

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 968
 Finance

(Senator Astle)

Economic Matters

Business Regulation - Home Builder Registration - Fees

This bill increases specified home builder and home builder sales representative fees.

Fiscal Summary

State Effect: Special fund revenues for the Consumer Protection Division (CPD) of the Office of the Attorney General increase by \$137,900 in FY 2017 and by \$183,800 annually thereafter from additional fee revenue. Expenditures are not directly affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$137,900	\$183,800	\$183,800	\$183,800	\$183,800
Expenditure	0	0	0	0	0
Net Effect	\$137,900	\$183,800	\$183,800	\$183,800	\$183,800

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

Local Effect: The bill does not materially affect local government finances or operations – the administrative fee collected from home builders registered solely in Montgomery County is passed through to the Home Builder Registration Fund.

Small Business Effect: Potential minimal. To the extent that some new home builders are considered small businesses, they are negatively affected by the increased registration fees under the bill; however, the fee increase for the smallest home builders is \$200 initially and \$100 every two years thereafter.

Analysis

Bill Summary: The fee changes are summarized in **Exhibit 1**. All revenues from the affected fees accrue to the Home Builder Registration Fund.

Exhibit 1
Fee Changes
Current Law and the Bill

	<u>Current Law</u>	<u>The Bill</u>
Initial Home Builder Registration	\$600	\$800
Registration Renewal for a Home Builder that Constructed, in the Preceding Calendar Year:		
10 or Fewer New Homes	\$300	\$400
11 to 74 New Homes	\$600	\$800
75 or More New Homes	\$600	\$1,200
Montgomery County Home Builder Administrative Fee (Passed through to State)	\$150	\$250
Initial and Renewal, Home Builder Sales Representative	\$200	\$300

Source: Department of Legislative Services

New home builders and new home builder sales representatives are required to register with the Home Builder and Home Builder Sales Representative Registration Unit within CPD. A new home is defined under the Maryland Home Builder Registration Act as a newly constructed residential dwelling and the fixtures that are part of the dwelling. Current fees affected by the bill are shown in Exhibit 1. Home builder registrations and home builder sales representative registration certificates are issued on a biennial, staggered basis.

A valid home builder registration authorizes the registrant to act as a home builder in the State. A home builder that holds a license or registration in Montgomery County may act as a home builder in that county only, unless the home builder is also registered with the State. A home builder that only holds a registration in Montgomery County must pay an administrative fee, which the county must remit to the Home Builder Registration Fund.

Background: The U.S. Census Bureau reports that, in 2014, the most recent year for which complete data is available, 16,331 housing units were newly authorized for construction in the State. This included 10,541 single units, as well as 140 structures containing five or more units.

State Revenues: As noted above, the bill increases specified fees related to home builders and home builder sales representatives. All registrations are issued on a biennial, staggered basis. Therefore, assuming approximately one-half of each type of registrant renews each year, special fund revenues for the Home Builder Registration Fund increase by

\$137,850 in fiscal 2017, which accounts for the bill's October 1, 2016 effective date. Special fund revenues increase by \$183,800 annually thereafter. This estimate is based on the following data for registrations from fiscal 2014 through 2015:

- 595 builders registered for the first time;
- 1,233 home builders that constructed 10 or fewer new homes in the preceding calendar year renewed their registration;
- 203 home builders that constructed 11 or more new homes in the preceding calendar year renewed their registration;
- 151 Montgomery County home builders paid the administrative fee; and
- 650 new home builder sales representatives registered or renewed.

Further, it is assumed that 10 of the possible 203 new home builders constructed 75 or more new homes in the preceding calendar year and, therefore, must pay \$1,200 under the bill instead of \$600 under current law (CPD could not provide data on this number).

Special fund revenues may increase or decrease from the above estimates:

- if the actual number of large new home builders varies from this assumption;
- to the extent that renewal registrations are concentrated in one year rather than split fairly evenly across two years; and/or
- to the extent that future registrations differ substantially from the recent number of registrations.

The Department of Legislative Services notes that the fiscal 2017 beginning balance for the Home Builder Registration Fund is estimated to be -\$78,296. The fiscal 2017 budget includes an appropriation of \$881,597 for the fund; however, according to CPD, estimated revenues (not accounting for the bill) are only \$600,000. Thus, absent the bill, the fund is likely to experience a significant operating deficit each year.

Additional Information

Prior Introductions: None.

Cross File: HB 1448 (Delegate Vaughn) - Economic Matters.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Montgomery County, U.S. Census Bureau, Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2016
min/mcr Revised - Correction - March 14, 2016
Revised - Senate Third Reader/Updated Budget Information -
March 30, 2016

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510