



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Licensing Board/Contractors & Inspectors.
Bill Number: House Bill 850 (First Edition)
Sponsor(s): Rep. Brody

SUMMARY TABLE

FISCAL IMPACT OF HB 850, V.1 (\$ in thousands)					
	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
General Fund Revenue	31,735	32,052	32,373	32,697	33,024
Less Expenditures	267,281	271,839	386,565	391,436	395,920
General Fund Impact	(235,546)	(239,787)	(354,192)	(358,740)	(362,896)
NET STATE IMPACT	(\$235,546)	(\$239,787)	(\$354,192)	(\$358,740)	(\$362,896)
Local Impact					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	No Fiscal Estimate Available				
STATE POSITIONS	1.00	1.00	1.00	1.00	1.00

FISCAL IMPACT SUMMARY

The bill authorizes a fee of \$135 for online examinations for home inspectors; authorizes the Department of Insurance (DOI) to establish a volunteer apprenticeship program for code enforcement certificates, including a fee for program participation, and requires local governments to report building permits data to DOI annually.

The online exam and apprenticeship program are estimated to have a fiscal impact on DOI, the new fees authorized in the bill are projected to offset the cost (See Analysis Section). The requirement to collect and maintain building permit data from local governments is also projected to have a fiscal impact as discussed in the Fiscal Analysis section that follows.

The bill requires local governments to submit an annual report to DOI detailing the number of permits issued; the bill is not expected to impact local governments' revenues or expenditures because local governments already collect this information, and they would only be compiling it in the format outlined by DOI.

FISCAL ANALYSIS

Department of Insurance

Online Examinations and Fee

Currently, DOI provides in-person only paper examinations for home inspectors, charging \$80 per exam. Receipts from the current \$80 fee are used to help offset the cost of providing in-person exams but do not fully cover them. As a result, the balance is absorbed within DOI's operating budget. The number of exams and receipts collected from fees varies from year to year as illustrated in the Table 1. Data for FY 2022-23 reflects year-to-date (YTD) actuals.

Table 1 Current In-Person Exams & Fee Receipts

Home Inspector	FY 2019-20	FY 2020-21	FY 2021-22	YTD FY 2022-23
Exams	407	665	577	422
In-Person Exam Fees	\$ 32,560	\$ 53,200	\$ 46,160	\$ 33,760

Section 2 amends G.S. 143-151.57 to authorize a new \$135 fee for online home inspector examinations.

Based on an estimate obtained by DOI from a private vendor, the cost to provide an online exam option is \$55 per exam. Thus, the new \$135 fee is projected to cover both exam options. Since the number of individuals taking the exam shows no consistent pattern as noted in Table 1, this analysis uses FY 2021-22 as the basis for the number of exams projected and assumes 1% growth each year. The analysis also assumes all future applicants will choose the online exam option. Table 2 reflects the projected impact on the DOI operating budget to comply with Section 2 of the bill.

Table 2 Projected Online Exams & Fee Receipts

Home Inspector Examinations	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Exams Conducted	577	583	589	594	600
Total Requirements	\$ 77,895	\$ 78,674	\$ 79,461	\$ 80,255	\$ 81,058
Receipts:					
Current In-Person Fees	\$ 46,160	\$ 46,622	\$ 47,088	\$ 47,559	\$ 48,034
Additional Receipts From Online Fees	\$ 31,735	\$ 32,052	\$ 32,373	\$ 32,697	\$ 33,024
Total Receipts	\$ 77,895	\$ 78,674	\$ 79,461	\$ 80,255	\$ 81,058
Net Impact on DOI Budget	\$ -	\$ -	\$ -	\$ -	\$ -

Volunteer Apprenticeship Program

Section 5 amends G.S. 143-151.13 to authorize DOI to establish a volunteer apprenticeship program to train and issue certificates for code enforcement officials and authorizes a fee for the program. DOI currently provides this pilot training program under a cooperative agreement with the Department of Public Safety, North Carolina Office of Recovery and Resiliency (NCORR). The pilot is funded by a federal grant that will expire June 30, 2025. Using these existing resources, DOI can absorb the initial cost to implement the apprenticeship program through FY 2024-25 but will require additional resources to continue the program in the out years. The fee authorized in the bill may help offset future costs, however no information is available to determine the number of individuals that might participate and the corresponding receipts that might be collected. Because the bill does not mandate the apprenticeship program, no additional costs are attributed the State. Table 3 reflects the projected cost for continuation of the program but is not included in the fiscal note summary table.

Table 3

Volunteer Apprenticeship Pilot	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Total Requirements	-	-	\$1,114,296	\$1,112,302	\$ 1,142,468
Total FTEs	-	-	5.00	5.00	5.00

Building Permit Reports

Section 7 amends G.S. 160D-1110 to require local jurisdictions to report building permit data annually.

DOI does not currently receive building permit data from local jurisdictions. While the total number of jurisdictions issuing building permits is unknown, DOI estimates that about 250 may be required to report. It's estimated that beginning in FY 2023-24, DOI will need \$85,546 to establish an additional full-time administrative officer position to receive and maintain data along with an additional \$150,000 to incorporate building permit data into its existing inspections reporting system. The cost of receiving and storing data is projected to increase by an additional \$110,000 in FY 2025-26 as grant funds currently provided by the Department of Public Safety, NC Office of Recovery and Resiliency that support the current reporting system will expire in FY 2024-25. Table 4 reflects the cost to DOI for this new reporting requirement.

Table 4

Building Permit Reporting	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Personnel	\$85,546	\$89,787	\$ 94,192	\$ 98,740	\$ 102,896
Operating	150,000	150,000	260,000	260,000	260,000
Total Net Appropriations	235,546	239,787	354,192	358,740	362,896

Local Governments

FRD estimates that the requirement for local governments to submit annual building permit data to the Board will have no fiscal impact. FRD's understanding is that local governments likely already maintain electronic records of building permits they have issued; FRD estimates that reporting these permits in DOI's format would not require additional local resources.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Department of Insurance

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Karen Hammonds-Blanks, Brent Lucas

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
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