

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 1112 (Kent County Delegation)  
Economic Matters

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**Kent County - Home Builders Guaranty Fund Fees - Administrative Costs**

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This bill requires the building and permits department of Kent County to retain a portion of the Home Builder Guaranty Fund fees it collects to cover administration costs. The amount collected may not exceed the actual cost of collecting and administering the guaranty fund fees.

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**Fiscal Summary**

**State Effect:** Special fund revenues for the Home Builders Guaranty Fund decrease minimally, by about \$100 annually beginning in FY 2010, to due to the bill's provision that Kent County may retain a portion of the guaranty fund fees to cover any administrative costs. No effect on expenditures.

**Local Effect:** Kent County revenues increase minimally due to the bill's provision that the county may retain a portion of the guaranty fund fees it collects to cover administrative costs.

**Small Business Effect:** None. Home builders continue to pay the guaranty fund fees without interruption.

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**Analysis**

**Current Law:** Home Builder Guaranty Fund fees are collected by the building and permits department of the county in which the construction takes place. No provision exists allowing counties to retain a portion of the fee to cover administrative costs.

Chapters 480 and 481 of 2008 instruct the Consumer Protection Division of the Office of the Attorney General to establish a Home Builder Guaranty Fund to compensate claimants for an actual loss that results from an act or omission by a registered home

builder. The division must maintain a minimum balance of \$1 million in the fund. Direct and indirect costs incurred from administering the fund are charged to the Home Builder Registration Fund.

A home builder is required to pay a guaranty fund fee of up to \$50, as determined by the Consumer Protection Division, with each application for a new home construction permit. This fee may be passed on to home buyers. The registration of a home builder who does not pay the guaranty fund fee is suspended until the fee is paid. Local building and permit departments must remit these fees monthly to the State for deposit into the guaranty fund.

The building and permits departments of a county may not issue home building permits unless a home builder has provided a registration number and paid the required guaranty fund fee. Construction performed by a landowner for his or her own use is excluded from this requirement.

**State/Local Fiscal Effect:** Kent County advises that it issues between 60 and 120 new home building permits per year. In addition to the fee charged by the county for the permit, the county collects a \$50 fee that it remits, in its entirety, to the Office of the Attorney General. To the extent that it incurs administrative costs associated with the collection and remittance of this fee, the bill reimburses the county for those costs. *For illustrative purposes only*, assuming that the county issues 60 new home permits in fiscal 2010, the county collects \$3,000 in guaranty fund fees. Assuming the county's administrative costs are 2% of the total amount of guaranty fund fees collected, the county may retain \$60 in fiscal 2010 to cover administrative costs. Thus, the guaranty fund incurs a minimal revenue reduction in fiscal 2010 and future years due to the bill. State expenditures are not affected.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 13, 2009  
mam/mcr

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