

Department of Legislative Services
 Maryland General Assembly

FISCAL NOTE

House Bill 1000 (Delegate Fulton)

Economic Matters

State Board of Home Inspectors

This bill establishes a State Board of Home Inspectors in the Department of Labor, Licensing, and Regulation.

The bill: (1) provides for the membership, powers, and duties of the board; (2) requires an individual to be licensed before the individual may perform home inspections; (3) establishes requirements for licensure; (4) provides for the issuance, scope, term, renewal, and reinstatement of licenses; (5) authorizes the board to deny, suspend, or revoke a license under specified circumstances; (6) provides that individuals shall be given an opportunity for a hearing before the board denies, suspends, or revokes a license; (7) requires a home inspector to prepare a home inspection report; and (8) provides that violators of the bill are guilty of a misdemeanor and subject to a fine not exceeding \$1,000 or imprisonment not exceeding six months or both.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$196,500 in FY 1999, which reflects the bill's October 1, 1998 effective date and one-time start-up costs. Out-year expenditure estimates reflect annualization and inflation. Revenues would not be affected in FY 1999. Out-year revenue estimates reflect a one-year licensing period and 2% growth.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$82,500	\$157,500	\$160,700	\$163,900
GF Expenditures	196,500	148,900	153,400	158,000	162,800
Net Effect	(\$196,500)	(\$66,400)	\$4,100	\$2,700	\$1,100

Note: () - decrease; GF - general funds

Local Effect: Potential minimal effect on local revenues due to the bill's monetary penalty

provision.

Small Business Effect: Meaningful effect.

Fiscal Analysis

State Revenues: This bill establishes a State Board of Home Inspectors in the Department of Labor, Licensing, and Regulation (DLLR). The bill allows the board to set reasonable fees for the issuance and renewal of licenses. The board is required to generate revenues in order to cover its expenses. It is estimated that there are 850 home inspectors and 300 associate home inspectors currently practicing in the State, and that it would cost approximately \$150,000 on an annualized basis to meet the bill's requirements once the licensing program is fully implemented. Therefore, DLLR expects to charge \$150 for an annual home inspector license and \$50 for an annual associate home inspector license.

DLLR advises that it would not be able to collect licensing fees until fiscal 2000, at which time 500 people are expected to apply for a home inspector license, and 150 people for an associate home inspector license. Therefore, general fund revenues should increase by \$82,500 in fiscal 2000. In fiscal 2001, it is expected that 500 home inspectors will renew their licenses, 500 people will apply for a home inspector license, and 150 people will apply for an associate home inspector license. As a consequence, general fund revenues should increase by \$157,500. Future year revenues reflect 2% growth in the industry.

State Expenditures: General fund expenditures would increase by approximately \$196,500 in fiscal 1999, and \$150,000 in the out-years.

Salaries and Wages: DLLR would need two full-time employees (Administrator III, Office Secretary) and two part-time employees (Assistant Attorney General, Investigator) to work with existing staff to credential, examine, and license home inspectors. These positions would cost an estimated \$115,300 annually.

Other Operating Expenses: Operating expenses would increase by an estimated \$110,400 in fiscal 1999. This estimate includes:

- \$30,000 to develop a home inspectors examination;
- \$35,000 to develop an electronic licensing program;
- \$20,500 for office equipment (four PC computer stations and office furniture); and
- \$10,000 in printing fees.

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The bill's incarceration provision is not expected to significantly affect State expenditures. DLLR expects fewer than 10 cases per year as a result of this bill. Based on this number of cases, the Office of Administrative Hearings could handle any additional workload with existing budgeted resources.

Small Business Effect: This bill could have a meaningful effect on businesses providing home inspection services, the majority of which are assumed to be small businesses. This bill would not affect the number of home inspectors in the State or materially alter their business practices. However, to the extent that small home inspection businesses assume the licensing costs of their employees, this bill could meaningfully affect them. Home inspectors would be subject to an examination fee and an annual licensing fee, and would be required to have minimum net assets or a bond between \$5,000 and \$10,000. The price of the bond is estimated to be between \$200 and \$500, which depends on the risk profile of each firm. The risk profile is based on factors such as the firm's financial history, the number of employees, and the number of years the firm has been in business. In addition, the bill authorizes the Board of Home Inspectors to require continuing education courses. To the extent that the board exercises its authority, small home inspection businesses would incur the costs associated with obtaining additional education. Further, for any home inspector who violates the provisions of this bill, increased fines and jail terms could be assessed.

Information Source: Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - March 10, 1998

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