

SF2735 - 0 - Contractor Recovery Fund; Solar Installers

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 Committee: **Labor**
 Date Completed: **3/14/2023 3:12:29 PM**
 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	FY2027
Restrict Misc. Special Revenue	-	600	100	100	100	100
Total	-	600	100	100	100	100
Biennial Total			700			200

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
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:** 3/14/2023 3:12:29 PM
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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	-	600	100	100	100	100
Total	-	600	100	100	100	100
		Biennial Total			700	200
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	600	100	100	100	100
Total	-	600	100	100	100	100
		Biennial Total			700	200
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
		Biennial Total			-	-

Bill Description

This bill amends Minn. Stat. § 326B.89, subd 1, 6. This allow homeowners who suffered a financial loss as a result of a contract with an unlicensed Solar Installer to make claims for compensation to the Contractor Recovery Fund (CRF).

A Solar Installer is defined as a person that, after December 31, 2015, contracted with owners of residential real estate to install solar photovoltaic systems, whether or not the person is or has been licensed as a residential building contractor or residential remodeler.

Assumptions

DLI assumes that 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.

Retroactive claims back to 2016 would result in additional payouts of approximately \$500,000 in FY2024 based on the department’s knowledge of judgments that have been entered against unlicensed Solar Installers since 2016 (a civil judgment is a prerequisite for making a claim to the CRF).

Although this bill authorizes claim payments against solar installers, this bill does not require solar installers to be licensed as a residential building contractor. DLI assumes that no additional solar installers will obtain their residential building contractor license, resulting in no additional revenue to the contractor recovery fund.

Expenditure and/or Revenue Formula

Expenditures	2024	2025	2026	2027
Annual CRF Claim Payouts	100,000	100,000	100,000	100,000
Retroactive Claim Payouts	500,000	0	0	0
Total	600,000	100,000	100,000	100,000

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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

References/Sources

Minnesota State Court System
DLI license and enforcement data

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Date: 3/9/2023 11:42:41 AM

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