

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 335**

STATE OF NEW JERSEY

DATED: DECEMBER 11, 1997

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 335.

The Senate Committee Substitute for Senate Bill No. 335 provides for the licensing of home inspectors and associate home inspectors. It establishes a five-member "Home Inspection Advisory Committee" under the jurisdiction of the State Board of Professional Engineers and Land Surveyors in the Division of Consumer Affairs in the Department of Law and Public Safety. The committee will establish standards of practice, licensing qualifications and education programs, and the committee members will be compensated and reimbursed for their expenses.

The committee will establish, and the board will adopt by regulation, fees for licenses, renewals and other services provided by the board and the committee. The fees will be set at amounts needed to defray all proper expenses incurred by the board or the committee, and cannot be fixed at levels that will raise amounts in excess of the total amount estimated to be required.

To be eligible for a home inspector's license, an applicant must: be of good moral character; have successfully completed high school or its equivalent; have been engaged as a licensed associate home inspector for no less than one year; have performed not less than 250 home inspections for compensation; and have passed the examination offered by the American Society of Home Inspectors. To be eligible for an associate home inspector's license, an applicant must: be of good moral character; have successfully completed high school or its equivalent; have passed an approved course of study, as prescribed by the board; have performed not less than 50 home inspections in the presence of a licensed home inspector; and have passed the examination offered by the American Society of Home Inspectors.

"Home inspection" is defined in the bill as an inspection and written evaluation of the following components of a residential building: heating system, cooling system, plumbing system, electrical system, structural components, foundation, roof, masonry structure, exterior and interior components or any other related residential

housing component as determined by the board by regulation.

The bill stipulates that no person is to provide, present, call or represent himself as able to provide, a home inspection for compensation unless licensed in accordance with the provisions of the bill.

Every licensed home inspector and associate home inspector who is engaged in home inspection must secure, maintain and file with the board proof of a certificate of an error and omissions policy in a minimum amount of \$500,000 per occurrence.

As reported, this Senate Committee Substitute is identical to Assembly Bill No. 3014 (1R) (Impeveduto/Moran).

FISCAL IMPACT

An informal estimate by the Department of Law and Public Safety indicates approximately 400 home inspectors and 400 associate home inspectors would be subject to the provisions of the bill. The estimated cost during the first year after enactment would be \$120,000. The department estimates second and third-year costs to be \$105,000 and \$116,000, respectively.

To defray these administrative costs, the department estimates home inspectors would be required to pay a \$125 initial application fee and a separate \$150 biennial registration fee. Associate home inspectors would be required to pay a \$75 initial application fee and a separate \$100 biennial registration fee. The department estimates that the total number of licensees will increase to 1,000 in the second year of the bill's enactment and 1,200 in the third year. Over the first three years, these fees would produce approximately \$375,000 in revenue, which would be sufficient to offset the bill's estimated three-year cost.