

**Department of Legislative Services**  
 Maryland General Assembly  
 2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1453 (Delegate Reilly, *et al.*)  
 Economic Matters

**Home Builder Registration and Home Improvement Licenses - Professional Education Requirements**

This bill requires registered home builders, registered home builder sales representatives, licensed home improvement contractors, and licensed home improvement salespeople to complete a professional education course as a condition of registration or license renewal. The professional education requirement must be waived under specified circumstances. The Home Builder and Home Builder Sales Representative Registration Unit (HBRU) within the Consumer Protection Division of the Office of the Attorney General and the Maryland Home Improvement Commission (MHIC) must approve curricula for professional education courses and maintain professional education records for registrants and licensees, as specified. A registrant’s or licensee’s renewal is not valid unless the registrant or licensee has met the bill’s requirements and HBRU or MHIC has received all required forms and fees.

**Fiscal Summary**

**State Effect:** Special fund expenditures for MHIC increase by \$45,300 in FY 2021. Future year expenditures reflect annualization and the elimination of one-time costs. HBRU can implement the bill’s requirements with existing resources. Revenues are not likely affected, as discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	45,300	36,900	37,600	38,900	40,300
Net Effect	(\$45,300)	(\$36,900)	(\$37,600)	(\$38,900)	(\$40,300)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** To qualify for a renewal of a registration or license, a registrant or licensee must complete at least one approved professional education course during the preceding two-year term.

*Approval of Professional Education Courses:* A person that intends to conduct a professional education course must submit the course curriculum to HBRU or MHIC, respectively, for approval at least two weeks before the start date of the scheduled course and may not advertise the course until it is approved by HBRU or MHIC. HBRU or MHIC must approve a curriculum for a professional education course if the curriculum covers new State and federal laws, regulations, policies, or technologies affecting the work of a registrant or licensee. HBRU or MHIC may approve a professional education course that is not conducted in the State.

*Required Waiver:* HBRU and MHIC must waive the respective course requirements if (1) the registration or license was issued on or before October 1, 2010, and the registrant or licensee has not committed a violation of specified registration or licensing provisions or (2) the registration or license was issued on or before June 1, 2020, and the registrant or licensee has been registered for 10 consecutive years and has not committed a violation of specified registration requirements.

*Records and Renewal Applications:* HBRU and MHIC must (1) maintain professional education records for each registrant or licensee; (2) update each registrant's or licensee's professional education records to reflect completion of the appropriate course hours; and (3) mail or electronically transmit a renewal application form to each registrant or licensee when the registrant's or licensee's professional records show that the registrant or licensee has completed the required number of course hours.

*Certificates of Completion:* On completion of a professional education course by a registrant or licensee, the person that conducted the course or the course instructor must submit a certificate of completion to HBRU or MHIC or to the registrant or licensee. The certificate must include (1) the number of classroom hours of the course; (2) the curriculum; (3) the name of the registrant or licensee; and (4) for a registered home builder or home builder sales representative, the registration number of the registered home builder or home builder sales representative. If the certificate of completion is submitted to the registrant or licensee, the registrant or licensee must submit the certificate to HBRU or MHIC.

## **Current Law:**

### *Home Builder and Home Builder Sales Representative Registration*

Under the Maryland Home Builder Registration Act, home builders and home builder sales representatives generally must register with HBRU. “Home builder,” as it applies to the Act, means a person that undertakes to erect or otherwise construct a new home; “new home” means a newly constructed residential dwelling in the State and the fixtures and structure that are made a part of the dwelling at the time of construction.

Home builder registrations and home builder sales representative registration certificates are renewed on a biennial, staggered basis. At least 60 days before a registration or registration certificate expires, HBRU must mail the registrant a renewal application form and a specified notice. HBRU must renew the registration of a registered home builder or registered home builder sales representative that submits the required renewal application, would qualify for an initial registration, pays a specified renewal fee, and is otherwise entitled to be registered. There are no continuing education requirements for renewal of registrations.

### *Maryland Home Improvement Commission*

With specified exceptions, a person must be licensed by MHIC in order to act as a contractor or sell a home improvement in the State. Licenses are renewed on a biennial, staggered basis. At least one month before a license expires, MHIC must mail or electronically transmit to the licensee a renewal application form and a specified notice. A license may be renewed if the licensee (1) is otherwise entitled to be licensed; (2) submits the required renewal application; (3) submits proof of compliance with specified liability insurance requirements, if the licensee is renewing a contractor license; (4) submits the Maryland Department of the Environment lead paint abatement accreditation number and accreditation expiration date, if the licensee provides lead paint abatement services; and (5) pays a specified renewal fee. For renewal of a contractor license, the licensee must submit a specified credit report and pay a specified credit report fee. MHIC may not renew a contractor license unless the contractor submits proof of compliance with liability insurance requirements. There are no continuing education requirements for the renewal of licenses.

**Background:** According to HBRU’s 2019 annual report, 2,449 home builders and 654 sales representatives were registered with HBRU as of fiscal 2019. According to MDL, 21,440 individuals are licensed under MHIC.

**State Fiscal Effect:** Given the number of licensees regulated by MHIC, MHIC requires additional staff and information technology (IT) upgrades to implement the bill’s changes.

MHIC’s operating costs are paid out of the MHIC Special Fund. At the end of each fiscal year, any unspent and unencumbered portion of the special fund in excess of \$100,000 (*i.e.*, the operating surplus) reverts to the general fund. The fund is not expected to have an operating surplus in the near future; MHIC advises that in fiscal 2019, the balance of the MHIC Special Fund was \$84,000, below the \$100,000 threshold for reversion. MHIC similarly does not anticipate an operating surplus in fiscal 2020.

Accordingly, special fund expenditures for MHIC increase by \$45,259 in fiscal 2021, which accounts for the bill’s October 1, 2020 effective date. This estimate reflects the cost of hiring one regular, half-time (50%) administrative staff to process and maintain professional education records for licensees, process waivers from the bill’s requirements, and otherwise assist MHIC in administering the bill’s requirements. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. In addition, it includes \$12,000 in one-time IT expenses, which reflects contractual costs and related indirect costs.

Position	0.5
Salary and Fringe Benefits	\$28,130
IT Expenses	12,000
Other Operating Expenses	<u>5,129</u>
<b>Total FY 2020 Special Fund Expenditures</b>	<b>\$45,259</b>

Future year special fund expenditures reflect full salaries with annual increases and employee turnover, ongoing operating expenses, and elimination of one-time IT-related expenses.

To the extent that MHIC experiences operating surpluses in a particular year, special fund expenditures are less, and implementation costs reduce general fund revenues.

Given the limited number of registered home builders and home builder sales representatives, it is assumed that HBRU can implement the bill’s changes with existing budgeted resources.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division);  
Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2020  
mr/mcr

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