



**April 9, 2024**

**The Honorable Representative Nash, Chair Nelson, and Members of the Labor and Industry Finance and Policy Committee**

**Re: Concerns about HF 5338 Contractor Recovery Fund changes**

Dear Committee Members,

The Builders Association of Minnesota is a statewide business association representing the home building industry. Our membership of nearly 1100 is made up of home builders, remodelers, developers, subcontractors, suppliers, realtors, financial institutions, and other industry-related businesses.

The Builders Association of Minnesota is the oldest statewide building association celebrating 50 years of serving the construction community. I am writing to express our concerns about HF 5338 which would require the contractor recovery fund to cover in-ground residential pools.

The CRF compensates homeowners and lessees (homeowners for short) of Minnesota residential property who have experienced direct out-of-pocket losses as a result of a Minnesota-licensed residential contractor's deceptive actions or nonperformance.

- CRF revenue increased 6% in fiscal year (FY) 2023 to \$2.4 million, from FY 2022. CRF claims approved during FY 2023 totaled \$2.8 million. The CRF claims are outpacing revenues.
- In FY 2023, homeowners requested payment for 108 claims, a 44% increase from FY 2022.
- Fees from each licensed residential building contractor in Minnesota are deposited into the state treasury to fund the CRF. In FY 2023, the CRF fee for a two-year license ranged from \$320 to \$520, depending on the contractor's gross business receipts.

The changes in HF 5338 would expand the definition of residential real estate for CRF. The fund would now be required to provide coverage for inground residential pools. Managing the fund would be more complex with this added benefit for homeowners. HF 5338 could lead to increased claims for the CRF to pay. This instability in the fund due to the expansion could lead to an increase in residential building licensing fees to stabilize the fund.

Recently the Legislature expanded the CRF to include solar installers. This year DOLI requested the committee to increase the amount a homeowner can request from the fund from \$75,000 to \$100,000.

We are very concerned about how all of these expanded benefits will impact the long-term health and stability of the fund.

Thank you for considering our concerns.  
Sincerely,

Grace Keliher  
**Executive Vice President of the Builders Association of Minnesota**