

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 324 (First Edition)

SHORT TITLE: Increase Homeowners Recovery Fund Fee

SPONSOR(S): Senator Hoyle

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
Homeowners Recovery Fund	\$315,470	\$298,375	\$305,015	\$303,270	\$291,170
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Licensing Board for General Contractors					
EFFECTIVE DATE: The bill is effective when it becomes law and applies to fees due for applications submitted on or after that date.					

BILL SUMMARY: The bill increases the construction permit fee in GS 87-15.6(b) from \$5 to \$10 and increases the amount forwarded from each fee to the Homeowners Recovery Fund from \$4 to \$9.

BACKGROUND: Created in 1991 (1991 SL, Ch. 547), the Homeowners Recovery Fund is intended to provide monetary assistance to homeowners who have suffered a reimbursable loss due to the dishonest or incompetent conduct of a licensed contractor. The Homeowners Recovery Fund is administered by the North Carolina Licensing Board for General Contractors. The Fund receives \$4 from each local building permit fee for single-family residential construction or alteration. The Fund also receives payments from contractors as a result of disciplinary actions.

ASSUMPTIONS AND METHODOLOGY: An audit of the Homeowners Recovery Fund by Shelton L. Hawley, CPA, PA reported an end of year balance on December 31, 2002 of \$497,474. However, the audit also found that there were \$3,769,423 pending but unawarded claims on December 31, 2002. To pay all pending claims, the Fund will need 13 years of fee revenue based on the 2002 building permit fee collections.

Staff of the Licensing Board for General Contractors provided the following data on the \$4 permit fee collected from local governments:

2000	\$224,856	56,214 permits
2001	\$229,958	57,490 permits
2002	\$258,383	64,596 permits

To estimate the revenue impact of increasing the building permit fee, this note uses projections of the economic consulting firm Economy.com. This firm has projected the number of construction permits issued for single family housing over the next five years. The number of projected permits multiplied by the \$5 fee increase produces the following revenue for the Homeowners Recovery Fund. This note assumes the fee increase will begin on July 1, 2003.

FY 03-04	63,094	\$315,470
FY 04-05	59,675	\$298,375
FY 05-06	61,003	\$305,015
FY 06-07	60,654	\$303,270
FY 07-08	58,234	\$291,170

SOURCES OF DATA: North Carolina Licensing Board for General Contractors; Economy.com

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