

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 581 (Chairman, Economic Matters Committee)
Economic Matters

**Maryland Home Improvement Commission - Sunset Extension and Program
Evaluation**

The bill extends the sunset date for the Maryland Home Improvement Commission (MHIC) from October 1, 2002 to October 1, 2012 and requires another sunset evaluation on or before October 1, 2011, although the Legislative Policy Committee may waive the sunset evaluation. The bill increases the amount that one claimant may claim from the Home Improvement Guaranty Fund for acts or omissions by one contractor to \$15,000. The bill also requires that the Department of Labor, Licensing, and Regulation (DLLR) submit a report to the Senate Economic and Environmental Affairs and House Economic Matters Committees. The report should detail (1) the number of claims and complaints MHIC processes; (2) the impact of a seventh commission member on the ability of the commission to process complaints; (3) obstacles to timely pay-outs and methods for streamlining the claims process; and (4) the status of the Maryland Home Improvement Guaranty Fund (HIGF) and the impact of increasing the maximum that may be awarded against a single contractor.

Fiscal Summary

State Effect: General fund revenues and expenditures would be maintained for MHIC beyond October 1, 2002. The proposed FY 2001 budget includes approximately \$2.3 million for MHIC. The commission's fee revenues have averaged \$586,000 over the last two fiscal years. In addition, general fund expenditures could increase by approximately \$65,000 due to the increased claim limit.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: MHIC will terminate on October 1, 2002. The amount one claimant may claim from the HIGF for acts or omissions of one contractor is \$10,000. The amount all claimants may claim against one contractor is \$100,000.

Background: The Home Improvement Commission:

- licenses all home improvement contractors, subcontractors, and sales people;
- administers examinations and licenses to qualified and competent individuals;
- processes consumer complaints and filing charges when appropriate; and
- administers the HIGF for providing limited restitution to consumers with valid claims against licensed home improvement professionals.

The bill is a result of the MHIC sunset evaluation conducted by the Department of Legislative Services (DLS) during 1999. In its report DLS made seven recommendations, two which require legislation and five which are advisory. The two legislative recommendations were to extend the sunset of the commission to October 1, 2012 and to maintain the current limit of \$10,000 for acts or omissions for an individual claimant.

The other recommendations made in the report are:

- MHIC should reduce the amount of time to settle a claim;
- MHIC should not increase its staff size;
- MHIC should develop options to make the board self-supporting;
- MHIC should utilize cost efficient ways to publicize commission activities; and
- DLLR should submit a report summarizing various commission activities to the Senate Economic and Environmental Affairs and House Economic Matters Committees.

Over the past ten years the HIGF has paid an average of 234 claims a year with the average settlement amount being \$3,794.

State Effect: Over the past ten years the HIGF has paid an average of 234 claims a year with the average settlement amount being \$3,794. Because of past experience demonstrating that HIGF seldom pays the maximum allowable claim amount under current law, the average claim payout is not expected to increase under the bill. It is estimated that total payouts would have increased by \$197,000 (or about \$65,000 a year) if the proposed limits had been in place in the three-year period ending in fiscal 1999.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 16, 2000
drg/jr Revised - House Third Reader - March 22, 2000

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