

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1157 (Delegate Schade)

Economic Matters

**Business Regulation - Home Improvement Commission - Distribution of
Civil Penalties Collected**

This bill alters the distribution of civil penalties collected by the Maryland Home Improvement Commission. The commission is required to distribute the money collected for a violation to the complainant for the full amount of any actual damages proved by the complainant not exceeding 50% of the moneys collected. After the complainant is reimbursed, the commission may keep the moneys necessary to cover the full amount of administrative costs incurred by the commission in dealing with that violation. Any money remaining after the commission has recovered its costs, will be deposited into the State general fund. Under current law, the civil penalties collected are deposited into the State general fund.

Fiscal Summary

State Effect: General fund revenues could decrease by an estimated \$39,000 in FY 1999, which reflects the bill's October 1, 1998 effective date, and \$52,000 on an annualized basis.

Local Effect: None.

Small Business Effect: None. Changing the distribution of civil penalties collected from convicted violators of home improvement law would not materially affect the 18,500 State home improvement licensees, the majority of whom are employed by small businesses.

Fiscal Analysis

State Effect: The Home Improvement Commission advises that the amount of civil penalties it collects is considerably less than the amount of civil penalties it assesses. In fiscal 1997, \$312,360 in civil penalties were assessed but only \$51,730 was collected and deposited into the State general fund. The commission advises that costs associated with the complaint process are far greater than the civil penalties repaid to the commission.

After the claimant receives up to 50% of the civil penalty collected, the commission advises that there would not be enough remaining to cover the commission's costs. Based on 1997 data, up to \$25,865 would go to claimants, with the remaining \$25,865 going to the commission and the general fund. The commission's costs include: the commission's investigation of the complaint, the Attorney General's office review of the complaint, and the administrative courts hearing of the complaint. Assuming that 50 cases are sent to the Office of Administrative Hearings each year, the estimated annual cost of the complaint process is \$63,000. As a result, there would be no funds remaining to be deposited into the general fund based on the distribution requirements specified in the bill. This would reduce general fund revenues annually by the amount of civil penalties collected under current law, approximately \$52,000 based on 1997 collections.

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

Fiscal Note History: First Reader - March 9, 1998

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