LEGISLATIVE FISCAL ESTIMATE

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, No. 1890

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: DECEMBER 13, 2023

SUMMARY

Synopsis: Updates regulation of home improvement and home elevation contractors and contractors' businesses.

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. A violator may receive penalties of up to $15,000 for an initial violation and up to $25,000 for any subsequent violations.

BILL DESCRIPTION

This bill establishes a board to govern licensed contractors in the home improvement and home elevation industries. The bill updates current law to oversee the registration of home improvement and home elevation contractors' businesses.

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 curriculum for voluntary examination preparatory courses; 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 requires the board to notify the Division of Consumer Affairs when a license it otherwise issued is suspended, revoked, or rejected for renewal. The bill moves the responsibility to maintain registration of certain parties exempted from licensure from the board to the Division of Consumer Affairs and require licensure of these parties by the board if financial earnings demonstrate the need for licensure.

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 under the consumer fraud act may be liable up to $15,000 for a first offense and up to $25,000 for a subsequent offense. Additionally, violators of the insurance and bond requirements will be liable for a minimum of $10,000 and not more than $25,000.

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; 3) 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.

State Expenditure Increase: This bill updates the regulation of home improvement and home elevation contractors. The bill would increase annual State expenditures due to the establishment

of a new board and from a public information campaign on the new licensure and education requirement, in turn increasing the division's responsibilities.

With the establishment of the new board, the bill directs that the nine board members may be reimbursed for expenses related to their positions. While the bill does not specifically indicate whether the board members will receive compensation for meeting and traveling expenses, which would be a maximum total of $9,000 annually for all the members under current law, it does note the board is entitled to retain all the fees it collects and that board members may be reimbursed for expenses within the limits of appropriated funds or funds made available to the board. The board is also to be provided with office and meeting facilities and have personnel made available to it to carry out its business.

In any event, the OLS cannot determine the increased costs to the division 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. As earlier noted, the legislation allows for the collection of penalties under the consumer fraud statute. Additionally, a violator may receive a fine or civil penalty of up to $15,000 for an initial violation and up to $25,000 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 board dedicated to providing oversight and licensure of home improvement and elevation contractors, New Jersey consumers may experience a higher confidence 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, which may promote growth in this industry, resulting in increased licensure fee payments to the board.

Home Improvement and Home Elevation Contractors Background: Since 2006, the New Jersey Contractors' Registration Act and home improvement contractor regulations require home improvement contractors to register with the Division of Consumer Affairs, with the home elevation contractor registration added in 2014. 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 Division of Consumer Affairs, in 2022 there were 2,310 consumer complaints against contractors and home improvement contractors. The OLS notes that the application fee charged by the Office of Consumer Protection 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.).