

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0595	Date: February 24, 2014
Prime Sponsor(s): Rep. Labuda	Bill Status: House Business, Labor, Economic, and Workforce Development
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SHORT TITLE: CERTIFICATION OF HOME INSPECTORS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>\$76,050</u>	<u>\$153,000</u>
Cash Funds	76,050	153,000
State Expenditures	<u>\$74,964</u>	<u>\$149,241</u>
Cash Funds	72,676	144,490
Centrally Appropriated Costs**	\$2,288	\$4,751
FTE Position Change	0.4 FTE	0.6 FTE
Appropriation Required: \$72,676 - Multiple Agencies (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

The bill creates a certification program for home inspectors in the Division of Real Estate in the Department of Regulatory Agencies (DORA). Home inspectors provide independent and objective visual evaluations of a home's physical structure and systems. On or before July 1, 2015, the director of the division must establish a certification program and adopt rules and standards pertaining to education and continuing education, evaluating applications, and disciplinary action. Home inspector applicants must also obtain a fingerprint-based criminal history background check conducted by the Colorado Bureau of Investigation (CBI) within the Department of Public Safety (DPS).

State Revenue

The bill increases state revenue by \$76,050 in FY 2014-15 and \$153,000 in FY 2015-16. This cash fund revenue to the DORA and the DPS is discussed below.

Assumptions. In estimating state revenue, the fiscal note assumes the following:

- 300 of the current 600 home inspectors will apply in the first year, the remainder in the following year;
- approximately 20 new home inspectors will seek credentials in subsequent years; and
- background check fees total \$39.50 (\$22.25 for CBI check and \$17.25 for FBI check);

Fee impact on individuals. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fees collected from the certification of home inspectors are based on the costs associated with administering the program. The division director has authority to adjust by rule the fees for the certification, recertification, and any classes or examinations the division requires of certificate holders. Applicants must also pay fees to obtain a fingerprint-based criminal history record from the CBI.

Table 1. Fee Impact on Individuals and Business			
Type of Fee	Fee	Number Affected	Total Fee Impact
FY 2014-15			
Home Inspector Credential Application Fee	\$214.00	300	\$64,200
Background Check Fee	39.50		11,850
TOTAL			\$76,050
FY 2015-16			
Home Inspector Credential Application Fee	\$238.00	320	\$76,160
Home Inspector Renewal Fee	\$214.00	300	\$64,200
Background Check Fee	\$39.50	320	\$12,640
TOTAL			\$153,000

Home inspector credential application and renewal fees. Fee revenue to the Division of Real Estate Cash Fund in the DORA is estimated to be \$64,200 in the first year and \$140,360 in the second year.

Background check fees. Fee revenue to the CBI Identification Unit Fund in the DPS is projected to be \$11,850 in the first year and \$12,640 in the second year. Of this revenue, \$5,175 in the first year and \$5,520 in the second year is passed through to the federal government for FBI background checks.

State Expenditures

This bill is expected to increase cash fund expenditures by \$74,964 and 0.4 FTE in FY 2014-15 and \$149,241 and 0.6 FTE in FY 2015-16.

Department of Regulatory Agencies. The bill will increase expenditures for the DORA by \$63,114 and 0.3 FTE in FY 2014-15 and \$136,601 and 0.5 FTE in FY 2015-16. These costs, paid from the Division of Real Estate Cash Fund, are summarized in Table 2, and the new duties under the bill are described below. Costs for the program in FY 2014-15 are prorated to reflect the effective date of the bill.

Table 2. Expenditures Under HB 1272*		
Cost Components	FY 2014-15	FY 2015-16
<i>Department of Regulatory Agencies</i>	\$63,114	\$136,601
Personal Service	\$10,998	\$21,997
FTE	0.3	0.5
Operating Expenses and Capital Outlay Costs	260	4,703
Information Technology Updates	30,000	0
Temporary Administrative Contractor	10,460	0
Expert Consultant		25,000
Legal Services	9,108	80,150
Centrally Appropriated Costs*	2,288	4,751
<i>Department of Public Safety</i>	\$11,850	\$12,640
FTE	0	0
Operating Background Check Costs	11,850	12,640
Total - All Departments	\$74,964	\$149,241

* Centrally appropriated costs are not included in the bill's appropriation.

Program development and rulemaking. The division will be responsible for establishing the certification program. This will involve researching existing certification requirements in other states, developing the certification standards and education requirements, and administering and reviewing initial certification applications and annual renewals.

Enforcement and monitoring. The division will engage in disciplinary action of home inspectors who fail to comply with certification requirements. This work may include denying certification, mediating disputes, and investigating practice violations. The fiscal note expects that the division will receive three disciplinary cases each year that will require legal services from the Department of Law and an expert consultant. The expert consultant will interview complainants, respondents, witnesses, audit pertinent documentation, and serve as an expert witness to the division as necessary.

Information technology updates. To create the certification database necessary to track applications, certifications, renewals, and suspensions, the division will require information technology updates to their existing database system.

Department of Public Safety. Based on the anticipated number of 300 additional background checks to be performed in the first year, the DPS will have costs of \$17,308 and 0.1 FTE in the first year; second year costs, assuming 320 background checks, are estimated at \$18,136 and 0.1 FTE. Costs also include pass-through of funds for FBI background checks of \$5,175 in the first year and \$5,520 in the second year.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under HB 1272*		
Cost Components	FY 2014-15	FY 2015-16
<i>Department Regulatory Agencies</i>		
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,524	\$3,046
Supplemental Employee Retirement Payments	\$764	\$1,705
TOTAL	\$2,288	\$4,751

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

The bill requires an appropriation for FY 2014-15 in the following amounts:

- \$60,826 to the DORA from the Division of Real Estate Cash Fund and an allocation of 0.3 FTE, of which \$9,108 is reappropriated to the Department of Law;
- \$4,682 to the DPS from the CBI Identification Unit Fund and an allocation of 0.1 FTE, of which \$5,175 is passed through to the FBI for federal background checks.

State and Local Government Contacts

Regulatory Agencies

Public Safety

Law