



May 11, 2023

An Act to Protect Consumers by Licensing Home Building Contractors

RE: LD 1929 HP 1237 " An Act to Protect Consumers by Licensing Home Building Contractors"

Senator Curry, Representative Roberts, and Members of the Committee,

I am Carl Chretien a residential contractor in southern Maine, member of the Home Builders and Remodelers Association here in Maine as well as a State Rep at the National Association of Home Builders in Washington DC. I also sit on the Maine Technical code and Standards board, am a certified code official, third party inspector as well as a subject matter expert in mediations-arbitrations.

I as the HBRAME has always in the past been a supporter of builder licensing. We have had several roadblocks. The first one I remember was having a statewide code which in 2004 the state moved towards with the "Maine Model Building Code" enacted in April of that year. The other is that fire personnel as well as commercial carpenters who do contracting on the side would be required to be licensed and carry general liability insurance as well.

The HBRAME worked with them in coming up with language that required contracts to have at a minimum a link to the AG's website explaining the consumer things to look for when hiring a home contractor. We have promoted statewide building codes that were adopted in 2008 and later worked to keep them in place in towns over 4000 with hopes that at some time they would be statewide.

[https://www.maine.gov/ag/consumer/housing/home\\_construction.shtml](https://www.maine.gov/ag/consumer/housing/home_construction.shtml)

Since the 26<sup>th</sup> I have reached out to other states to find out what they have in place and their comments are below. I would be willing to help at a work session that this committee may have.

Nevada has mandatory licensing, and we enjoy an extremely aggressive contractors' board.

I am in Iowa. We have one city that does a required test for residential contractors. The test must be passed to obtain a permit. They told me they average 35 people a year. For a city that builds under 100 homes a year. They told me that it has cut down on complaints from residents. I can provide you with more info if you want to let me know.

On the other side I believe some type of licensing would be good, but Iowa is not interested in adding any more types of licensing. Thanks

Sorry Carl, we do not have contractor's licensing here in Ohio. We license only plumbing, electrical and HVAC contractors, and for them it is mandatory and requires continuing education.

NH has nothing – we are watching you and VT to see how you proceed. We will probably start pushing for it in the next few years.

Carl, we are members of this group: <https://www.nascla.org/page/LicensingInfo>

New Jersey does not have licensing for builders or contractors and NJBA has historically opposed any attempts to do so. We do have a Contractor's Registration Act and a Builder Registration law tied to a home warranty, but we do.

NOT have licensing. There were several attempts to push licensing here, but we pushed back as they would have.

been extremely problematic – imposing costly regulatory restrictions and other mandates with no corresponding benefits to the builders.

Illinois does not currently have a license. There has been talk and some committees to explore it, but nothing so far.

Every community that I know of does require you to license them individual - means proof of insurance and of course pay a fee. This is also required for the major subcontractors.

Tennessee has required licensing and we are one vote in the House away, which is this week, that will require continuing ED at 8 hours every two years and membership in a “nationally recognized trade organization” (NAHB) satisfies the requirement. We have a great relationship with the licensing board. No temporary or volunteer provisions in our licensing requirement.

NC does not have volunteer licensing. We have mandatory. But I feel the pain of “firefighter, chuck in truck, etc.”. Therefore, we as a state HBA are pursuing legislation to require continuing ed for Gen Contractors in NC. The bill likely will pass this session for an 8 hr annual requirement.

Maybe this is a further catalyst for your lawmakers to consider licensing as other states are now moving onto required CE?

It was similar here in Massachusetts, but they allowed a one-year period to grandfather in any they slowly have been weeded out the problem ones. We also now have 12 hrs. continuing education required every two years. Additionally, we now also have an HIC license, which is a home improvement contractor where this fee is supposed to fund the insurance pool for those that have workmanship suits.

Licensing is mandatory for homebuilders and remodelers in Alabama.

We lobbied our State Legislature and Senate for two years to get it passed. We had tremendous leadership in our efforts.

Our members agreed. Our State License board began in the mid-nineties. There is an initial State exam, and license must be renewed each year along with a credit report. Our Licensing and our State Board have been very successful.

Texas does not require general contractors to be licensed. Electricians, plumbers, HVAC installers, irrigators and security installers are licensed.

The Texas Association of Builders supported mandatory registration beginning in about 2002. Plaintiff attorneys criticized the system as biased toward builders, and it was discontinued after four years.

For at least the last 30 years, our members in Texas have been about evenly split regarding the need for licensure. There are compelling arguments on both sides. The devil is always in the details with every licensure bill. I do believe code compliance and quality of work are generally good in our state.

My guess is there would not be much participation in a voluntary licensure program.

Arizona has had required licensing since 1931. Licensing is required for each type of general contractor and for each of the trades. To be licensed requires a certain number of years of experience in the field one once a license in. Both a business test and a trade test are required, also required is a full legal background check. Besides our license fee we also pay into a recovery fund which is available to those who have been harmed by a licensed contractor and that contractor has lost in a series of steps in the complainant process. We also post a contractor's bond in which the amount of the bond is based on your annual volume. It is a crime to perform work as a contractor or sub-contractor without a license.

Our Associations work closely with the Registrar of Contractors and have great input into how we are regulated it has been a good working relationship.

There has been an effort to require some form of continuing education to maintain your license, but that issue has not been resolved yet.

Pennsylvania has no licensing requirements for homebuilders but does for re-modelers. It's an issue that constantly comes up. I suspect however that we will see it again in a form that requires continuing education and has insurance requirements.

South Carolina has required a Builders License for several years. Currently, you must have worked for a building company for at least one year (down from 2 Years), then take a day long test on the code and do a building takeoff. It must be renewed every two years and backed with a \$15,000 bond. If you were a builder and move here from another state, it must be a state that requires testing. Otherwise, you must apply and take the test. The license must be in an individual's name so there are no corporate licenses.

The industry is presided over by a statewide Labor and License committee that oversees complaints. They also approve all License requests.

All subcontractors must be licensed if the job totals \$5,000 plus. This covers handymen, framers, trim carpenters etc. The major trades (plumbing, electrical and H&A) are tested and licensed and each trade has its own set of tests and requirements.

We have a very good relationship with our governing committee, and they are appointed by the governor.

In Minnesota we have had licensing since the early 90's. Besides plumbing and electrical we have licenses for Builders, Remodelers and Roofers. If you have a builder's license you do not need the other two and a Remodeler does not need a Roofers license. There is no experience required but a test of business practices and practical knowledge is required.

We renew every 2 years and are required to have 16 hours of continuing education every two years. Part of our license fee is to a Contractor Recovery Fund, that is to help make homeowners whole who are defrauded by a contractor. The payout is limited to 300k per contractor I believe.

There is also a handyman exemption that allows for those with gross receipts of 15k or less to bypass licensing. This has been pretty much a failure as many individuals have significantly exceeded this limit with no consequences.

Single trade contractors such as drywallers, masons, painters are exempted if they only provide one skill on a project. They may provide different skills on different projects but only one per project.

The state does have a contractor registration for all contractors that provide work in the residential sector also. Corporations and those already required to be licensed are exempt from licensing. This also has not worked well as it has been communicated poorly, the search on the state website to verify registration is poor and the state leaves it up to the builders and remodelers to enforce. They will fine us for using a sub that is not registered but a homeowner is exempt.

Over the last couple of years, we have been working to increase penalties for working as an unlicensed contractor. Currently it is a misdemeanor on par with unlicensed hair braiding. We have been working to get it reclassified as a gross misdemeanor nonpartisan with being an unlicensed realtor. This has been held back by realtors who flip homes that do not want to go through the licensing process.

We still have a big issue with unlicensed contractors in more rural areas where the code is not enforced. Since there is no one to enforce the code there is no one to verify licensing and therefore a lot of contractors forgo licensing. As an association we have also been working on statewide enforcement to reduce unlicensed contractors as well.

Mandatory licensing has not worked for Minnesota in areas where the code is not enforced; I find it difficult to believe that voluntary licensing would even get off the ground.

In Arkansas we began mandatory registration in 1999. In 2002 we lobbied for licensing and were successful. Everyone that was registered "grandfathered in". Since then, Licensing is mandatory and started out with a test and just basic understanding of the licensing law. We've added remodelers and other trades that work directly for the public over a value of \$2000. Exceptions include anyone building a house for themselves (go figure) but no more than one per year. We tried to get continuing education in 2013 but couldn't get it out of committee. Beginning in 2015 a small but vocal group of anti-regulation folks tried to abolish Contractor Licensing along with many other licenses. In 2017 they came close. This year we were able to keep them at bay with a "study" of licensing. My suggestion is to start with registration and work hard to get everyone registered before moving to a licensing.

Iowa only does contractor registration proof of insurance and \$50 takes you all the way. We do have some cities like that.

require separate licensing. Waterloo has tested 50 questions on code items. North liberty requires a separate registration and another \$50. Davenport and Sioux City have testing as well.

This year the legislature tried to require remodelers to post a \$75000 bond, but the HBA fought it and we were successful.

We are thinking of asking the group that wanted the bonding to consider the continuing education idea. We support that.

Georgia has had required licensing for about 12 years. Now, to get a licensing, you must show the proper experience, take the test, and meet minimal financial strength criteria. Grandfathering was allowed early on and that has phased out. The biggest problem we now have is dealing with unlicensed builders.

Idaho has voluntary registration in which the contractor initially must hold one of NAHB's designations. This allows you to advertise as a state registered contractor and at this point licensing is to be held off indefinitely.

Wisconsin has two registrations, not licenses. All contractors and subs need to register with the state with proof of insurance. Builders are required to have a "dwelling qualifier" registration as well to be able to pull building permits which requires 12 hours of CE every year. There is also required education to get your qualifier initially. Builders are required to have subs registrations on permit applications. Commercial general contractors are not required to have qualifiers if they don't do one- and two-family construction.

Connecticut requires a registration for new construction and a separate registration for remodeling.

Michigan requires all residential builders and maintenance and alteration contractors to be licensed. Since June 2008 to obtain a license, the person is required to take 60 hours of pre licensure classes. Upon completion the person makes an application to the department and then takes the required exam which he/she must pass.

Addendum:

Some things that most contractors are unaware of such as that Maine has an implied warranty law that is more than one year for structure of the building.

Maine issues over 4000 permits a year for anything as small as putting a shed to building large single-family homes which would encompass handy man to large builders. Painting, drywall, and certain other activities such as swapping out cabinets do not require permits. While many contractors in the trade could easily be grandfathered many others who claim to have been doing it for 20+ years have also been doing it wrong for those number of years.

Some people think that contractors in larger municipalities are better than rural because of less oversight which is untrue as some of those do better work than others.

This would be the time when the AG's office brings out the consumer awareness videos, they did in July of 2007. There were eight videos made with then Assistant AG McKenna, one of which was on consumer construction contracts.

I personally receive about 50+ hours of continuing ed as the building environment is always changing with the ever more stringent energy codes which complicates how we handle ventilation and moisture in wall assemblies.

a question asked about the commercial work about bonding is that the commercial side is but doesn't require written contracts and because of the size especially when done in the private sector is bonding is required and would be cost prohibitive to the residential side.

Another question asked is if a homeowner does their own work would they be required to be licensed and the answer is no as the licensing is a mechanism to prevent a contractor from not completing a job and in this case that would be saying that the homeowner needs protecting from themselves.

As Commissioner Head stated this bill even though is a draft to get comments it doesn't have the right criteria to create a license program. As stated back in 2004 there was a stakeholders group headed by the AG's office that recommended that a statewide building code be in place first as a starting point which we could start the aptitude and criteria for licensing. Though this study is 19 years old I believe there is still value to it and needs to be looked at again use the still relevant content and work forward from there.

Understand that even though other trades are licensed they still have people circumventing the system by using another masters license and doing shoddy and unsafe work. I recently this past year inspected a property that resulted in the AG's office and fuel gas board revoking a person's appliance license for installing an oil boiler for which they had know license in doing so. Also, there was question in that the plumbing wasn't done correctly at which time the homeowner jumped ahead of our findings and hired another contractor who did unnecessary which resulted in her paying three times for the work and using all her savings almost making it impossible for her to get a loan to finish.

Unfortunately, not all financial institutions require lien waivers as part of their drawing process which puts homeowners into precarious positions once they have paid money that does not reach the parties who have done work and not received payment.

Before the contractor warning was required on building contracts there was talk that the financial and banking board be entity by which payments to contractors where to be dispersed which would have been cumbersome and required additional staff to handle these payments which would not solve the issue at hand.

Often time when work is incomplete this could adversely affect a homeowner as the building could be deemed unsafe and the insurance carrier would then cancel the insurance which has a snowball effect as mortgage companies require insurance as part of their terms at which time they would insure it themselves through a high risk insurer and often the homeowner would then be required to pay up to double what they were paying before.

Another issue at hand that contributes to the high number of complaints is a work force shortage of skilled people which allows a backfilling of people taking on jobs that homeowners so desperately want done and don't want to wait months or years for.

The statement that licensing would raise the cost of housing projects is not completely true as it would only remove the people who do jobs below their true cost and often go unfinished. The cost of construction is directly related to the risk the contractor takes on doing these projects which are often weather, material and labor delays as well as the cost of carrying the cost of the project between payments.

Good contractors will bill based on completion of work done as some financial institutions require a continuation sheet like a G703 and 702 by the AIA.

Part of the issue is that many of the building contractors are we in the industry refer to a briefcase contractors who know very little about building and hire the cheapest subs to maximize profit while relying on them to solve issues amongst themselves while not knowing how various components need to be integrated. Building a home is as simple as plug and play. Not all the pieces fit nicely together and often need reworking with help from all those involved.

I will also attach a copy of the draft requirements I submitted as well as sample contracts for the worksession

Sincerely,

Carl M Chretien



President  
TPI #29