

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 21

**PRINTER NO.** 3904

**AMOUNT**

See Fiscal Impact

**FUND**

Professional Licensure Augmentation Account

**DATE INTRODUCED**

March 18, 2019

**PRIME SPONSOR**

Representative Helm

**DESCRIPTION**

House Bill 21 amends the Real Estate Appraisers Certification Act (Act 98 of 1990) to require the licensure of home inspectors and repeals the Home Inspector Law established in Title 68 (Real and Personal Property).

State Board of Certified Real Estate Appraisers

The legislation expands the size of the State Board of Certified Real Estate Appraisers (board) to 17 members which includes eight state-certified real estate appraisers, two certified Pennsylvania evaluators and two home inspectors.

Applications and Qualifications of Home Inspectors and Home Inspectors-in-Training

An applicant shall be considered qualified for licensure as a home inspector if the applicant submits satisfactory proof to the board that the applicant is of good moral character, is at least 18 years of age and has a high school diploma or its equivalent or equivalent life or occupational experience. The applicant must also:

- Have completed no less than 120 hours of board-approved classroom instruction, which includes six hours of education providing the basic knowledge on the differences between the National Manufactured Housing Construction and Safety Standards Act of 1974 and the Industrial Housing Act and the installation of manufactured and modular homes;
- Be registered as a home inspector-in-training; and
- Have completed no less than 75 mentored home inspections under the supervision of a home inspector licensed in this Commonwealth. A home inspection report prepared by a home inspector-in-training shall be used for training purposes only and may not be provided to a client.

In addition to these qualifications, an applicant must:

- Submit the required application and application fee;
- Have passed a board-approved licensing examination;
- Provide an application fee as established by the board by regulation;

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

- Not be addicted to the habitual use of alcohol, narcotics or other habit-forming drugs; and
- Submit a criminal history record, which would not impede the applicant's eligibility, or a federal criminal identification and crime record if the applicant lived outside of the Commonwealth for any time in the five years preceding the application date.

A person licensed as a home inspector shall maintain insurance against errors and omissions in the performance of home inspection and general liability with coverage not less than \$250,000 per occurrence and \$500,000 in the aggregate and with deductibles of not more than \$15,000.

### Conduct of Home Inspection

Home inspections shall be conducted with the degree of care that a reasonably prudent home inspector would exercise. When determining the degree of care, a court shall consider the standards of practice and codes of ethics established by the board through regulation.

### Reciprocity

The legislation allows the board to grant a license to a home inspector licensed in another state with equal or greater qualifications.

### Certification Renewal, License Renewal and Records

The board may limit the number of times a registered home inspector-in-training may renew a registration. A home inspector must obtain 32 hours of continuing education during the biennial renewal period.

### Reporting of Multiple Certification or Licensure

House Bill 21 requires a home inspector certified or licensed in another state, territory or country to report this information to the board on the biennial renewal application.

### Surrender of Suspended or Revoked Registration, Certificate or License

If a registration or license has been suspended or revoked, it must be returned to the board. Failure to do so is a misdemeanor of the third degree.

### Remedies for Home Inspection Services Consumers

The performance of a home inspection is a service subject to the Unfair Trade Practices and Consumer Protection Law. If repairs are performed for an additional fee within the 12 months, the owner of the property is entitled to a full refund of money paid for the repairs.

### Home Inspection Contracts

A home inspection contract must be typewritten and include the signature of the client, scope of the home inspection, fee charged to the client, contact information and license number of the home inspector and a statement explaining the confidentiality between the home inspector and the client.

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

Home Inspection Reports

A home inspector may only deliver a home inspection report to the client. An action to recover damages arising from a home inspection report must commence within one year after the date the report is delivered regardless of when the claim is discovered by the client.

Changes to the composition of the board and the promulgation of regulations are effective immediately, and the remainder of House Bill 21 takes effect in two years.

**FISCAL IMPACT**

House Bill 21 will require all persons performing home inspections to be licensed by the State Board of Certified Real Estate Appraisers (board). The board is funded from the Professional Licensure Augmentation restricted revenue account which is funded solely from the fees and fines collected by the licensing boards and commissions. The board is not supported by General Fund dollars.

According to the Department of State, the total cost to implement House Bill 21 would be \$276,724 which accounts for new personnel, travel, investigations and other operating expenses for the Bureau of Professional and Occupational Affairs. Of that, \$103,000 are one-time costs needed to upgrade the Pennsylvania Licensing System (PALS) to include the new licensee class and to promulgate regulations as outlined in the legislation.

Estimates on the number of potential home inspectors that will become licensed in Pennsylvania range from 1,200-1,700. Funding for the board’s administration of this new licensing category will come from fees and fines generated by those 1,200-1,700 newly licensed home inspectors. Assuming the one-time cost of \$103,000 is spread across two renewal cycles (four years), below is a projection on the biennial fee to be paid by each license holder which would cover the costs anticipated by the board:

<b>Estimated # of home inspectors to become licensed in PA</b>	<b>Potential biennial fee</b>
1,200	\$335
1,500	\$270
1,700	\$235

These fees would be in line with comparable professions licensed and certified by the same board:

	<b>Total Licensees</b>	<b>Biennial Fee</b>
Certified Residential Appraiser	1,709	\$305
Certified General Appraiser	1,381	\$305
Certified Pennsylvania Evaluator	574	\$225
Certified Broker Appraiser	299	\$225
Licensed Appraiser Trainee	319	\$150