

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 592  
 Economic Matters

(Delegate Kach, *et al.*)

Finance

**Home Builders - Registration Fee**

This bill establishes an initial registration fee of \$600 for all home builders, and a two-tier renewal fee of \$300 for home builders who have built 10 or fewer homes in the preceding calendar year, and \$600 for those who have built 11 or more homes in the preceding calendar year. The bill repeals the requirement that fees must approximate the direct and indirect costs of administering the Maryland Home Builders Registration Act.

The bill is effective January 1, 2003 and sunsets on December 31, 2005.

**Fiscal Summary**

**State Effect:** Special fund revenues could decrease by \$152,400 in FY 2003. Out-year revenue projections are adjusted for annualization and the bill's termination date and assume a constant number of registrations. No effect on expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	(\$152,400)	(\$195,000)	(\$195,000)	(\$152,400)	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$152,400)	(\$195,000)	(\$195,000)	(\$152,400)	\$0

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

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

## Analysis

**Current Law:** Chapter 522 of 2000 authorized the creation of the Home Builder Registration Unit (HBRU) within the Attorney General's Consumer Protection Division (CPD) for the purpose of registering and regulating home builders and informing and protecting consumers. Home builder registration fees may not exceed \$600 over a two-year period and are set by regulation by CPD. The current fee is \$600. All fees are paid into the Home Builder Registration Fund. The fees must approximate the direct and indirect costs of administering and enforcing HBRU. The fund may not be supplemented by appropriation of State funds.

**Background:** The Home Builder Registration Fund is the exclusive source of funding to support the activities of HBRU. To date, HBRU has published and distributed over 60,000 copies of a consumer education pamphlet and constructed a website for both consumer and builder information. The November 2001 *Home Builder Registration Unit Annual Report* cites preliminary data suggesting that while the rate of written consumer complaints is steady at just over 200 per year, the rate of successful mediation of complaints has risen from roughly 45% to 65%.

**State Fiscal Effect:** Fiscal 2003 special fund revenues will decrease due to the creation of two levels of registration fees. Under the bill, beginning January 1, 2003 (six months into the second two-year cycle) currently registered builders who report building 10 or fewer new homes in the previous calendar year will pay \$300, and current registrants reporting 11 or more homes – as well as all new registrants - will pay \$600.

The 2001 HBRU annual report states that 49% of registered builders reported building 10 or fewer new homes in the previous calendar year. As of March 25, 2002 (June 2002 is the end of the first two-year cycle), HBRU's website shows 2,662 current registrations. Assuming an average of 1,300 registrations per year, 50% at \$300 and 50% at \$600, fiscal 2003 special fund revenues would decrease by \$152,400, which accounts for the January 1, 2003 effective date (487 at \$600 and 163 at \$300). Out-years reflect annualization, constant registrations of 1,300 per year (650 paying \$300, 650 paying \$600) and the December 31, 2005 sunset date.

HBRU reports projected fiscal 2003 expenditures of \$560,200. The fiscal 2003 budget allowance is \$314,000.

---

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2002  
lc/jr Revised - House Third Reader - March 26, 2002

---

Analysis by: Mitchell J. McCalmon

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