

HF2164 - 1A - Contractor Recovery Fund; Solar Installers

Chief Author: **Larry Kraft**
 Committee: **Labor and Industry Finance & Policy**
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 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026
Restrict Misc. Special Revenue	-	(16)	98	84	98
Construction Code	-	(6)	(1)	(6)	(1)
Total	-	(22)	97	78	97
Biennial Total			75		175

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
Construction Code	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/15/2023 8:38:13 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	(16)	98	84	98	
Construction Code	-	(6)	(1)	(6)	(1)	
Total	-	(22)	97	78	97	
Biennial Total			75		175	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	-	100	100	100	
Construction Code	-	-	-	-	-	
Total	-	-	100	100	100	
Biennial Total			100		200	
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	16	2	16	2	
Construction Code	-	6	1	6	1	
Total	-	22	3	22	3	
Biennial Total			25		25	

Bill Description

This bill amends Minn. Stat. § 326B.802, subd. 15 in a manner that will require Solar Installers that contract with homeowners to install solar photovoltaic systems to be licensed by the Department of Labor & Industry (DLI) as a residential building contractor or residential remodeler. This is accomplished by adding the phrase “penetration of roof coverings for purposes of attaching a solar photovoltaic system” to the definition of the special skill of “Residential roofing,” and by adding the phrase “assembly of the support system for a solar photovoltaic system” to the definition of the skill area of “General installation specialties.”

When licensed as a residential building contractor or residential remodeler, a Solar Installer enables its customers to access the Contractor Recovery Fund (CRF) to obtain financial compensation if the customer suffers a financial loss as a result of the Solar Installer’s failure of performance; fraudulent, deceptive, or dishonest practices; or conversion of funds.

Assumptions

DLI estimates about 50 Solar Installers would obtain a residential building contractor or residential remodeler license in FY24 and five more would obtain a license in FY25. Residential building contractor and remodeler licenses have a two-year term. DLI assumes the quantity of licensed solar installers would remain constant. License fees are \$120 and CRF contributions are \$320 per licensee.

CRF claims against Solar Installers will occur only when a Solar Installer fails in business, and that one Solar Installer will fail per calendar year based on the department’s experience over the past five years. These CRF claims would total on average \$100,000 annually based on the reported financial losses of consumers who contacted the department following the previous failure of four specific Solar Installers.

Expenditure and/or Revenue Formula

Expenditures	2024	2025	2026	2027
Annual CRF Claim Payouts		100,000	100,000	100,000
Cumulative Expenditures		100,000	100,000	100,000

Revenues	2024	2025	2026	2027
Annual Contractor Licenses	50	5	50	5
Construction Code Fund Revenue per License	120	120	120	120
CRF Contribution per License	320	320	320	320
Annual Construction Code Fund (2020)	6,000	600	6,000	600
Annual CRF Contributions (2000)	16,000	1,600	16,000	1,600
Total Revenue	22,000	2,200	22,000	2,200

Long-Term Fiscal Considerations

Fund balance and future claims will continue to be monitored to verify the financial stability of the CRF.

Local Fiscal Impact

NA

References/Sources

DLI license and enforcement data

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