

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7305**  
**BILL NUMBER: HB 1624**

**DATE PREPARED:** Dec 26, 2000  
**BILL AMENDED:**

**SUBJECT:** Licensure of Building Contractors.

**FISCAL ANALYST:** Chris Baker  
**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill establishes the Residential Building Contractors Licensing Board to regulate residential building contractors in Indiana. The bill establishes the licensing requirements for residential building contractors. The bill also allows a local unit of government to license residential building contractors who have less than five years experience. It provides that a person who acts or advertises as a residential building contractor without a license or after a person's license has expired or has been suspended, revoked, or otherwise restricted commits a Class A misdemeanor.

**Effective Date:** Upon passage; July 1, 2001.

**Explanation of State Expenditures:** The proposal would create the seven-member Residential Building Contractors Licensing Board. Board members would receive the minimum per diem allowed, travel expense reimbursement, and compensation for expenses incurred in the performance of board duties. It is estimated that the cost of per diem and travel reimbursement for the Board could be \$8,600 per year. All expenses accrued by the Board would be paid out of the General Fund.

There will be additional expenses involved, including the printing costs for applications, and postage for reissue notices of the new proposed license. The Indiana Professional Licensing Agency (PLA) will be able to absorb these expenditures within their budget.

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.

As of August 2000, the PLA employed 50 authorized full-time staff members. Two of the positions at the time were vacant. The positions were an Attorney and a Secretary. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Explanation of State Revenues:** The Board would be required to establish a license fee for residential building contractors. According to the Indiana Builders Association (IBA), approximately 5,300 residential building contractors are members of the Association. These members represent approximately 60-65% of the residential building starts in the state annually. Considering IBA members only, if an additional COMOT 3 position at \$29,748 in FY 2002 and \$29,067 in FY 2003 were required to administer this license, the license fee to recoup the cost of the position and the Board would be \$7.24. This approximated fee would vary depending on the total number of building contractors requiring licensure in the state.

The proposal would also introduce a Class A misdemeanor for violations of licensure. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** The bill provides local units of government the option to impose more stringent licensing requirements on building contractors with less than five years of business experience. Several localities already impose a licensing requirement for building contractors. This provision could require the revision of licensing forms and applications. For building contractors with more than five years experience, a locality would no longer be permitted to require licensure. Consequently, there may be less need for localities to employ staff working in building contractor licensing. Staff could be reassigned or terminated.

Regarding the Class A misdemeanor provision, a Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

**Explanation of Local Revenues:** Several localities do license building contractors. The following table outlines some of these localities along with the number of residential builder licenses issued and the amount of revenue received in either CY 1998 or 1999.

<b>Locality</b>	<b>Residential Contractor Fee Charged</b>	<b>Number of Residential Licenses Issued</b>	<b>Revenue CY 1999</b>
Allen County	\$70 license fee	7,438	\$1.3 M (Jan-Oct 2000)
Marion County	\$65 ILP \$40 Drainage \$85+ Structural	N/A	\$305,680
Mishewaka	\$75	89 new, 238 renewals	\$24,525
South Bend	\$80	885	\$70,575
Lake County	\$50 test \$100 license \$50 annual renewal	N/A	N/A
Vanderburgh Co.	\$50	N/A	\$19,650

Localities could lose revenue if licensing building contractors were restricted to those with fewer than five years experience.

Regarding the Class A misdemeanor provision, if additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 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:** Indiana Professional Licensing Agency; Attorney General.

**Local Agencies Affected:** Trial courts; local law enforcement agencies; local builder regulatory agencies.

**Information Sources:** Jim Norris, Allen County (219) 449-7672; Glen Barnes, Deputy Controller, Vanderburgh County, (812) 436-4919; Rhonda Fields, Marion County, (317) 327-4679; City of Mishawaka Building Commission (219) 258-1607; Lake County Plan Commission, (219) 755-3700; City of South Bend.