

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 575 (Senator Kellev. *et al.*)

Finance

Maryland Home Builders Registration Act

This bill establishes the Office of Home Builder Registration in the Department of Labor, Licensing, and Regulation (DLLR).

The bill generally (1) requires the Secretary of DLLR to appoint a Director of the Office of Home Builder Registration; (2) provides the powers and duties of the director; (3) requires the director to adopt rules and regulations, including performance standards, to carry out the provisions of the bill; (4) requires a person to become registered in order to act as a home builder; (5) requires a person who constructs new homes for sale to members of the public to maintain general liability insurance in an amount of at least \$100,000; (6) establishes a \$300 registration fee and an assessment of \$10 for each building permit for a new home obtained by the registrant; (7) establishes a Home Builders Registration Fund to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of the office; (8) provides a biannual registration period; (9) specifies the circumstances that the director may deny, suspend, or revoke a registration; (10) provides for the imposition of civil and criminal penalties; (11) establishes a consumer complaint resolution procedure; (12) requires a home builder to provide an owner or prospective owner with a consumer information pamphlet published by the director prior to entering into a contract; and (13) provides that a purchaser who has contracted with a home builder who did not have a valid home builder registration at the time that the contract was signed may rescind the contract and is entitled to all moneys paid to the home builder.

The bill's provisions apply prospectively and supersede any existing laws of any county or municipality in the State of Maryland except for Montgomery County. The bill also requires DLLR to conduct a study of the need and feasibility of creating a guaranty fund to pay claims brought by home buyers against home builders.

State Effect: Special fund expenditures could increase by \$139,500 in FY 2000 reflecting the bill's effective date. Special fund revenues would not be affected in FY 2000. Out-year projections reflect a two-year licensing schedule, ongoing operating costs, and 2% growth.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	\$0	\$615,000	\$15,000	\$627,300	\$28,000
SF Expenditures	\$139,500	\$216,600	\$199,800	\$206,500	\$213,500
Net Effect	(\$139,500)	\$398,400	(\$184,800)	\$420,800	(\$185,500)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

State Revenues: The bill establishes an Office of Home Builder Registration within DLLR and requires home builders to register biannually. The bill sets a \$300 biannual registration fee and imposes a \$10 assessment on each newly constructed home in Maryland. DLLR advises that it would begin collecting fees in July 2000. Assuming that 850 home builders in Maryland register in fiscal 2001 and that 36,000 homes are constructed annually (excluding Montgomery County), special fund revenues would increase by \$615,000 in fiscal 2001. Out-year projections reflect a biannual registration schedule, 50 new registrations in fiscal 2002, and 2% growth in the industry annually thereafter.

State Expenditures: The bill establishes a Home Builders Registration Fund to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of the office. Special fund expenditures could increase by an estimated \$139,500 in fiscal 2000, which accounts for the bill's October 1, 1999 effective date. This estimate reflects the cost of hiring one program manager, one office secretary, and an assistant attorney general to work part-time for the Office of Maryland Home Builder Registration. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$81,800
Programming and Electronic Licensing	35,000
Other Operating Expenses	<u>22,700</u>
Total FY 2000 State Expenditures	\$139,500

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

Small Business Effect: The bill would have a meaningful effect on the estimated 900 home builders practicing in Maryland. The bill requires home builders organized as small businesses to register with the Office of Home Builder Registration, and to pay a \$300 biannual registration fee and \$10 per new home constructed in the preceding two years. Home builders would be subject to performance standards and disciplinary action. Home builders would also be required to maintain at least \$100,000 of general liability insurance.

Information Source: Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - February 28, 1999

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Analysis by: Jo Ellan Jordan

Direct Inquiries to:
 John Rixey, Coordinating Analyst
 (410) 946-5510
 (301) 970-5510