

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 517 (Senator Astle)

Economic and Environmental Affairs

Business Occupations and Professions - Home Inspectors - Registration

This bill establishes a State Board of Home Inspectors within 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 by the board before the individual may perform home inspections; (3) provides for the issuance of a registration; (4) provides for the suspension or revocation of a registration; (5) requires a home inspector to prepare a home inspection report; and (6) provides that violators of the bill's provisions are guilty of a misdemeanor and subject to a fine not to exceed \$1,000.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$136,800 in FY 2000, which reflects the bill's October 1, 1999 effective date and one-time start-up costs. Out-year expenditures reflect annualization and inflation. Revenues would not be affected in FY 2000. FY 2001 revenues reflects 400 home inspector registrations and a \$775 fee per registration. Out-year revenue estimates reflect constant growth in the industry.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$310,000	\$7,800	\$7,800	\$7,800
GF Expenditures	\$136,800	\$117,900	\$122,000	\$126,100	\$130,500
Net Effect	(\$136,800)	\$192,100	(\$114,200)	(\$118,300)	(\$122,700)

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

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

State Revenues: This bill establishes a State Board of Home Inspectors in the Department of Labor, Licensing, and Regulation. It is estimated that there are 400 home inspectors currently practicing in Maryland, and that it would cost approximately \$120,000 on an annualized basis to meet the bill's requirements once the registration program is fully implemented. The bill allows the board to set registration fees, and DLLR expects to set a one-time registration fee of \$775. The bill does not provide for registration renewal.

DLLR advises that it would not be able to collect licensing fees until January 2001, at which time 400 people are expected to apply for a home inspector license. Therefore general fund revenues should increase by \$310,000 (400 licensees x \$775) in fiscal 2001. Out-year projections are based on the assumption that ten new home inspectors will register annually.

State Expenditures: General fund expenditures could increase by an estimated \$136,800 in fiscal 2000, which accounts for the bill's October 1, 1999 effective date. This estimate reflects the cost of hiring two full-time employees (administrator III, office secretary I) and one part-time employee (assistant attorney general) to work with existing staff to register home inspectors. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$79,200
Contractual Services (<i>programming and electronic registration costs</i>)	35,000
Computer Equipment	13,900
Other Operating Expenses	<u>8,700</u>
Total FY 2000 State Expenditures	\$136,800

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. It should also be noted that because the majority of the licensing activity would occur during the first few years of the bill's passage, the need for three additional staff members should be reexamined in the future.

The bill entitles each member of the board to compensation and authorizes the board to employ a staff in accordance with the State budget. The State Athletic Commission is the only board within DLLR in which its board members currently receive compensation

(chairman receives \$6,000; board members receive \$4,000). The Maryland Code provides compensation for other DLLR boards, although, no money has been appropriated for them since 1992.

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 Maryland 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. In order to register, a home inspector must have successfully completed 48 hours of a board certified training course, observe three home inspections performed by a registered home inspector, complete 100 home inspections as a registered home inspector, and have a high school diploma or its equivalent. Furthermore, home inspectors would be subject to a registration fee, and would be required to have at least \$50,000 of general liability insurance. The price of the insurance 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.

Home inspectors would likely pass some of these additional costs on to home buyers.

Information Source: Department of Labor, Licensing, and Regulation

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