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FISCAL IMPACT REPORT

ORIGINAL DATE 3/12/15
SPONSOR HRPAC **LAST UPDATED** _____ **HB** 551/HRPACS

SHORT TITLE Home Inspector Licensing Act **SB** _____

ANALYST Elkins

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	\$120.0		Recurring*	Real Estate Commission Fund

(Parenthesis () Indicate Revenue Decreases)

*See Fiscal Implications

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate	Indeterminate		Recurring	Real Estate Commission Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Regulatory and Public Affairs Committee Substitute for House Bill 551 creates the Home Inspector Licensing Act which will require the New Mexico Real Estate Commission to implement and administer licensing of home inspectors. The commission is required to: adopt rules; adopt a code of ethics and standards of practice; issue, renew, suspend or revoke licenses; adopt rules defining the list of specific residential real property components and systems to be inspected; establish standards for training, experience, and continuing education requirements; establish and administer fees; adopt and approve a licensing examination; conduct criminal background checks on license applicants; and establish a home inspector advisory panel.

The bill will also make the commission responsible for disciplining home inspectors who violate the provisions of the Home Inspector Licensing Act.

FISCAL IMPLICATIONS

The revenue projections are based on an estimated 160 potential home inspector licensees paying a \$150 license application fee, a \$100 criminal background check fee, and a license fee of \$500, as provided in the act. The 160 potential home inspector licensees figure comes from a study of home inspector licensing directed by Senate Memorial 2 in the 2011 Legislative Session and is highly speculative.

HB 551 establishes a three-year license renewal cycle. The bill also provides for a \$200 reactivation fee, and a \$50 duplicate license fee, but those fees are expected to generate little revenue. The commission will be administering home inspector licensing with existing staff. The commission currently has one FTE administering the licensing of 8,800 real estate brokers. It is indeterminate whether additional staff will be required to implement HB551.

SIGNIFICANT ISSUES

Although the bill provides that the commission will appoint a home inspector advisory panel to provide guidance and input to the commission on rules and procedures necessary to administer and enforce the act, enforcement of the act and imposition of discipline would fall to the commission.

Persons exempt from the Home Inspector Licensing Act include: licensed engineers, architects, real estate qualifying or associate brokers, real estate appraisers, certified general appraisers, residential real estate appraisers, and pest control operators; licensed electricians, contractors, plumbers, or heating and air conditioning technicians; insurance adjusters regulated by the state; and code enforcement officials employed by the state or a political subdivision of the state.

Home inspectors shall enter into a written pre-inspection agreement with clients that states, in all capital letters, “The home inspector will not determine and the report provided upon completion of the home inspection will not contain a determination of whether the home or components and/or systems of the home that have been inspected conform to local or state building code requirements.”

TECHNICAL ISSUES

According to RLD, the bill will give the commission the power to discipline home inspector licensees for violating commission rule, thereby making a home inspector licensee subject to both home inspector rules and real estate broker rules.

RLD suggests that Section 12 A(2) on page 14, line 11, be amended to say “violated any of the provisions of the Home Inspector Licensing Act or rules” deleting the reference to “any rule of the commission.”