
Senate Bill 429

Date: 3/28/2023
Committee: House Economic Matters
Bill Title: Business Regulation - Home Improvement Commission - Guaranty Fund and Award Limits
Re: Letter of Information

The Maryland Department of Labor (MDL) and the Maryland Home Improvement Commission (MHIC) support SB 429 which seeks to increase the maximum possible amount that may be awarded by the MHIC from the Home Improvement Guaranty Fund to all claimants for acts or omissions of one contractor.

Oftentimes, homeowners can endure significant challenges and barriers when seeking to rectify a situation with a bad or incompetent contractor. Similar to a surety bond, the guaranty fund provides insurance to Maryland residents who have engaged in a home improvement project with a contractor, who at the time of contract was licensed through the MHIC. The current cap of \$100K per contractor fund payout is not in line with the increasing costs of home improvement and remodeling projects. Currently, the MHIC has 11 contractors that once all of the claims are investigated and adjudicated will hit the \$100K cap, thus leaving homeowners with a prorated financial recovery that is much lower than their actual losses.

MDL and the MHIC believe that raising the cap will serve two purposes. First, it will allow for more residents to recover a greater percentage of their losses. Second, once a licensee hits a certain threshold of complaints, the license is suspended and ultimately revoked, however, a licensee can seek reinstatement once the fund is repaid the amount that was paid out. To that end, increasing the fund payout cap will require the former licensee to repay a larger amount and may keep a bad actor from re-entering the industry.

SB 429 also seeks to raise the statutory trigger that if the fund balance is approaching \$250K, all contractor licensees will be assessed a \$50.00 fee to rebuild the fund balance. Given the potential for more guaranty funds to be expended with the raising of the maximum payout cap, we believe increasing the trigger amount will safeguard the fund balance and avoid potential depletion of the fund.

We believe that this proposal provides greater security for our citizens, while also allowing the MHIC to remain good stewards of the Guaranty Fund.

For these reasons, the Department respectfully requests a Favorable Report from the Committee on Senate Bill 429.