

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6634**

**BILL NUMBER:** HB 1515

**NOTE PREPARED:** Apr 29, 2003

**BILL AMENDED:** Apr 25, 2003

**SUBJECT:** Licensure of Home Inspectors and Fraud Investigation.

**FIRST AUTHOR:** Rep. Welch

**FIRST SPONSOR:** Sen. Weatherwax

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (CCR Amended) (A) This bill establishes the Home Inspectors Licensing Board to regulate home inspectors. It establishes requirements for licensed 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 the cause of action accrues.

(B) This bill requires the Real Estate Appraiser Licensure and Certification Board to recommend a new fee to be imposed upon licensed or certified appraisers to fund the investigation of real estate or appraisal fraud. The bill also establishes the investigative fund to be jointly administered by the Attorney General and the Professional Licensing Board.

**Effective Date:** Upon passage; July 1, 2003.

**Explanation of State Expenditures:** (A) This bill creates a seven-member Home Inspectors Licensing Board. The fiscal impact of this provision 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 position 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.

**(B)** This bill would require the Attorney General and Professional Licensing Agency to investigate and take enforcement action against real estate and appraisal fraud using resources from the Investigative Fund, which this bill establishes. The Real Estate Appraiser Certification Board (Board) would be required to submit recommendations to the Real Estate Commission (Commission) regarding the fee, which may not be more than \$10, and rules to be established for the Investigative Fund. The bill would also allow the Attorney General and Professional Licensing Agency to hire additional staff to carry out the investigations and pay the staff with money from the Fund.

If additional meetings are required of the Board or Commission, additional expenses for mileage and per diem would be incurred. The cost for one meeting of the Board is \$710, and the cost for one meeting of the Commission is \$1,160, if all members attend.

**Explanation of State Revenues:** **(A)** The Board would be required to establish a license fee for 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.

**(B)** This bill establishes the Investigative Fund for the purpose of investigating real estate and appraisal

fraud. The Fund is to be administered by the Attorney General and Professional Licensing Agency, and expenses of the Fund shall be paid from the Fund. Revenue from a fee of not more than \$10 imposed upon licensed or certified appraisers, real estate brokers, and salespersons will be deposited in the Fund. Only money in the Fund that exceeds \$500,000 after payment of claims and expenses may revert to the state General Fund at the end of the fiscal year, and it is continually appropriated to the Attorney General and Professional Licensing Agency for use in conducting investigations of appraisal fraud. The two agencies must divide the money in the Fund equally.

According to the Professional Licensing Agency, there were about 2,000 licensed or certified appraisers and about 1,000 appraiser trainees as of October 2002. Assuming that 3,000 appraisers would pay an additional \$10 fee, approximately \$30,000 of additional revenue to the Commission would be deposited in the Investigative Fund.

*Background* - The Real Estate Commission received approximately \$185,000 in fee revenue from appraiser licensure and certification in FY 2002. Currently, appraisers are charged \$100 for a license issued in an even-numbered year, or \$75 for one issued in an odd-numbered year. Appraisers pay \$100 to renew a license.

**Explanation of Local Expenditures:** (A) Local units of governments that are currently licensing home inspectors will see a reduction in administrative costs since the bill prohibits other jurisdictions from registering or licensing home inspectors.

**Explanation of Local Revenues:** (A) Local units of governments that are currently licensing home inspectors will see a reduction in revenue if they are collecting registration or 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:** Attorney General, 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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