

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.157 An act relating to registration of construction contractors – House General, Housing, And Military Affairs recommendation of amendment with further proposal of amendment by House Ways and Means**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20General/Bills/H.157/Drafts,%20Amendments%20and%20Legal%20Documents/H.157~David%20Hall~As%20Recommended%20by%20the%20House%20Committee%20on%20General,%20Housing,%20and%20Military%20Affairs~3-12-2021.pdf>

#### **Bill Summary**

The bill proposes to establish a residential construction contractor registration program to be administered by the Office of Professional Regulation (OPR). Contractors performing construction work valued at more than \$3,500 would be required to be registered with the state. OPR would also be directed to establish a voluntary certification system for contractors to signify competence in subfields and specialties. OPR would manage contractors as an advisor profession with two appointed persons to serve as advisors. Fees would be set at the following rates:

- Contractors – individual \$75 biennial
- Contractors – business \$250 biennial
- State certifications – first \$75
- State certifications – all other \$25

The initial biennial registration term would begin on April 1, 2022, with OPR authorized to begin receiving applications December 1, 2021. Fees would be reduced during the initial biennial registration term to encourage participation. OPR would be authorized to create two new positions to be funded from the Professional Regulatory Fee fund. One position would be in licensing and one would be in enforcement.

#### **Fiscal Provisions**

##### Contractor registration fee

Contractor data from six states was used to analyze the potential revenue that Vermont would collect from contractor registration fees. Four of the states have a contractor registration program: Connecticut, Iowa, Minnesota and Montana. The other two states have a contractor licensing program: Alaska and Nevada. There are additional states with contractor registration laws, most notably Massachusetts and Rhode Island in New England. However, many states

either do not have contractor information readily available or it is not available in a format suitable for fiscal analysis.

Contractor data for the six states was scaled to Vermont by population. Additionally, three of the states differentiated between individuals and businesses, and this data was used to estimate the number of individual registrations and business registrations in Vermont. Using the methodology outlined above the total number potential estimated contractor registrants in Vermont are as follows:

Individuals	1,300 – 1,500
Businesses	2,100 – 2,500

For the purposes of generating a revenue estimate, it was assumed that 50% of the estimated contractor population listed above would register in the initial registration cycle (2022-2024). All registrants in the initial cycle would pay the reduced fees. In the following cycle, the entire estimated contractor population would be registered and would pay the normal fee amount.

2022-2024 estimated revenues:	\$230,000 - \$270,000 (fees collected over two years)
2024-2026 estimated revenues:	\$620,000 - \$740,000 (fees collected over two years)

#### Contractor state certifications

There is the potential for additional revenue from contractors who elect to apply for state certifications. OPR would not be required to publish an initial set of voluntary certifications until July 1, 2022. It is unclear at this time how many certifications would be available at that time and how many contractors would apply for certification and pay the fees. JFO does not have a revenue estimate at this time.

#### New OPR positions

As noted above, OPR would be authorized to hire two new positions to administer the contractor registration program. One position would be in licensing and the other would be in enforcement. The salaries and benefits for each position be approximately \$100,000 per year. The costs would be paid from the Professional Regulatory Fee fund, which would receive the new contractor registration revenues in addition to existing fee revenues from other professions. The contractor fee revenue in the initial two-year cycle would likely not fully cover the annual costs of the two new positions, but per OPR, the existing fund balance would cover the difference. Revenues in future cycles are estimated to be sufficient to cover the position costs.

Yearly position costs:	\$200,000 (two full-time positions)
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