

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1302 (Delegate Schade)
Economic Matters

**Business Regulation - Home Improvement Commission -
Penalties for First Violations**

This bill alters the penalties for a person who acts or offers to act as a home improvement contractor, subcontractor or salesperson without a license or violates any other portion of home improvement law. Under current law, a person who knowingly and willfully practices without a license is guilty of a misdemeanor and is subject to a fine not exceeding \$5,000 and/or imprisonment not exceeding two years. A person who violates any other portion of home improvement law may be assessed a civil penalty not to exceed \$5,000 for each violation. The bill provides that the Home Improvement Commission must issue a written warning to a person who unknowingly and unwillfully violates any provision for the first time. A person who violates the provision after receiving a written warning is deemed to have knowingly and willfully violated the provision.

Fiscal Summary

State Effect: Potential minimal reduction of revenues and expenditures as discussed below.

Local Effect: None.

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

Fiscal Analysis

State Effect: The Home Improvement Commission received 2,875 complaints in fiscal 1996, of which 801 were against home improvement providers operating without a license. The commission assessed \$327,900 in civil penalties, but only collected \$43,200. The bill could result in fewer fines being assessed and collected. Conversely, the bill could reduce the commission's expenditures for administrative hearings, which cost approximately \$1,000

each. The commission, however, advises that the bill's requirements would not materially affect either revenues or expenditures because the bill codifies the commission's existing practice in most cases. The commission does not generally hold hearings or assess civil penalties for first-time home improvement law violations.

Small Business Effect: Potential meaningful effect on the 18,500 State licensed home improvement providers, the majority of whom are assumed to be employed by small businesses. To the extent that home improvement providers violate home improvement law unknowingly and unwillfully, for the first time and are issued a warning instead of being charged a civil penalty of up to \$5,000 as specified under current law, expenditures may decrease significantly for these businesses. After such a warning has been issued, any subsequent violations are deemed to be knowing and willful actions and current law civil penalties of up to \$5,000 may be applied to any person convicted of such a violation.

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

Fiscal Note History: First Reader - March 10, 1997

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