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FISCAL IMPACT STATEMENT

LS 6634

BILL NUMBER: HB 1515

NOTE PREPARED: Feb 7, 2003

BILL AMENDED: Feb 6, 2003

SUBJECT: Licensure of Home Inspectors.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Home Inspectors Licensing Board to regulate home inspectors and associate home inspectors. It establishes requirements for licensed home inspectors and associate home inspectors. It provides that a person who performs home inspections for compensation without a license commits a Class B infraction. The bill also provides that a civil action based upon the professional services of a licensed home inspector must be filed within two years after the date of the act or omission that is the subject of the complaint.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: This bill creates the seven-member Home Inspectors Licensing Board. The fiscal impact of this bill on the Professional Licensing Agency (PLA) is based on board member expenses and administrative expenses.

Board Member Expenses - Each board member would receive the minimum per diem allowed, travel expense reimbursement, and compensation for expenses incurred in the performance of board duties. The cost for each board member is estimated at approximately \$85. It is estimated that the average cost for the per diem and travel reimbursement for the Board would be \$600 per meeting. If the Board was to meet once a month, the annual cost of the Board would be approximately \$7,200. However, the Board is only required to meet at least two times per year, so the minimum annual cost of the Board is approximately \$1,200. All expenses accrued by the Board would be paid out of the General Fund.

Administrative Expenses - Additional expenses include printing costs for applications and forms, and postage for reissue notices of the new proposed license. The PLA reports their cost associated with license and

renewal forms is approximately \$190 per one thousand forms. Postage costs \$0.25 per license and \$0.34 per renewal.

This proposal also requires the PLA to provide a secretary of the Board. The PLA already has an executive director that would be able to carry out the responsibilities of the secretary. However, one additional COMOT 3 positions may be needed to manage the new board. If additional staff is needed, the cost of one position is approximately \$31,800 in FY 2004 and \$31,200 in FY 2005. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations.

As of December 2002, the PLA employed 47 authorized full-time staff members; three positions were vacant. The vacant positions were a Program Coordinator and two Secretaries. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. All expenses incurred in administering the Board shall be paid out of the State General Fund.

Explanation of State Revenues: The Board would be required to establish a license fee for home inspectors and associate home inspectors. According to the American Society of Home Inspectors (ASHI), approximately 145 individuals have business addresses in Indiana and are enrolled as either full members or candidates for membership of the Society. Considering ASHI members only, the license fee would need to be \$223 to recoup the cost of the Board and one additional COMOT 3 position. This approximated fee would vary depending on the total number of building contractors requiring licensure in the state.

Penalty Provision - A person who performs home inspections for compensation without a license commits a Class B infraction. If additional court cases occur, revenue to the state General Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class B infraction is \$1,000 which is deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed. 70% of the court fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

Explanation of Local Expenditures: Some local governments are currently considering licensing home inspectors. If state licensure occurs, these local agencies could stop licensing locally and remove or reallocate staff resources.

Explanation of Local Revenues: Some local governments are already licensing home inspectors. If state licensure occurs, these local agencies could stop licensing at the local level and no longer collect licensure fees.

Penalty Provision - If additional court actions are filed and a judgment is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$70 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Professional Licensing Agency.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Kim Garver, Professional Licensing Agency; American Society of Home Inspectors (847) 759-2820.

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