

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 159
Economic Matters

(Delegate Hough, *et al.*)

Home Improvement Contractors - Qualifications of Applicants - Trade
Experience

This bill reduces the amount of trade experience required for a home improvement contractor license from two years to one.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues from fees collected from any additional individuals licensed under the bill. Potential minimal increase in nonbudgeted revenues to the Home Improvement Guaranty Fund and nonbudgeted expenditures from the guaranty fund for additional claims. The Department of Labor, Licensing, and Regulation (DLLR) can likely implement the bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Maryland Home Improvement Commission (MHIC) is responsible for protecting the public in home improvement transactions. Specifically, the commission:

- licenses home improvement contractors, subcontractors, and salespersons;

- administers an examination to applicants for licensure to test their knowledge of home improvement law and business acumen;
- processes complaints, files charges against unlicensed workers, and processes claims against licensed contractors; and
- administers the Home Improvement Guaranty Fund for the purpose of providing limited restitution – a maximum of \$20,000 per claim and \$100,000 total per contractor – to consumers who file valid claims against licensed home improvement contractors with the commission.

Subject to specified exceptions, a person must have a contractor license issued by MHIC whenever the person works as a home improvement contractor in the State. “Home improvement” means the addition to or alteration, conversion, improvement, modernization, remodeling, repair, or replacement of a building or part of a building that is used or designed to be used as a residence or dwelling place, or an adjacent structure to that building, or an improvement to land adjacent to the building. Home improvement does not include the construction of a new home and other specified activities.

An applicant for a contractor license must take and pass an examination required by MHIC prior to submitting an application for a license. In addition, an applicant for a contractor license must maintain general liability insurance of at least \$50,000, and maintain that level subsequent to licensure. Further, an applicant for a contractor license must have at least two years of trade experience or comparable educational training as determined by the commission. “Trade experience” as defined in regulation (Code of Maryland Regulations 09.08.01.23) includes one or more of the following:

- participation in a registered apprenticeship program;
- employment in performing home improvements or in commercial or residential construction, repairs, or renovations;
- participation in a community service or charitable building or renovation program; or
- performing repairs and improvements which require a building permit on one’s home or the home of family members.

Experience as a licensed home improvement salesperson for at least two years may be credited as trade experience if MHIC determines that the applicant has gained substantial knowledge of the operation of a home improvement business. In addition, experience as a supervisor, manager, or owner of a business may be substituted for one year of the required trade experience, based on a review by the commission. Finally, educational training in a vocational school in a building trade, or participation in a building trade work-study program, may be substituted for the trade experience requirement.

Background: As noted above, the examination administered by MHIC to a home improvement contractor applicant tests the applicant's knowledge of home improvement law and business acumen. The examination does *not* test an applicant's ability to perform home improvement work.

The 2010 full sunset evaluation of MHIC indicated that regulation of the home improvement industry is difficult because the nature and size of home improvement projects, and the skills necessary to complete them, vary widely. The home improvement industry includes more than 80 categories of work – such as decks, drywall, roofing, and masonry – that require licensure by the commission. Many contractors do not specialize in specific home improvement trades but instead provide multiple services. Regardless, a Maryland contractor's license allows an individual to undertake home improvement projects large and small.

MHIC currently regulates approximately 15,500 individuals and receives approximately 1,600 complaints annually. Complaints against unlicensed contractors have ranged between 40% and 45% of total complaints in recent years.

State Fiscal Effect: General fund revenues may increase minimally from an increase in successful applications for licensure with MHIC due to less stringent trade experience requirements. However, DLLR advises that the number of any additional licensees cannot be reliably estimated at this time. The fee for an initial or renewed home improvement contractor license is \$250, and the guaranty fund assessment on all new licensees is \$100. *For illustrative purposes only*, if 50 additional licenses are issued over fiscal 2014 and 2015, general fund revenues increase by \$12,500 biennially beginning in fiscal 2014. Nonbudgeted Home Improvement Guaranty Fund revenues increase by \$5,000 over fiscal 2014 and 2015.

DLLR further advises that it anticipates a minimal increase in guaranty fund claims and consumer complaints from the bill's reduced licensing standard, but the amount cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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