LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1890

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: NOVEMBER 16, 2023

SUMMARY

Synopsis: Establishes professional board to regulate home improvement and home elevation contractors and requires licensure for each type of contractor.

Type of Impact: Annual State expenditure and revenue increases.

Agencies Affected: Department of Law and Public Safety.

Office of Legislative Services Estimate

Fiscal Impact	
Annual State Cost Increase	Indeterminate
Annual State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill would result in an indeterminate annual State expenditure increase related to the establishment of the New Jersey State Board of Home Improvement and Home Elevation Contractors, the processing of licenses and regulation of home improvement and home elevation contractors, and the completion of the public information campaign by the Division of Consumer Affairs in the Department of Law and Public Safety. The OLS further notes that the bill will increase annual State revenue collections from application fees, licensure fees, fines, and penalties by indeterminate amounts.

- The bill establishes the New Jersey State Board of Home Improvement and Home Elevation Contractors, which is to consist of nine members under the Division of Consumer Affairs, to provide for the licensure of home improvement and home elevation contractors. The bill directs that the board members may be reimbursed for expenses related to their positions.

- The OLS anticipates that the State may annually collect indeterminate fines and penalty payments from violators of statutory and regulatory requirements applicable to the newly licensed profession. A violator may receive a civil penalty of $10,000 for an initial violation and $20,000 for any subsequent violations.

BILL DESCRIPTION

This bill repeals current law on the regulation of home improvement and home elevation contractors and establishes the New Jersey State Board of Home Improvement and Home Elevation Contractors as the regulating and licensing entity for the industry.

The New Jersey State Board of Home Improvement and Home Elevation Contractors established in the bill is to consist of nine people. The board is entitled to retain all funds collected from fees paid for initial licensure and business registration, as well as for the renewal, reactivation, or reinstatement of licenses and registrations. The board may use those funds to reimburse board members for expenses incurred.

The responsibilities of the board are to license, on a biennial basis, home improvement and home elevation contractors and register, also on a biennial basis, home improvement and home elevation businesses; develop education requirements for contractors, including principal contractors, and a voluntary examination preparatory course; establish a code of ethics and standards of conduct for contractors; develop standards for continuing education; and promulgate rules and regulations as guidance for contractors. The bill includes certain exemptions from the licensure requirement.

The bill requires a business to have a bond, letter of credit, or other type of security. If a business has a bond, the bill provides that it must be a compliance bond. The board can collect penalties from a bond, letter of credit, or security if penalties are assessed against a business.

The bill clarifies that a home improvement or home elevation contractor cannot practice in New Jersey without a license. Penalties for the failure to complete a home improvement or home elevation in accordance with a contract are deemed an unlawful practice under the consumer fraud statute. A contractor who commits an unlawful practice may be fined up to $10,000 for a first offense and up to $20,000 for a subsequent offense.

Language also in current law on the establishment of a public information campaign is included in this bill and states the need to publicize the provisions of the bill to applicable businesses.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill would result in an indeterminate annual State expenditure increase related to: 1) the establishment of the New Jersey State Board of Home Improvement and Home Elevation Contractors; 2) the processing of licenses and regulation of home improvement and home elevation contractors; and 3) the completion of the public information campaign by the Division of Consumer Affairs in the Department of Law and Public Safety. The OLS further notes that the bill will increase annual State revenue collections from application fees, licensure fees, fines, and penalties by indeterminate amounts.

State Expenditure Increase: Although the bill repeals current regulations of home improvement and home elevation contractors, the bill establishes an entirely new licensure process. The bill may increase annual State expenditures due to the establishment of a new board, and from a public information campaign on the new licensure requirement, in turn increasing the division’s responsibilities.

With the establishment of the new board, the bill directs that the board members may be reimbursed for expenses related to their position. Under current law, each member of the State board receives $25 for each meeting day in attendance and, in addition, is entitled to be reimbursed for necessary traveling expenses, provided compensation in any fiscal year does not exceed $1,000 per member. The legislation does not indicate whether the board members will receive compensation for meeting and traveling expenses specifically, and, in any event, the OLS cannot determine the increased cost because of the uncertainty regarding the number of professionals who will be regulated and operational decisions the board will make to implement this bill.

State Revenue Increase: The bill will increase annual State revenue collections from licensure fees, fines, and penalties by indeterminate amounts. The OLS cannot quantify the licensure fee payments the board will collect from the licensing requirement, as the bill leaves the setting of the fee levels to the board's discretion and the number of licenses that will be issued is unknown. The Office of the Attorney General estimates there are nearly 45,000 practitioners who will be affected.

The OLS anticipates that the State may annually collect indeterminate fines and penalty payments from violators of statutory and regulatory requirements applicable to the newly licensed profession. A violator may receive a civil penalty of $10,000 for an initial violation and $20,000 for any subsequent violations. The OLS, however, has no information on which to base an estimate of the number and magnitude of future penalty assessments and payments and thus cannot project the amount the State will collect.

The OLS also anticipates that as a result of a new dedicated board to provide oversight and licensure of home improvement and elevation contractors, New Jersey consumers may receive a higher confidence level when hiring contractors. In addition, the State will have additional recourse and accountability when a job has not been performed as contracted as the board can collect penalties from a bond, letter of credit, or other security if penalties are assessed against a business.

Home Improvement and Home Elevation Contractors Background: The New Jersey Contractors' Registration Act and home improvement contractor regulations currently require home improvement contractors to register with the Division of Consumer Affairs. To register, a home improvement contractor must provide proof of liability insurance, disclose a legitimate business address, and provide other information about the business. Contractors must display their registration number on all contracts, advertisements, and commercial vehicles as a reference for consumers.

According to the department, in 2013, there were 1,432 complaints filed against home improvement contractors, and in 2012, there were 1,751 complaints filed against home improvement contractors. This was the most up-to-date information available to the OLS.

The OLS notes that the application fee charged by the Office of Consumer Protection within the division to regulate home improvement and home elevation contractors is $110, and the annual fee thereafter is $90.

Section: *Law and Public Safety*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).