



Testimony in Opposition to LD 1929, “An Act to Protect Consumers by Licensing Home Building Contractors”

Senator Curry, Representative Roberts, and the distinguished members of the Committee on Innovation, Development, Economic Advancement and Business, my name is Nick Murray and I serve as director of policy for Maine Policy Institute. We are a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify **in opposition to LD 1929**.

For a legislature looking to tackle the problem of limited housing, bills like LD 1929 do not meet the moment. This proposal will do much more to raise costs on homebuilders and homeowners than protect them from deception and fraud. The last thing Maine workers and home builders need is another licensing board and regulatory agency breathing down their necks as they attempt to solve this state’s housing crisis.

Occupational licensing has been shown to raise all sorts of costs in the economy overall. A 2017 study published in the *Journal of Regulatory Economics* found that Maine’s licensing programs had resulted in a misallocation of resources of approximately \$2.6 billion, about \$4,700 per Maine household.¹ In an economy struggling to retain workers, policymakers should be expanding pathways to work, not narrowing them.

Commissioner Anne Head of the Department of Professional and Financial Regulation testified against a similar bill submitted last session (LD 1977), speaking to the notion that her office is able to stop fraud, noting that, “If there is an issue of fraud, a licensing board is not going to be able to deal with that kind of issue.”² Maintaining strict state licensing standards unnecessarily raises costs for both entrepreneurs and their customers, without accomplishing what proponents claim.

LD 1977 in the previous Legislature would have exempted Mainers from the new license if they worked on their home residence. Why doesn’t this bill contain that same exception? Why should Mainers go through the rigorous process of obtaining a new license, adhering to all manner of rules to which the new “Residential Construction Board” might subject them, simply to work on one’s own home?

¹ Kleiner, M.M., Vorotnikov, E. Analyzing occupational licensing among the states. *J Regul Econ* 52, 132–158 (2017). <https://doi.org/10.1007/s11149-017-9333-y>

² IDEA-B Public Hearing on LD 1977, 130th Maine Legislature. <https://www.youtube.com/live/XpaTF6IDcoE?feature=share&t=4518>

Numerous mechanisms exist by which consumers can be made whole in the event of potential fraudulent business practices. They may enter arbitration or mediation, in order to avoid a potential suit in civil court. Verifying a contractor's insurance policy is up-to-date and accompanying them to purchase materials can go a long way for a buyer to control other potential risks.

The fact is, the state already sufficiently regulates this profession. Per MRSA 10 §1487, written home improvement contracts are required for any job more than \$3,000, the contract must include a warranty statement, and initial down payments are limited to one-third of the total cost.³

Home builders and general contractors oftentimes will directly contribute work to a project themselves, but many times, they will act more like a project manager, subcontracting different tradespeople for a particular project for which they are the main contractor. The vast majority of the subcontracted electricians, plumbers, etc. are already licensed. This bill would require those contractors merely operating as supervisors to pay a fee and register with the state, even though they may not perform work themselves, while their subcontractors are all similarly licensed or registered.

A new regulatory regime for home improvement will not stop potential fraud, but it will raise building costs for everyone. In an economy where the price of construction materials has risen significantly, the last thing prospective Maine homebuyers and builders need is more regulation.⁴

Please **deem LD 1929 “Ought To/Not To Pass”** and save hard-working Mainers the costs of another unnecessary and onerous occupational regulatory regime. Thank you for your time and consideration.

³ [Title 10, §1487: Home construction contracts](#)

⁴ [Construction material inflation US 2014-2023](#) | Statista