

Department of Legislative Services  
 Maryland General Assembly  
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 377

(Senator Middleton, *et al.*)

Finance

Economic Matters

**Business Regulation - Home Builder Guaranty Fund - Fee**

This emergency bill changes how counties and municipalities collect and remit Home Builder Guaranty Fund fees collected from home builders. The bill specifies that municipalities, in addition to counties, must collect the fee, and that the fee must be on a per-house or, for multi-unit developments, a per-unit basis. Local governments may retain up to 2% of the fees collected to cover administrative costs.

**Fiscal Summary**

**State Effect:** Assuming the bill is effective for one-quarter of the year, special fund revenues for the Home Builder Guaranty Fund decrease by about \$3,500 in FY 2009 and \$14,000 annually thereafter due to local governments retaining 2% of collected permit fees. No effect on expenditures.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	(\$3,500)	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)
Expenditure	0	0	0	0	0
Net Effect	(\$3,500)	(\$14,000)	(\$14,000)	(\$14,000)	(\$14,000)

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

**Local Effect:** Statewide local government revenue increases minimally to defray a portion of administrative costs associated with collection of fees.

**Small Business Effect:** Potential minimal.

## 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 in 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 do not issue a home building permit unless the 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.

**Background:** The fiscal note for Chapters 480 and 481 of 2008 estimated revenues of \$525,000 in fiscal 2009 to capitalize the Home Builder Guaranty Fund, with the potential to increase to \$700,000 on an annual basis. These figures are based on the expectation of 14,000 building permits being issued in the State annually, as was the case in fiscal 2007. However, continued weakness in the housing market has the potential to reduce the number of building permits and revenue estimates.

**State Fiscal Effect:** Assuming the estimate for Chapters 480 and 481 still applies, special fund revenues decrease by about \$3,500 in fiscal 2009. This estimate assumes the bill takes effect in April. Special fund decreases of roughly \$14,000 per year are expected in future years.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Charles, Frederick, and Somerset counties; Cities of College Park, Frostburg, and Rockville; Town of Bladensburg; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2009  
MTV/mcr

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