

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 168 (Delegate Bozman, *et al.*)
 Economic Matters

Home Improvement - Condominiums - Commonly Owned Areas

This bill defines work done to commonly owned areas of condominiums as “home improvement” and thus subjects the work to provisions of law relating to the Maryland Home Improvement Commission.

Fiscal Summary

State Effect: General fund revenues would increase by \$67,500 in FY 2003. Out-years reflect increases in the number of licenses issued and renewed. General fund expenditures would increase by \$129,700 to handle the projected workload increase related to the investigation and processing of additional claims made against the Home Improvement Guaranty Fund. Future years reflect annualization and inflation.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$67,500	\$45,000	\$60,000	\$32,500	\$28,000
GF Expenditure	129,700	175,500	182,000	189,000	196,400
Net Effect	(\$62,200)	(\$130,500)	(\$122,000)	(\$156,500)	(\$168,400)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: “Home improvement” is defined as the addition to or alteration, conversion, improvement, modernization, building, remodeling, repair, or replacement of

a building or part of a building that is used or designed to be used as a residence or a structure adjacent to that building, or an improvement to land adjacent to the building. “[W]ork done on the commonly owned areas of condominiums” is explicitly excluded from the definition of home improvement.

Home improvement contractors, subcontractors, and salespeople must be licensed by the Maryland Home Improvement Commission (MHIC). In addition to examination, application, and processing fees, licensed contractors must pay \$100 to the Home Improvement Guaranty Fund (HIGF) upon receiving an initial license, \$50 upon each biennial renewal of a license, and may be assessed an additional \$50-\$150 annually should the fund balance threaten to fall below \$250,000.

State Fiscal Effect: Under the bill, the work currently done by many commercial contractors on condominiums would require a home improvement contractor’s license. The fee for a contractor’s license is \$225 initially, and \$225 for each biennial renewal. Over five years, the Department of Labor, Licensing, and Regulation (DLLR) estimates fees from an additional 880 new contractors. Accordingly, 300 new licensees in fiscal 2003 would generate \$67,500 in general fund revenue, 200 in fiscal 2004 would generate \$45,000, 200 in fiscal 2005 would generate \$60,000 (\$45,000 new fees and \$15,000 renewal fees), 100 licensees in fiscal 2006 would generate \$32,500 (\$22,500 new fees and \$10,000 renewal fees), and 80 licensees in fiscal 2007 would generate \$28,000 (\$18,000 new fees and \$10,000 renewal fees).

General fund expenditures could increase by an estimated \$129,700 in fiscal 2003, which accounts for the bill’s October 1, 2002 effective date. This estimate reflects the cost of hiring two investigators and one office secretary to investigate and process claims made against the HIGF. Individual investigators currently handle 700 cases per year, and it is estimated that the additional personnel would handle approximately 1,500 more cases per year. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Also included is \$50,000 in pass-through funding for the Office of Administrative Hearings to handle the additional cases that ultimately require an administrative hearing.

Future year expenditures reflect: (1) full salaries with a 3.5% increase in fiscal 2004 and each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Home Improvement Guaranty Fund: Under this bill, additional claims to the guaranty fund can be made arising from work done on commonly owned areas of condominiums. DLLR estimates that there are over 154,000 condominium units throughout the State. Specific statewide numbers are not readily available on the number of condominium units

that may be excluded from claims -- for example, a condominium unit owner may be excluded because he/she also owns several other rental properties -- but it is expected to be a significant percentage of the 154,000 total. Any work done on the commonly owned areas of a qualifying condominium unit would be subject to the authority of MHIC and represent a possible claim against the guaranty fund. If a claim is made to the fund because of an act or omission of a licensed home improvement contractor, the commission may award up to \$15,000 from the fund to an individual for a claim against one contractor, or up to \$100,000 to all claimants for a claim against one contractor. DLLR reports that the fund currently pays out over \$800,000 per year to homeowners, and in fiscal 2001 the fund received payments and interest totaling \$781,000. The fund balance as of June 30, 2001 was \$1,150,000.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 29, 2002
lc/jr

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510