HB 79

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 79 (Chairman, Economic Matters Committee)
(Departmental – Labor, Licensing, and Regulation)

Economic Matters Finance

New Home Builders - Regulation

This departmental bill transfers the responsibility for holding home builders' surety bonds and letters of credit, and for the approval and monitoring of third party warranty plans, from the Department of Labor, Licensing, and Regulation to the Consumer Protection Division (CPD) of the Office of the Attorney General. This bill also requires a new home builder to disclose to a customer that the builder must be registered with the CPD.

The bill's effective date is July 1, 2002.

Fiscal Summary

State Effect: State expenditures would increase in FY 2003 by $52,200. Out-year expenditures reflect inflation and ongoing operational expenses. Revenues would not be affected.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	$0	$0	$0	$0	$0
SF Expenditure	52,200	63,400	66,200	69,100	72,200
Net Effect	($52,200)	($63,400)	($66,200)	($69,100)	($72,200)

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

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Home builders must place their surety bonds and letters of credit with DLLR, and have any third party warranty plans monitored and approved by DLLR. However, under the Maryland Home Builder Registration Act, home builders are required to register with CPD, and CPD has the authority to enforce laws and regulations relating to home builder registration.

Background: The Home Builder Registration Act (Chapter 522 of 2000) established a home builders' regulatory program within CPD. Some home builder regulations that predate the enactment of Chapter 522 are still the responsibility of DLLR.

State Fiscal Effect: Special fund expenditures could increase by an estimated $52,230 in fiscal 2003, which accounts for the bill's July 1, 2002 effective date. This estimate reflects the cost of hiring one administrator to manage the surety bonds, letters of credit, escrow accounts, and warranty plans associated with the program elements that would be transferred by this bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	$45,745
One-time Start-up and Operating Expenses	6,485
Total FY 2003 State Expenditures	**$52,230**

Future year expenditures reflect: (1) one full salary with a 2.5% increase in fiscal 2004 and a 3.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operational expenses.

Additional Information

Prior Introductions: This bill is substantially similar to HB 82 from the 2001 session which was vetoed by the Governor because of an amendment that would have exempted custom home builders from disclosure requirements relating to hazardous waste.

Cross File: None.

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

Fiscal Note History:	First Reader - January 21, 2002
lsc/jr	Revised - Clarification - January 25, 2002

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