



OHIO LEGISLATIVE SERVICE COMMISSION

Terry Steele

Fiscal Note & Local Impact Statement

Bill: H.B. 211 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Hughes

Local Impact Statement Procedure Required: No

Subject: Establishes the Home Inspector Law

State Fiscal Highlights

- The bill requires the Division of Real Estate and Professional Licensing to license and regulate home inspectors in the state, creating the Ohio Home Inspector Board to oversee these functions.
- The bill establishes the Home Inspector Fund, to be used by the Department of Commerce to receive all license fee and penalty revenue, and to pay all costs associated with administering the program.
- The bill sets limits on the fees to be assessed to applicants (\$250), for license renewals (\$250), as well as penalty limits of either \$500 or \$1,000. Given these limits, and based on the number of certified home inspectors working in Ohio, it may be that the costs of administering the Home Inspector Law exceed the potential revenue that could be collected under the bill.

Local Fiscal Highlights

- The bill establishes a first degree misdemeanor and fifth degree felony criminal offense for violations of the Home Inspector Law. It would appear that there would be few cases resulting from this provision. Any increase in costs to county or municipal courts resulting from these penalties would appear to be minimal, and partially offset through assessed local court costs.

Detailed Fiscal Analysis

Overview

The bill establishes the Home Inspector Law and requires individuals wishing to perform home inspections to obtain a license, establishes criminal penalties, and creates the Ohio Home Inspector Board within the Department of Commerce. These provisions of the bill do impose a fiscal impact on the Department of Commerce, and to a lesser degree political subdivisions. These impacts are discussed in greater detail below. Overall, it would appear the cost to the Department of Commerce, specifically, the

Division of Real Estate and Professional Licensing, would exceed the revenue generated through the various fees and penalties established in the bill.

Ohio Home Inspector Board – new revenue

The bill creates the Ohio Home Inspector Board consisting of five members, which is to operate as part of the Department of Commerce for administrative purposes. The bill allows the Board to establish the amount of the following fees that is deemed sufficient to defray necessary expenses incurred in the administration of the bill: (a) the application and licensure fee, which must not exceed \$250, (b) the renewal fee, which must not exceed \$250, (c) the late renewal fee, (d) the fee an entity must pay to receive approval to offer continuing education courses and programs, (e) the fee an approved entity must pay for each continuing education course or program that the entity wishes to have the Superintendent of Real Estate approve pursuant to the rules adopted by the board, and (f) any other fees as required by the bill.

Ultimately, the amount of revenue generated through the fees established by the Board will depend on the number of home inspectors and entities seeking licensure. The International Association of Certified Home Inspectors, as of this writing, has 437 certified home inspectors in Ohio.¹ If all of these individuals applied for licensure, and the Board set the application fee at the maximum level of \$250 established by the bill, this would generate \$109,250. These licenses must be renewed every three years. Therefore, renewal revenue would not exceed \$109,250 over the course of three years. All revenue collected under the bill is deposited into the newly created Home Inspectors Fund. The additional revenue collected under the bill related to additional fees would ultimately depend on the fee rates established in rule by the Board.

Superintendent of Real Estate and Professional Licensing – new costs

Overall, the costs to oversee the licensure of home inspectors will depend on a number of different factors. First, the costs will depend on how many new staff the Division of Real Estate and Professional Licensing hires to carry out the licensure and oversight of home inspectors. Currently, the Division oversees approximately 42,000 active licenses, and the Division currently employs approximately 39 full-time equivalent (FTE) employees.

As an example of the potential additional operating costs the Department could incur to oversee these new functions, the table below shows the potential extent of the additional operating costs if the Department of Commerce were to hire five new staff to administer this program. However, it may be possible that some of these duties could be handled by current staff that performs these duties for other real estate and professional licensing programs. The estimated annual costs are rounded to the nearest thousand, and contain the highest salary level for these positions as well as the estimated benefit costs to the agency for these employees (35% estimated benefit cost).

¹ <https://www.nachi.org/OH>.

Additionally, there could be other administrative costs associated with office space and equipment that are necessary. Since those potential costs are less clear, they are not included in the estimate below.

Potential Home Inspector Certification Program Staffing Expenses	
Program Requirement (Position)	Estimated Annual Cost
Home Inspection Certification Program Manager (Program Administrator)	\$118,000
Licensing/Continuing Education (Certification/Licensing Examiner 2)	\$59,000
Complaint Investigation/Record Auditing (Investigator)	\$78,000
Program Support Staff (Admin. Assistant 1)	\$54,000
Legal Counsel (Attorney 3)	\$103,000
Total Estimated Annual Staffing Costs	\$412,000

Penalties under the bill

The bill establishes several criminal and civil penalties. First, any individual that knowingly conducts a home inspection without being licensed under the bill is guilty of a first degree misdemeanor. The bill also prohibits a person, beginning 210 days after the bill's effective date, from knowingly making or causing to be made a false representation concerning a material and relevant fact relating to a person's licensure as a home inspector. Violation of this prohibition is a fifth degree felony under the bill. It would appear unlikely that there would be many additional cases resulting from the bill. Therefore, any additional caseloads and costs to the county court system would likely be minimal, as would any corresponding local or state court costs collected as a result.

The bill also permits the Superintendent of Real Estate and Professional Licensing to apply to any court of common pleas to enjoin a violation of the bill. Upon a showing by the Superintendent that a person has violated or is violating the bill, the court must grant an injunction, restraining order, or other appropriate relief. The bill also permits the Superintendent to investigate and the Board to impose a fine against any person who conducts a home inspection without a license. Upon the completion of an investigation, the Board may take any disciplinary action it deems appropriate, including, but not limited to: (1) a reprimand, (2) a fine not exceeding \$1,000 for false representation, (3) completion of hours of education, (4) suspension of a license, (5) revocation of a license, or (6) surrender of license in lieu of discipline. The bill further permits the Board to impose fines, not exceeding \$500 per violation of the provisions of the bill. All fine revenues collected from these provisions are to be deposited into the Home Inspectors Fund.