Auditor to process the financial information required of applicants under the bill. As a result, general fund expenditures would increase by an estimated \$22,200 fiscal 1998. This figure reflects a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditure projections reflect 3% turnover, 3.5% annual salary increases, and 2% annual increases in ongoing operating expenses.

The Home Improvement Commission may also experience a minimal, indeterminate decrease in expenditures as a result of a potential decline in consumer complaints against unlicensed part-time home improvement contractors. Each complaint hearing costs the commission approximately \$1,000.

The Home Improvement Commission advises that the vast majority of the 16,500 licensed home improvement contractors and subcontractors work full time in their occupation and it is assumed that all earn more than 10% of their gross annual income from home improvement work. The commission also advises that there are currently an estimated 5,000 individuals who perform home improvement services part-time for compensation without a license annually. Thus, the bill's licensing exemption would not result in a decrease in revenues generated from home improvement licenses as it is assumed that all of these part-time home improvement providers are already practicing without a license.

**Small Business Effect:** There are an estimated 5,000 part-time home improvement providers practicing without a license, virtually all of whom are assumed to be small businesses. The bill would reduce the potential liability of the part-time providers by requiring consumers to sign a statement acknowledging that the provider is unlicensed. Although according to the commission these part-time providers do not currently seek licensure or pay the associated fees. These small providers who derive less than 10% of their annual gross income from these services would be legally exempt from licensure and the associated \$55 examination fee and \$325 licensure fee assessed to home improvement contractors or \$125 licensing fee assessed to subcontractors.

This bill would increase administrative requirements for the part-time providers exempt from licensure by requiring they receive a signed acknowledgment from the consumers they serve and keep the signed acknowledgments on file.

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**Information Source(s):** Department of Labor, Licensing and Regulation (Home Improvement Commission)

**Fiscal Note History:** First Reader - March 11, 1997

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