

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1112 (Delegate Kach)

Economic Matters

Home Inspectors - Registration

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 registered before the individual may perform home inspections; (3) establishes requirements for registration; (4) provides for the issuance, scope, term, and renewal of registrations; (5) authorizes the board to deny, suspend, or revoke a registration under specified circumstances; (6) requires the board to establish standards for continuing education; (7) requires a home inspector to prepare a home inspection report; (8) requires a home inspector to provide a written contract which specifies certain terms; and (9) provides that violators of the bill are guilty of a misdemeanor and subject to disciplinary action of the board and potentially a \$5,000 fine.

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 two-year licensing period and 2% growth.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$165,000	\$120,000	\$175,000	\$128,000
GF Expenditures	196,500	148,900	153,400	158,000	162,800
Net Effect	(\$196,500)	\$16,100	(\$33,400)	\$17,000	(\$34,800)

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 \$300 for a biennial home inspector registration, \$150 for a biennial probationary home inspector registration, and \$75 for an applicant home inspector registration.

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 registration, 50 people for a probationary home inspector registration, and 100 people for an applicant home inspector registration. Therefore, general fund revenues should increase by \$165,000 in fiscal 2000. In fiscal 2001, it is expected that 350 people will apply for a home inspector registration, 50 people will apply for a probationary home inspector registration, and 100 people will apply for an applicant home inspector registration. As a consequence, general fund revenues should increase by \$120,000. Future year revenues reflect 100% renewal and 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.

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 a biennial licensing fee. The bill also requires applicants for registration to complete a board certified training course that includes 90 hours of class time. 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 could be assessed.

Information Source: Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - March 11, 1998

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Analysis by: Jo Ellan Jordan

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710