

RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION
Contractors' Registration and Licensing Board

Regulatory Analysis for Adoption of 440-RICR-10-00-7, Rules and Regulations for Licensed Residential Contractors

September 23, 2026

Reason for Regulatory Action

Effective July 2, 2025, R.I. Gen. Laws Chapter 5-65.4 (“Chapter 5-65.4” or the “Act”), was enacted to create two new license types for contractors who perform residential construction work in Rhode Island.¹ Specifically, the legislation directs the Contractors’ Registration and Licensing Board (the “Board” or “CRLB”) at the Department to promulgate rules and regulations, no later than January 1, 2027, to create two new license types for (i) contractors who build new homes, and (ii) contractors who perform structural remodeling to existing residential structures. The proposed regulation is submitted in response to the legislative mandate given to the Board by the enactment of R.I. Gen. Laws Chapter 5-65.4, which has established a statutory requirement that residential contractors who perform home building and home remodeling be licensed rather than simply registered. According to the new law, after January 1, 2028, no contractor shall perform either home building or structural home remodeling without first obtaining a license from the Board.

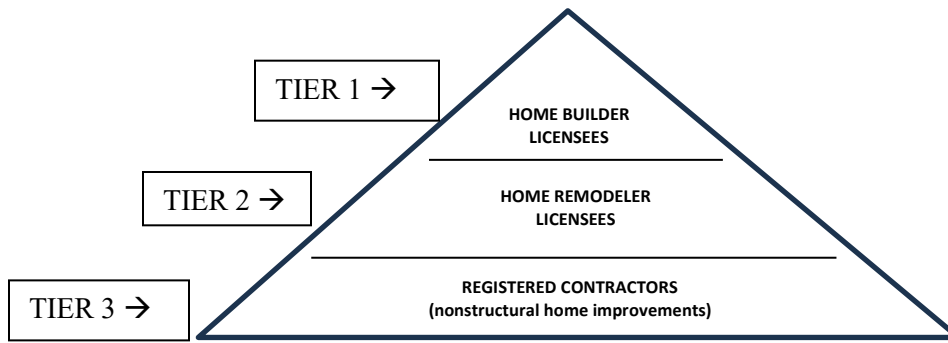
Presently, all contractors performing residential construction work are required to obtain a registration under R.I. Gen. Laws Chapter 5-65 to offer services that range from siding repair to building a new home. There is no exam requirement to obtain a contractor registration. There are no minimum competency standards or experiential requirements necessary to obtain a contractor registration. According to R.I. Gen. Laws §§ 5-65.4-1 and 5-65.4-3(a), the General Assembly intends that this new law, implemented through this proposed regulation, “establish a licensing program and minimum standards for contractors supervising or performing structural work in residences of one to four (4) family dwelling units”, and “ensure persons performing such are properly qualified to conduct the work.”

This proposed regulation implements the two new residential contractor licenses and ensures that all licensees have a minimum level of knowledge and competency to perform residential construction work. The proposed regulation also outlines when licenses are required and how the two new license types will interact with the Board’s existing registration requirements (R.I. Gen. Laws Chapter 5-65), which will still apply to contractors that only perform nonstructural home improvements.²

Pursuant to R.I. Gen. Laws Chapter 5-65.4, the Board is required to establish the licensing fees, an examination, and minimum standards for pre-licensing education, continuing education, and insurance requirements. Under this new combined licensing and registration system, obtaining a license will fulfill the contractor registration requirements in Chapter 5-65 meaning license holders will be able to perform both licensed work and work that otherwise would require a registration. R.I. Gen. Laws § 5-65.4-3(e). As such, the regulations delineate a three-tiered system of licensing and registration wherein home builders occupy the top tier, home remodelers occupy the middle tier, and the existing registered contractors occupy the third tier.

¹ See 2025 Public Laws ch. 421 (S0749A) effective July 2, 2025 (the “Act”).

² The existing contractor registration program under Chapter 5-65 will remain intact for contractors who only perform nonstructural home improvement work and commercial work. Likewise, the Board’s existing license programs for home inspectors, underground utility contractors, water filtration, well drilling, and pump installers, and commercial roofers under Chapters 5-65.1, 5-65.2, 5-65.3, and Chapter 5-73 will also remain intact.



The below regulatory analysis was prepared pursuant to the Rhode Island Administrative Procedures Act, R.I. Gen. Laws § 42-35-2.9.

Regulatory Development

The process of creating this proposed regulation was spearheaded by the Contractors' Registration and Licensing Board, whose members include industry professionals and representatives of the public.³ Over the course of ten months, the Board and its regulatory subcommittee held monthly meetings to discuss and deliberate over the substantive provisions and limited discretionary decisions required by the Act and set forth in the proposed regulation, all in compliance with the Open Meetings Act. All meetings were publicly noticed and open to attendance by members of the public. At those meetings the Board involved members of the public and representatives from stakeholder groups to discuss alternative approaches, all of which are memorialized in the Board's meeting minutes which have been posted to the Rhode Island Secretary of State's website.⁴ Any discretionary decision made by the Board, pursuant to the Act and discussed herein, is designed to be as minimally burdensome as possible in order to effectuate the consumer protection purpose of this newly expanded contractor licensing program.

In drafting the proposed regulation, the Board considered a range of alternative options, parallels to other Rhode Island regulations and policies, Departmental experience in new program implementation, and industry current and best practices. In furtherance of the foregoing, the Board established a subcommittee on contractor licensing comprised of seven Board members which met over the course of ten months to identify, review and weigh the alternatives and discuss comparisons to the Board's other license and registration programs, among other relevant comparisons. During the course of developing the proposed regulation, the Board's subcommittee and staff provided periodic updates and presentations to, and elicited feedback from, the full Board, which voted to approve the regulation at the Board's June 2026 meeting. Notably, all of the Board meetings and subcommittee meetings where this regulation was discussed were public meetings held in accordance with the Open Meetings Act, R.I. Gen. Laws Chapter 42-46.

³ <https://webserver.rilegislation.gov/Statutes/TITLE5/5-65/5-65-14.htm>

⁴ <https://opengov.sos.ri.gov/OpenMeetings/>

Regulatory Analysis

Qualitative Societal Benefits

Under the current contractor regulatory framework prior to enactment of Chapter 5-65.4, only a registration is required to offer a wide range of contractor services. This broad permission structure permits unqualified and inexperienced contractors to offer and provide home building and/or home remodeling structural services to consumers regardless of whether they have the necessary skills to perform such work.

Pursuant to R.I. Gen. Laws § 5-65.4-1, the purpose of these new licensing requirements is to “safeguard the public health.” The General Assembly instituted this new Act to build upon the existing regulatory framework for residential contractors. The Act will mitigate the risk of harm caused by unqualified and inexperienced contractors who, under the registration-only regulatory framework, were lawfully permitted to offer services that were beyond their skill and expertise. Under the new regulatory framework, contractors who perform home building and/or structural home remodeling will continue to perform such services upon obtaining a license which will require documented proof of their skills and competence. In contrast, those contractors who do not perform home building and/or home remodeling will continue to operate as registered contractors with the ability to perform any nonstructural home improvements. In that way, the new license requirements reduce risk to life and safety in Rhode Island by ensuring that contractors only offer services they are competent to provide. The proposed regulation’s increased insurance requirements similarly ensure that home building and structural home remodeling projects are adequately insured in the event of injury to persons or property.

Consistent with the Act, the proposed regulation will buttress consumer protection and safety by implementing knowledge and competency-based requirements for contractors who offer home building and/or home remodeling structural services. This skills-based approach will also foster a fair, sound business environment in the residential construction industry by ensuring that home builder and home remodeler contractors have the necessary skills to deliver qualitative results for consumers and the State of Rhode Island.

Quantifiable Costs/Benefits

In general, qualified contractors who perform home building and/or structural home remodeling will not be required to change the way they operate their businesses after these regulations take effect, but they will be required to obtain a new license, in lieu of their registration, to continue offering those services. As discussed herein and reflected in Appendix A, for purposes of this regulatory analysis, compliance costs associated with the home builder and home remodeler licenses have been reviewed against what is already required for contractor registrants.

Pursuant to R.I. Gen. Laws Chapter 5-65.4, the Board is required to establish the licensing fees, an examination, and minimum standards for pre-licensing education, continuing education, and insurance requirements. The Board’s submission of the proposed regulation was not a discretionary choice; it is a mandate assigned to the Board by the General Assembly in R.I. Gen. Laws Chapter 5-

65.4, and with support from the building and construction industry.⁵ Consistent with that mandate and as outlined in R.I. Gen. Laws § 5-65.4-3, the Board was granted discretion to establish the following regulatory requirements which will impact contractors who perform home building and/or structural home remodeling in Rhode Island: (1) licensing fees, (2) pre-license education requirements, (3) insurance requirements, (4) examination requirements and fees, (5) examination waiver criteria and fees, and (6) continuing education requirements.

1. Establishing Licensing Fees

Pursuant to R.I. Gen. Laws §§ 5-65.4-3 and 5-65.4-4, the Board is authorized to adopt policies and procedures for the licenses including the term of the licenses and licensing fee amounts sufficient to support the licensing program. The Board's proposed regulation establishes a fee of \$500 for a two-year structural home remodeler license and a fee of \$600 for a two-year home builder license. A two-year license term, as compared to the one-year registration term, is consistent with the term of the other licenses regulated by the Board, i.e., home inspectors, underground utility contractors, water filtration, well drilling, and pump installers, and commercial roofers.

The \$600 and \$500 fees for the two-year contractor licenses is an increased cost when compared to the cost to maintain a contractor registration for two years, which is \$300.

License/Registration	Term	Fee
Home Builder License	2 Years	\$600
Home Remodeler License	2 years	\$500
Contractor Registration	1 Year ⁶	\$150

As discussed below, these license fee amounts are based upon the projected number of license applications and funding requirements for new staff positions to operate the new license program consistent with § 5-65.4-4 and the FY2027 Budget.⁷

Costs:

In March 2026, the Board instituted a survey for all first-time and renewing contractor registrants, to gauge the level of interest for obtaining a new license. Out of 4,543 survey responses received as of September 1, 2026, approximately thirty percent (1,407 out of 4,543; 30.97%) of registrants expressed interest in obtaining a contractor license on or after January 1, 2028. If it is assumed that such a sampling is representative of the entire population of registered contractors, applying 30% to the entire population of registered contractors (~10,000 registered contractors), results in an estimated 3,000 existing registrants that will likely apply for the new licenses beginning in the 2nd half of FY2028.

⁵ Industry testified in favor of statutory changes. <https://capitolvri.cablecast.tv/show/11110>.

⁶ The 1-year registration term for registered contractors is required by R.I. Gen. Laws § 5-65-8.

⁷ The FY2027 Budget authorized two additional Department FTEs for the contractor licensing program. 2026 Public Laws, ch. 084, art. 1 (H7127Aaa) effective June 12, 2026.

Because Rhode Island home builders and home remodelers currently need a contractor registration under Chapter 5-65 to offer and perform structural work, the Board anticipates that the majority of applicants for the new licenses will be contractors who currently hold a contractor registration. Obtaining a contractor license will eliminate the need to hold a contractor registration because it authorizes the license holder to perform any of the work included in the scope of a contractor registration. In setting license fees and cognizant that fees must fund support of the licensing program, the Board recognized that the new license fees will supplant some registration fees. Assuming the lions' share of new license applicants will be existing registration holders, the new \$500/\$600 two-year license fees will result in a net increased cost of \$200 to \$300 every two years, or \$100 to \$150 per year. But given that all registrants are already regulated and paying \$150 annual registration fees, 50% or more of the licensure fees are already incurred by registrants in the existing contractor registration program. The resulting transfer of costs represents a net increase in license fees of \$100 to \$150 per year, as compared to the cost of paying only an annual \$150 registration fee.

Benefits:

Revenue from the new licensing fees will be used to support the new contractor licensing program including two new licensing staff positions for the Board who will work in program operations reviewing and processing license applications and renewals, performing administrative support and customer service for license applicants, and assisting consumers who seek to file complaints against licensees.

Obtaining a new license will also benefit the license holder in the business environment, because registered-only contractors will no longer be able to offer and perform structural home building and home remodeling projects.

This new tiered licensing and registration program for contractors benefits the public because they will more easily be able to determine if the contractor they are hiring is qualified to perform the work contracted for. Currently, the contractor registration program treats someone who performs minor home repairs the same as a home builder. But a consumer has no way to know, behind referrals from other clients, that a contractor is qualified to work on their project.

Alternatives:

As to the term of the home builder and structural home remodeler licenses, the Board considered a 1-year term (which is the term of a contractor registration) or 2-year term (which is the term of each of the other licenses issued by the Board) and determined that a 2-year license term was the better option. The Board explored a range of licensing fees (from \$350 to \$600 for a 2-year home remodeler license, and a range of \$400 to \$600 for a 2-year home builder license) and calculated the anticipated revenue necessary to sustain the new FTEs supported by this new revenue source. While the anticipated pool of license applicants is expected to be a 30% +/- migration from existing registrations based on the above-described survey responses, since that is only an estimate of applicants and not assured, the Board determined the prudent course was a \$500 home remodeler license fee and a \$600 home builder license fee since lower license fees would not generate sufficient new revenue to fund and sustain two new staff positions which will be necessary to operate this new

license program (this new license program will be the seventh licensing program managed by the Board, in addition to contractor registrations).

The Board also considered setting a higher fee because R.I. Gen. Laws Chapter 5-65.4 does not set a monetary cap for the new license fees. While the Board could have proposed higher license fees, the Board determined to set the proposed fees in line with what is necessary to operate and support the program as directed under § 5-65.4-4 including funding new licensing staff.⁸ Given the additional staff work to implement this program and review these more complex license applications, the Board's fees are reasonable, as minimally burdensome as possible to fund the new staff members, and no more than double the biennial equivalent of the existing contractor registration fee of \$150 a year.

2. Pre-Licensing Education Requirements

R.I. Gen. Laws Chapter 5-65.4-3(c) provides that the Board “may adopt, for licenses granted under this chapter, any policy or procedure applicable to registrations under chapter 65 of this title that does not conflict with the provisions of this chapter.” Pursuant to R.I. Gen. Laws § 5-65-5(e), registered contractors are required to complete a five-hour pre-registration course. The Board proposes to adopt a pre-licensing education requirement for license applicants that is consistent with the registration program under R.I. Gen. Laws Chapter 5-65. Pre-licensing education will also help to prepare license applicants to take and pass the required license examination. The Board currently approves education courses and providers pursuant to existing regulations, and such procedures will not change for the approval of educational courses/providers for these new licenses. Pre-licensing and continuing education course lists are periodically updated on the Board's website.

The proposed regulation would require license applicants to complete a 5-hour pre-licensing course that covers Rhode Island statutory, regulatory and licensing requirements, which is substantially like the existing pre-registration course for contractor registrants. The Board proposes that applicants also complete an additional 12.5 hours of education (totaling 17.5 hours of pre-license education) prior to being approved for a license. These 12.5 hours of pre-licensing education courses must focus on residential building code requirements. The Board views the need for building code education for home builders and home remodelers as essential to ensure that only competent and skilled professionals are licensed because such structural work, if performed improperly, could pose serious life and safety risks to the public. The additional pre-licensing education requirement is reasonable and reflects that with a license, a contractor will be authorized to perform work in two (home remodeler) or all three (home builder) tiers of Rhode Island's contractor licensing program.

The proposed pre-licensing education requirement is also consistent with the new law which provides “[t]he license program . . . *shall be designed to advance consumer protection by establishing a standard of competency* and enhance ongoing adherence to building standards and codes through

⁸ In evaluating alternatives, the Board considered several other states that have two tier contractor licensing including: Connecticut (home improvement contractor \$220 annual, home builder \$360 annual), Maryland (home improvement contractor \$281 biennial, home builder \$400-\$1200 annual based on building permits plus \$300 annual fee for sales reps) and Massachusetts (home improvement contractor \$100 biannual, home builder \$100 biannual).

continuing education, code competency demonstrations, or industry training programming.” R.I. Gen. Laws § 5-65.4-3(b) (Emphasis added). Requiring a total of 17.5 hours of pre-licensing education establishes a standard of competency to ensure that from the outset of licensing, contractors have sufficient understanding of applicable RI laws, construction best practices and building code requirements. Harm prevention is the best possible form of consumer protection and, to that end, raising contractor education standards is a strong preventative for consumer harm that helps protect against improper and unsafe construction practices.

Note that pre-licensing education is required for all applicants regardless of whether they qualify for an exam-waiver (as discussed below). Pre-licensing education requirements are not waivable unless someone has provided proof of a technical school credential pursuant to § 7.5(F)(4).

Costs:

Currently, the pre-registration education requirement for a registered contractor who is authorized to perform structural home building and remodeling is a five-hour course that doesn’t address residential building code requirements. The proposed regulation would require license applicants to complete that same 5-hour course (average cost is \$200 for a 5-hour course), plus 12.5 hours of additional education courses with a focus on residential building standards prior to obtaining a license.

Based on information provided to the Board by two experienced and Board-approved education providers, in-person 2.5-hour courses cost either \$99 or \$165 depending on the provider, and one provider offers virtual 2.5-hour courses for \$59.⁹ These costs per course are the same as the continuing education costs. Converting these costs into an hourly rate, the in-person courses cost between \$39.60 to \$66 per hour¹⁰ and the remote course cost around \$24 per hour. The cost to contractors incurred by the proposed regulation’s additional 12.5 hours of pre-licensing education requirements will range from \$300 (remote instruction) to \$660 (based on the average hourly in-person cost of \$52.80), depending on the contractor’s choice of education providers/courses and whether they choose to take the course online or in person. For more details regarding pre-licensing education costs and data showing the hourly breakdown of such costs, please refer to Appendix A. Pre-licensing education will be a one-time expense incurred by license applicants when submitting their first-time application for a home building or home remodeling license, and the concept of pre-licensing education is consistent with both R.I. Gen. Laws Chapter 5-65 and Chapter 5-65.4.¹¹

⁹ Per the proposed regulation, applicants have the option to provide proof of completing the Occupational Safety and Health Administration’s (“OSHA”) ten-hour worksite safety course to satisfy ten hours’ worth of the pre-license education requirement. The OSHA ten-hour worksite safety course reinforces many of the same safety requirements that are contained in the Rhode Island Building Code and teaches the use of safe building practices. OSHA offers its ten-hour worksite safety course online for between \$50 and \$90, and in-person for between \$100 to \$300. <https://www.osha.com/blog/osha-10-30-cost>.

¹⁰ The average cost for in person courses is \$52.80 per hour.

¹¹ Pre-licensing education is not unique to the existing contractor registration program or this proposed regulation. Other Department regulated professions are also required to complete certain pre-licensing education courses and pass exam prior to obtaining a license, including Real Estate Brokers and Salespersons, R.I. Gen. Laws § 5-20.5-4, and Real Estate Appraisers, R.I. Gen. Laws § 5-20.7-9.

Also, most of the licensees will be business owners who are not traditionally salaried employees. The Licensee needs the license to conduct their business and requiring pre-licensing education, which is consistent with the Act, does not have a meaningful business impact. However, failure to complete the pre-licensing education will have a substantial business impact because the license will be necessary to maintain the ability to perform structural home building and/or home remodeling.

Benefits:

Structural home building and home remodeling work are services that require a heightened level of knowledge and skill to perform as compared with non-structural work. Structural work requires knowledge and understanding of building code requirements that are designed to ensure structural integrity, health and safety. In structural construction projects, there may be various and overlapping state and local permitting and licensing requirements, and in those instances the work being performed directly affects Rhode Island consumers' ability to obtain and/or maintain safe housing.

The Board and its staff have substantial experience handling a high-volume of consumer complaints and bringing enforcement actions against unqualified and ill-equipped contractors engaged to perform home building and remodeling. These pre-licensing education requirements recognize that the potential for financial harm to a consumer as a result of an unqualified or incompetent contractor can be crippling—especially in the case of remodeling a home because a consumer can have their existing housing endangered due to improper structural remodeling work. Education for the purpose of ensuring qualitative results for consumers is a clear benefit for all Rhode Islanders. Education further benefits contractors by increasing their knowledge and ability to perform construction that complies with all the applicable codes and building standards, which improves their business reputation and financial position and reduces potential for loss and liability.

Alternatives:

Notably, the existing program for contractor registration requires some minimal pre-licensing education. The Act directed the Board to implement this new licensing program consistent with the existing requirements for contractors. The Board, after much discussion, determined that the proposed pre-licensing requirements were the best way to ensure a higher minimum standard of qualifications without creating unreasonable barriers to entry to the new licenses.¹² The Board chose not to require formal higher education and extensive experience documentation because such requirements would not be consistent with the statutory directives in the Act. However, experience documentation is required for the limited exam-waiver pathway, but such pathway is optional and not required to obtain a license.

The Board considered whether to require more or less pre-licensing education by looking at what other states require for their contractor licenses, what is required for other Board-regulated

¹² R.I. Gen. Laws § 5-65.4-3(b): "The license program shall not create an unreasonable barrier to entry nor inhibit trade or competition, but shall be designed to advance consumer protection by establishing a standard of competency and enhance ongoing adherence to building standards and codes through continuing education, code competency demonstrations, or industry training programming."

licenses, and what is required for other construction-related professions. The states of Massachusetts and Maryland require three and two years of experience, respectively, prior to licensure as a home builder/remodeler contractor. Water filtration, well drilling and pump installer, and home inspector licenses regulated by the Board only require examination prior to initial licensure; however, licensees must complete 10-12 hours of continuing education every 2 years.

There is no college degree program designed to educate contractors. Pre-licensing third-party coursework specific to applicable state laws and/or building code requirements is a reasonable and reliable way to ensure that new applicants have undergone some formal training in residential construction. Pre-licensing coursework is a common requirement for other Department-regulated programs that do require college education, such as real estate brokers and salespersons, auto body shops, commercial roofers, real estate appraisers. The Board has also established in the regulation a partial pre-license education waiver for graduation or program completion in construction or another relevant trade discipline from an accredited technical training school, that waives those applicants' need to perform twelve and a half hours of pre-license education (those applicants would still be required to take the 5-hour pre-license course).

The Board considers 17.5 hours of pre-licensing education, which is only a 12.5 hour increase from the registration requirements, to be reasonably justified considering the type of work performed by home builders and remodelers and the risk of harm to consumers and the general public if such work is performed without adequate training and skill. These requirements do not impose substantial time or cost burdens on applicants who wish to apply for these licenses. Overall, the Board determined that this amount of pre-licensing education fulfills the R.I. Gen. Laws § 5-65.4-3(b) mandate as a minimally burdensome way to implement the new act and meet the consumer protection goals.

3. General Liability Insurance Requirements

R.I. Gen. Laws § 5-65.4-3(f) provides that home builder and home remodeler license applications “shall include . . . [p]roof of insurance.” Whereas registered contractors are statutorily required to maintain a minimum general liability insurance coverage level of \$500,000, the new licensing law does not set a minimum coverage level for contractor licensees. R.I. Gen. Laws § 5-65-7.¹³ General liability insurance provides coverage for third-party financial losses due to accidental bodily injury or property damage caused by contractor operations. Examples include customer injury sustained as a result of a trip and fall caused by a hazardous condition on the job site or damage to a customer's vehicle resulting from contractor equipment falling onto the vehicle at the job site.

General information regarding insurance coverage and costs in this section was obtained from insurance professionals within the Department of Business Regulation's Insurance Division and/or

¹³ Both registered and licensed contractors are required to maintain workers' compensation insurance as required under Chapter 28-29 of the Rhode Island General Laws. R.I. Gen. Laws §§ 5-65-7(b) and 5-65.4-3(f)(7). Thus, that requirement will not change under the regulations.

other industry professionals with whom the division engages.¹⁴

Pursuant to R.I. Gen. Laws § 5-65.4-3(c), the Board has been granted discretion to establish the minimum general liability insurance requirements for licensed contractors. (“The board may adopt, for licenses granted under this chapter, any policy or procedure applicable to registrations under chapter 65 of this title that does not conflict with the provisions of this chapter”).

Because it involves core load bearing components that are critical to building integrity and occupant safety, structural home building and home remodeling work necessarily involves a higher incidence of occurrence and resulting damage to people and property than nonstructural work, which involves contextual surface and/or cosmetic features. According to the Board’s research, many lenders, municipalities’ permitting requirements, and industry best practices require \$2,000,000 aggregate general liability coverage for contractors performing residential structural home building and remodeling work. A review of recent RI contractor registration records confirms that most of RI’s registered contractors in good standing who build homes already maintain aggregate general liability coverage of \$2,000,000 or more. Consistent with the foregoing, the Board proposes a minimum aggregate general liability coverage limit of \$2,000,000.

Costs:

R.I. Gen. Laws Chapter 5-65 requires a minimum general liability insurance coverage for registered contractors of \$500,000. A review of a sample of 200 certificates of insurance submitted to the Board along with contractors’ registration applications reveals that 163 of the 200 (81%) registered contractors already have insurance coverage that meets the \$2,000,000 aggregate general liability insurance coverage required by the proposed regulation. For those contractors there should be no cost increase to comply with the proposed regulation. Considering the small sample size together with industry data discussed herein, for purposes of estimating compliance costs prior to implementation, we adjusted the percentage of applicants who will likely see an increase in insurance premiums from 19% to approximately 30 to 45%. Therefore, approximately 55% to 70% of applicants will not see increased insurance premiums because of this regulation, greatly reducing the aggregate costs of implementation and ongoing compliance. This analysis assumes cost impacts more conservatively than our internal sampling results and calculates costs on a range of costs from \$0 to \$600 for individual contractors and in the aggregate based on cost increases for an estimated 30% to 45% of new licensees as set forth in Appendix A.

¹⁴ The Insurance Division is part of the U.S. insurance regulatory framework which is a highly coordinated state-based national system designed to protect policyholders and to serve the greater public interest through the effective regulation of the U.S. insurance marketplace. Through the National Association of Insurance Commissioners (NAIC), insurance regulators establish national standards and best practices, conduct peer reviews and coordinate their regulatory oversight to better protect the interests of consumers while ensuring a strong, viable insurance marketplace. U.S. insurance regulators also participate in the International Association of Insurance Supervisors (IAIS) along with the NAIC by participating in major standard setting initiatives, including working with fellow regulators from around the world to better supervise cross-border insurers, identifying systemic risk in the insurance sector, and creating international best practices.

Insurance providers set rates for general liability coverage for contractors based on the company's payroll. For that reason, there is not a one-size-fits-all approach to measuring insurance costs across the entire construction industry. On average, RI registered contractors pay \$1,500 per year to maintain the minimum \$500,000 general liability coverage. However, in some instances where a contractor is a single person operation, the contractor may pay as little as \$900 per year for \$500,000 of general liability coverage. To become licensed and comply with the proposed regulation, contractors would be required to increase their existing general liability insurance coverage from \$500,000 to \$2,000,000. According to insurance industry data, the increase in coverage will not cost the contractor four times as much in premium payments. Rather, the average estimated cost to increase coverage from \$500,000 to \$2,000,000 aggregate coverage should be approximately \$300 per year. As such, contractors who decide to apply for a license and need to increase their coverage from \$500,000 to \$2,000,000 can expect to incur a 20% to 30% annual cost increase for insurance coverage. Costs of general liability coverage could be lower for licensed contractors who have a small number of employees (lower payroll) and higher for those having a larger payroll or claims history.

Most registered contractors that build homes already maintain a general liability insurance policy that complies with the proposed regulation, including many smaller sized contractor companies that maintain \$2,000,000 or more of general aggregate coverage. Contractors that seek a license to perform structural home building and/or home remodeling work who currently maintain the \$500,000 minimum GL insurance coverage required for registered contractors are the most likely to incur increased costs due to the proposed regulation. As noted above, the cost impacts set forth herein are based upon an assumption that 30% to 45% of licensees will have to increase general liability coverage from \$500,000 to \$2,000,000; there has been no reductions of cost estimates as to any contractors who already have and incur a cost for \$2,000,000 coverage. Although it is estimated that 55% to 70% of licensees will not incur any additional insurance premium costs.

Benefits:

The benefit of requiring a home builder and/or a home remodeler to maintain \$2,000,000 in general liability coverage extends to both the contractor and the consumer. Indeed, sufficient insurance to cover risk and potentially high-cost loss and damage in the event of a covered occurrence during building or remodeling a home benefits the party who suffers the loss/damage and also the insured contractor who would otherwise be faced with paying for loss/damage out of pocket. The insurance coverage provides a viable source of recompense for an injured party (health and safety) and a means for the insured contractor to mitigate and manage risk posed by a significant claim/loss that could otherwise impair the solvency and continuity of their business.

Alternatives:

Over the course of ten months, the Board held monthly meetings to discuss and deliberate over this proposed regulation, all in compliance with the Open Meetings Act. At those meetings the Board involved members of the public and representatives from stakeholder groups to discuss alternative approaches, which are memorialized in the Board's meeting minutes. Said meetings included discussions about other states' approaches. However, since every state has a different approach to regulating home builders and remodelers there is not a suitable one-to-one comparison that would apply to Rhode Island. For instance, New Hampshire and Maine have no statewide

regulations for contractors, and Massachusetts delegates its contractor insurance requirements to the local municipalities. Similarly, Massachusetts and Maryland both have guaranty funds that contractor licensees contribute to and help to address harm caused by contractors to consumers. Such a guaranty fund is not a part of the statutory framework enacted by R.I. Gen. Laws Chapter 5-65.4.

The Board considered market data provided by the Department's Insurance Division and looked at the various general liability policy amounts currently available for purchase in Rhode Island's insurance market. The Board found that general liability policies for contractors in the amounts of \$500,000, \$1,000,000 and \$2,000,000 were the most commonly available insurance products on the market. The Board understood that it was important for any insurance requirement to be feasible and readily available for purchase in the insurance market. Therefore, it only considered policies in those 3 amounts. Starting with that information, the Board considered which commonly available policy amount would be the most appropriate and least burdensome to effectuate the intent of the Act. R.I. Gen. Laws § 5-65.4-3.

After much discussion, the Board opted for the proposed \$2,000,000 minimum which is consistent with current construction industry best practices¹⁵ and accounts for inflation that has occurred since the existing \$500,000 contractor minimum policy coverage was established in 2006. See R.I. Gen. Laws § 5-65-7(a); 2006 Public Laws, Chapter 648 (H8245Aam) enacted 7/17/2006. This is also consistent with commercial roofers, who are regulated by the Board, and are required to maintain \$2,000,000 of general liability insurance. R.I. Gen. Laws § 5-73-3(c)(7).

The Board's proposed \$2,000,000 aggregate coverage minimum is reasonably justified based on the level of life/safety risks and loss exposure involved when performing structural home building and/or remodeling as compared with non-structural work, and the health/safety benefits for consumers and business protection afforded to the contractors having a source of recompense for covered loss/damage sustained in the course of construction.¹⁶ Moreover, this amount of coverage will enable contractors to continue working even when there is a pending liability claim against them because they will have enough insurance coverage to cover more than one claim within a policy year. Rhode Island has 12% statutory post-judgment interest on civil judgments which is another reason to ensure adequate liability coverage. R.I. Gen. Laws § 9-21-10.

4. Examination Fees

Pursuant to R.I. Gen. Laws § 5-65.4-3(g), "[t]o be eligible for licensure as a new residential [contractor]. . . an applicant shall also, at a minimum, fulfill the following requirements: [] Pass appropriate examination approved or administered by" the Board. The Department will use a third-

¹⁵ <https://suretyfirst.com/business-insurance/general-liability-insurance/limits/>;
<https://inlocc.iu.edu/policies/insurance-requirements.html>;
<https://vendorrack.com/blog/general-liability-insurance-contractors/>

¹⁶ According to the Board's research, the cost to build a new home in Rhode Island ranges from \$450,000 to \$750,000 and construction can take 4 to 6 months. <https://www.houzeo.com/blog/how-much-does-it-cost-to-build-a-house-rhode-island/>; <https://www.newhomesource.com/learn/how-to-build-house-rhode-island/>. Considering the scope and scale of a single project, requiring a \$2,000,000 aggregate GL coverage helps to ensure that a home builder and/or remodeler has adequate coverage to respond to more than one insurance claim.

party testing service provider, to develop, conduct and administer examinations for all licenses issued by the Board. Such an approach is consistent with other DBR boards and divisions, which when possible utilize third-party testing service providers to prepare and administer exams with psychometric expertise. Moreover, the Department and Board do not have a testing center facility and/or software and technology systems with identification, biometrics, security, and monitoring safeguards required to administer license examinations. The third-party test vendor will establish the “per examination” fee that each license applicant is responsible to pay directly to the testing vendor.

Costs:

The current “per examination” cost for other Board regulated license exams is \$180. For purposes of this analysis, the Board assumes for consistency that the new examinations will also cost \$180. To date, there have been close to 250 Board license exams (approximately 150 licensed home inspectors, 70 licensed underground utility installers and 25 licensed water filtration installers administered by third party vendors. As outlined above, based on a contractor registrant survey the Board anticipates that approximately 3,000 contractors will apply for these new contractor licenses. Except for applicants who are granted an examination waiver (discussed below), each license applicant will be required to take the licensing exam and will be responsible for paying the examination fee to the testing vendor. Further, an applicant will be required to pay the examination fee for first-time examination and for any retake of the exam. Once an applicant has passed the examination and obtained their license, provided they renew and maintain the license, no further examination or examination fees will be required.

The Board acknowledges that some percentage of test-takers may not pass the examination the first time and will be required to re-take the test. The Department monitors examination pass rate percentages for various other license exams. For example, insurance professional license exams have a range of pass rates between 57% and 89%. Such data, may not perfectly reflect the estimated outcomes for contractor license exams, the Department is aiming for a pass rate of at least 70% and hopefully higher. Given that this analysis is being prepared prior to implementation and creation of the exam, it does not quantify the potential costs to applicants who may have to pay an additional \$180 to retake exam but recognizes that this could be a factor resulting in increased compliance costs. See Appendix A.

Benefits:

The statutory requirement to pass an examination to obtain a new contractor license is a benefit for Rhode Island consumers, because it helps to ensure that contractors who perform residential structural work have a requisite level of knowledge and competency from inception of licensing. The potential risk of harm caused by unqualified home builders and remodelers can be disastrous for Rhode Island consumers on a financial and personal level and even endanger some consumers’ ability to maintain housing. Moreover, the exam requirement is a statutory requirement that the General Assembly explicitly included as a foundational element and requirement for the new licensing program for contractors who offer and perform residential structural home building and remodeling.

Alternatives:

Chapter 5-65.4 provides that exams may be administered by a Board approved provider or the Board itself. The Board's subcommittee on contractor licensing researched how other states' Boards administer exams and learned that there are inherent licensing delays and deficiencies that exist with a Board facilitated exam approach. While the Board members and department staff are knowledgeable of the applicable law governing licensees and as to different aspects of contractor work, the Board (which is comprised of volunteer appointees) and department staff (who have daily work responsibilities including reviewing, assisting contractors with, and issuing registrations/licenses, investigation and initiating violations and enforcements actions, review and handling consumer complaints) do not have the psychometric, statistics and other technical expertise required to effectively and efficiently develop, conduct and administer the examinations. In addition, having the Board develop and administer the test could impair its role and responsibility as a quasi-judicial appellate authority with jurisdiction over contractor licensing and/or violation appeals, examination waiver requests, and its role reviewing and approving all continuing education providers and individual courses for all six existing license programs and contractor registrations.

Based on the foregoing, the Board has reasonably and appropriately determined that having a third-party test vendor conduct and administer the new home building and home remodeler license examinations pursuant in the same manner as the other six Board licenses will be the most effective, time- and cost-efficient course.

5. Continuing Education Requirements

R.I. Gen. Laws § 5-65.4-3(g)(3) provides that “[t]he license program . . . shall be designed to advance consumer protection by establishing a standard of competency and enhance ongoing adherence to building standards and codes through [among other things] continuing education.” The new Act also provides, in R.I. Gen. Laws § 5-65.4-3(g)(3), that maintaining a license shall require satisfaction of “continuing education requirements as prescribed and recognized by” the Board. The proposed regulation intends to satisfy that explicit mandate and maintain a standard of competency by requiring licensees to complete 12 hours of continuing education courses every 2 years to be eligible for renewal.

In accordance with R.I. Gen. Laws Chapter 5-65, currently, registered contractors are required to complete 2.5 hours of continuing education every year (or 5 hours of education every 2 years). R.I. Gen. Laws § 5-65-5(f). According to the proposed regulation, licensees shall complete 12 hours of continuing education courses every 2 years. This is consistent with the current continuing education requirements for water filtration, well drilling and pump installer, commercial roofer and home inspector licenses regulated by the Board, who must complete 10-12 hours of continuing education every 2 years. If it is assumed that the majority of new contractor licensees will be former registrants, then licensees can expect to incur a cost increase to complete 7 additional continuing education hours every 2 years compared to what is required for registered contractors.

The registrants who will seek to transition to one of these new licenses are not usually sole proprietors but owners of business that manage employees and duly licensed subcontractors (contractor registrants and DLT licensees) on multiple projects and varying locations. The person who will hold the license on behalf of the business is not the same person, in most cases, who is directly performing the construction work. This is the manager, owner, supervisor, foreman, project manager. This person is responsible for the quality of the workmanship, work-place safety, and ordering materials, etc. Therefore, requiring the individual licensee to take continuing education courses, half of which may be done at home on their computer, does not necessarily require them to work additional hours each day to complete this requirement.

Costs:

The proposed regulation includes a continuing education increase of 7 hours biennially (existing registrants are already required to perform 2.5 hours per year; 5 hours biennially). The proposed regulation also requires that 6 hours of continuing education be completed in-person. This section assumes that the licensee will perform at least five of the continuing education hours virtually at no cost increase from the existing status quo.

Based on information provided to the Board by two experienced and Board-approved education providers, in-person 2.5-hour courses cost either \$99 or \$165 depending on the provider, and one provider offers virtual 2.5-hour courses for \$59. Converting these costs into an hourly rate, the in-person courses cost between \$39.60 to \$66 per hour and the remote course cost around \$24 per hour. In total, the estimated individual cost of complete 12 hours of continuing education in accordance with the regulation range from \$382 to \$792 depending on the licensee's choice of exam provider and how many hours are completed in person and recognizing that a minimum of 6 hours must be completed in person.

The increased cost to contractors incurred by the proposed regulation's continuing education increase of continuing education requirements from 5 hours (for registered contractors over 2 years) to 12 hours will range from \$264 to \$462 to complete the additional 7 hours. These costs are based on ranges for 6 hours of in-person instruction and 1 hour of remote instruction, consistent with the proposed requirements and depending on the contractor's choice of education providers/courses. For more details regarding continuing education costs and data showing the hourly breakdown of such costs, please refer to Appendix A.

Also, these licensees will be business owners and are not traditionally salaried employees. The Licensee needs the license to conduct their business and requiring an average of 6 hours a year, an increase of only 3.5 hours per year from the current contractor registration requirements, does not have a meaningful business impact. However, failure to complete the continuing education will have a substantial business impact because all work under the license will need to cease until the license is renewed.

Benefits:

Structural home building and home remodeling work are services that require a heightened level of knowledge and skill to perform as compared with non-structural work. Structural work

requires knowledge and understanding of building code requirements that are designed to ensure structural integrity, health and safety. In structural construction projects, there may be various and overlapping state and local permitting and licensing requirements, and in both instances the work being performed materially and directly affects Rhode Island consumers by impacting those consumers' ability to obtain and/or maintain safe housing. The Board's own experience handling consumer complaints and bringing enforcement actions against unqualified and ill-equipped contractors engaged to perform structural work home building and remodeling reflects that the potential for financial harm in these instances can be crippling to Rhode Island consumers – especially in the case of remodeling a home because a consumer can have their existing housing endangered due to improper and/or negligent structural remodeling work. Education for the purpose of ensuring qualitative results for consumers is a clear benefit for all Rhode Islanders. Education further benefits contractors by increasing their knowledge and ability to perform construction that complies with all the applicable codes and building standards, which improves their business reputation and financial position and reduces potential for loss and liability.

Alternatives:

Over the course of ten months, the Board held monthly meetings to discuss and deliberate over this proposed regulation, all in compliance with the Open Meetings Act. At those meetings the Board involved members of the public and representatives from stakeholder groups to discuss alternative approaches and the requirements in other states. However, since every state has a different approach to regulating home builders and remodelers there is not a suitable one-to-one comparison that would apply to Rhode Island.

The Board was required by the Act to implement continuing education requirements. Given the new tiered licensing structure, the Board determined that it was necessary to require licensees to complete more continuing education hours than the existing contractor registrants. After comparing these new license types to the Board's existing license programs, the Board determined that 12 hours was reasonable, not overly burdensome on businesses and necessary to maintain the standard of competency required to perform structural home building and home remodeling. This is consistent with the statutory directive to “not create an unreasonable barrier to entry nor inhibit trade or competition.” R.I. Gen. Laws § 5-65.4(3)(b).

Notably, home inspector licensees and commercial roofer licensees are also required to complete 12 hours of continuing education every two years, and the Board takes the position that home building and home remodeling requires at least the same level of competency as those other licensed professions, warranting the proposed continuing education standard. Therefore, the Board did not consider setting the continuing education hours at less than 12 for a 2-year license. Comparing this requirement to other Department programs, the 12 hours of continuing education every 2 years remains on the lower end of continuing education (CE) requirements, consistent with the other programs under the Department's jurisdiction.¹⁷ After looking at the variety of continuing education

¹⁷ Certified Constables (10 hours of CE every 2 years); Land Surveyors (20 hours of CE every 2 years, 10 hours must be in person); Real Estate Brokers/Salespersons (24 hours of CE every 2 years); Architects (24 hours of CE every 2 years); Real Estate Appraisers (28 hours of CE every 2 years); and Certified Public Accountants (120 hours of CE every 3 years).

programs across the Board and Department's jurisdiction, the Board also concluded that more than 12 hours would be unnecessarily burdensome.

6. Exam Waiver Process for existing CRLB Registrants

Pursuant to R.I. Gen. Laws § 5-65.4-3(b), the Board "may create a reasonable license pathway or substantive evidence standard to issue licenses to contractors registered prior to January 1, 2027, but it shall not be a grandfathering based solely on registration prior to January 1, 2027." Accordingly, the proposed regulation includes a "grandfathering" pathway ("exam waiver pathway") for contractors who are registered prior to January 1, 2027, which requires more than just simply having a registration as of that date. The exam waiver pathway developed by the Board requires that applicants registered prior to January 1, 2027, who seek to forego the examination provide an application packet that includes three additional elements: (1) letters of recommendation, (2) portfolio of work, and (3) financial attestations.

An exam waiver pathway application, if approved, will permit the applicant to forego taking the exam. However, the volume and substance of additional documentation included in these application packets will take considerably more time for Board staff to review and approve. As such, the proposed Board regulation includes a one-time processing fee to account for the resource intensive review process for these exam waiver applications. Exam waiver applications will not be accepted after January 1, 2030, which means that exam waiver processing fees will only be incurred by those contractors who seek an exam waiver between the rollout of the program and January 1, 2030; afterwards there will no longer be an exam waiver pathway for licensure.

The exam waiver standards are high enough to ensure that there is no increased risk to life/safety caused by any licensees who were not required to take the exam. In fact, the licensee who obtained the waiver will be at least as qualified to perform the work authorized by the license as those licensees who passed the exam. The standard of competency demonstrated by an exam waiver applicant's portfolio of work will be the same competency level required to pass the exam. There is no lower or higher tier of competency required for applicants based on whether they take an exam or seek an exam waiver. The exam waiver exists because many of the existing registrants are already competently performing the work that will require a license under this expanded program. The goal of this Act is to allow both consumers and contractors to easily determine what services they are qualified to provide, whether they are qualified already or may become qualified in the future through these additional exam and education requirements.

Costs:

From the date of inception of the new contractor license program until January 1, 2030, there will be two pathways to licensure. To apply for a new license during that time, applicants will be required to include with their application proof that they have passed an exam or a request and supporting documentation for an exam waiver. In either case, the applicants will incur an examination related cost that does not apply to an application for a contractor registration. Applicants who opt to take the examination will incur a cost of \$180 for any first-time examination and any retake. Any contractor who was registered prior to January 1, 2027, who applies for a license before January 1, 2030, via the exam waiver pathway will incur the \$100 exam waiver application

processing fee and a few hours of time to compile their documentation of experience. This is \$80 less than the exam fee, but it is still a \$100 increase over the current cost to obtain a registration which has no exam requirement. Successful exam waiver applicants will have to spend a few hours preparing their experience documentation but will save time by not having to prepare for and take the exam. Ultimately, the exam waiver applicant may spend less time preparing a complete waiver application than an applicant with less experience who must opt for the exam pathway. Costs could be higher for any applicant that applies for the exam waiver (\$100 supplemental fee) but does not obtain the waiver and needs to pay an additional \$180 to register for the exam. For purposes of this analysis, the calculation of aggregate exam costs assumes that all applicants will incur the \$180 exam fee.

Benefits:

The benefit of offering an exam waiver pathway extends to those contractors who have a proven track record of competent and quality performance in this industry performing home building and/or home remodeling. The exam waiver pathway affords those contractors the opportunity to request a waiver of the exam requirement and still obtain a license by providing documentation that proves their expertise and past performance as a home builder or structural home remodeler. This pathway could be more cost effective and time efficient for some applicants. The requirement that exam waiver application materials demonstrate an applicant's skills, experience and competency is an alternative but equally effective means to ensure that contractors who perform residential structural work have a requisite level of knowledge and competency from inception of licensing.

Alternatives:

The Board considered the alternative of not providing an exam waiver pathway (as permitted by R.I. Gen. Laws § 5-65.4-3), but decided that including the exam waiver option for a limited time was a reasonable and beneficial approach to enable qualified, competent contractors to transition easily into the new regulatory framework without the need for an exam, while also maintaining the intent of the new law which requires the Board to ensure all licensees meet a heightened standard of competency. The limited 2-year window for the exam waiver ensures that existing contractors who have a documented record of experience and competence performing residential structural work are able to transition efficiently into the new license program while at the same time encouraging and ensuring that new and less experience contractors obtain the necessary education and training through coursework, performing registered work and/or as an employee and under the supervision of a licensed contractor, to pass the examination and become licensed. Even more, processing and reviewing the exam waiver applications is expected to require a material amount of time and resources of the CRLB and staff; limiting the time period during which the Board will perform these review procedures is a reasonable measure to ensure continued timely performance of all the division's responsibilities with current staff levels. Given the appellate procedure for this Board, all waivers must be reviewed and approved or rejected by staff because the Board could be reviewing an application denial on appeal. An applicant whose exam waiver application is rejected can appeal that decision to the Board's hearing officer. If they do not win their appeal, they could appeal the hearing officer's decision to the full Board. And finally, the full Board's decision is appealable to Superior Court. Accordingly, balancing the statutory directives to establish this new program, the recognition that there are existing qualified registrants who could benefit from a limited-time exam

waiver, and the allocation of board staff resources, the Board settled on a 2-year window for these waivers.

After January 1, 2030, the competency measure for licensure shall be the Board approved exam. Lastly, the combined criteria for exam waiver applications (registration + references + portfolio of work + financial disclosures) were preferred by the Board, rather than using any individual criteria because the criteria on their own would not be sufficient to determine whether an applicant has the requisite experience, qualification and competency for a license.

Discussion of Overall Costs/Benefits

There will be temporal costs for those contractors that need to transition from operating under a registration to operating under a license. However, that cost of time spent to take pre-licensing classes, study for and take an exam, or prepare an exam waiver application packet are caused by the regulation only in as much as the regulation effectuates the statutory requirements that take effect January 1, 2028, when home building and structural home remodeling will require a license pursuant to R.I. Gen. Laws Chapter 5-65.4. While contractors seeking a license will be required to commit an incidental amount of time and resources to transition from a registration to a license, the Board's proposed regulation is reasonable in what it requires and consistent with comparable licensure programs where the regulated conduct involves considerable risks to life and safety. Given the limited discretionary authority of the Board, as set forth in the Act, the Board concluded that these requirements were the least burdensome means of complying with the intent of the Act. Indirect time costs associated with compliance are estimated in Appendix A.

Another incidental and non-quantifiable cost that will result from the proposed regulation will be the requirement for contractors to maintain records related to their home building and/or home remodeling projects. The Board determined in the proposed regulation that each licensee's records must be maintained for ten years due to existing statutory and common law requirements that are particular to contractors and home building. First, for home builders and home remodelers there are applicable Rhode Island General Laws that provide consumers a ten-year statute of limitations on lawsuits deriving from such work.¹⁸ Second, the Rhode Island Supreme Court has established a common law right for buyers of newly built homes to sue a home builder for breach of an implied warranty of habitability and workmanship.¹⁹ Such record keeping requirements merely memorialize the already existing duty on contractors to maintain their records in order to adequately respond to and defend claims brought under either legal theory. While there could be some minimal storage costs for larger servers or filing cabinets, by maintaining these records contractors will be better situated to defend against unfounded legal claims.

The most notable non-quantifiable benefit to come from this new license program will be the prevention of harm to Rhode Island consumers. As detailed above, until January 1, 2028, when contractor licenses will first be required by law, a contractor registration allows a registrant to offer contractor services that range from painting to new home building. The overly broad permission

¹⁸ R.I. Gen. Laws § 9-1-29.

¹⁹ See Nichols v. R.R. Beaufort & Associates, Inc., 727 A.2d 174 (R.I. 1999).

structure allowed by the current regulatory framework has resulted in instances of significant consumer harm where inexperienced, unskilled and incompetent contractors have been engaged to perform home building and/or home remodeling structural services and failed to comply with applicable laws and/or deliver on their contractual obligations. Without a licensing program for contractors who perform residential structural work, consumers are largely left to their own devices when deciding whether a contractor is sufficiently competent to build homes or remodel an existing home. The new license program will help to ensure that, from the moment a contractor obtains a license, they meet a standard of competency that will result in more qualitative results for consumers. The prevention of harm is indeterminable and impossible to quantify at this juncture, but as reflected in the industry testimony in support and lack of objection during the legislative enactment process, the licensing program is recognized as an effective and powerful consumer protection tool to further the goal of safe, healthy housing and harm prevention.²⁰

In addition, there are non-quantifiable benefits to Rhode Island's housing market. Once the license program is implemented, the three-tier contractor licensing and registration program will facilitate the navigation of home building and other structural residential work to Tier 1 and Tier 2 licensed contractors who are qualified to perform such work. The program will also affect a systemic safeguard for Tier 3 contractor registrants to steer clear of work that is outside the scope of their level of expertise. The Board will enforce the license and registration parameters to ensure that only qualified and licensed contractors perform residential home building and structural home remodeling services for Rhode Island consumers.

Total Estimated Costs

For purposes of this regulatory analysis, the Board made some assumptions about costs based on the best available data because this analysis is being prepared prior to implementation.

- Contractor registrations are renewed on an annual basis, and the new licenses will renew biennially, therefore, this analysis converts the existing annual registration costs to 2-year costs for ease of comparison.
- The Act requires structural home building and home remodeling to be conducted only by persons/businesses with these new licenses starting on January 1, 2028, which is in the middle of FY2028 (July 1, 2027, to June 30, 2028). This analysis assumes for simplicity that the approximately 3000 existing registrants applying to transition their contractor registration to either of the new licenses will all do so in FY2028, but it is possible that some initial licenses may not be issued until FY2029 (July 1, 2028, to June 30, 2029).
- Overall, this analysis relies on conservative estimates of the quantifiable costs to account for the variability in some of the cost categories, as discussed herein.

Initial Costs to Obtain a Home Remodeler or Home Builder License

The costs to transition from a contractor registration to either new license include the applicable increased licensing fee, fees for the additional 12.5 hours of pre-licensing courses, the examination fee or exam waiver fee, and possibly an increase in general liability insurance premiums. While the cost of the licensing fees are fixed, the other costs may vary:

²⁰ <https://capitoltvri.cablecast.tv/show/11110>

- Pre-Licensing Education costs:
 - This analysis assumes that applicants have already completed the contractor registration 5-hour course, which is included in the pre-licensing education requirements in the regulation.
 - Some applicants may have already completed some or all of these courses in the form of the OSHA 10-hour safety class or applicants who have obtained a certification of graduation from a program in construction or other trade disciplines from a technical training school (§ 7.5(F)(4)). Those applicants will incur less costs to complete pre-licensing education.
 - For the purposes of this analysis and the challenges of making these estimations prior to implementation, we have assumed that all applicants will need to pay for approximately 12.5 hours of pre-licensing education.
 - These costs will also vary depending upon the course provider and course type that the applicants choose to take.
- Exam Fees and Exam Waivers:
 - While the fee to take the exam is estimated at \$180, there are some indirect costs for the time to study for the exam which will vary from applicant to applicant. We anticipate that some applicants may not pass the exam the first time they take it, like other licensing programs administered by the Board and Department.
 - Given that this is a new program it is hard to estimate what percentage of applicants may have to pay another \$180 exam fee to sit for the exam a second time. For purposes of this pre-implementation analysis, we assume that some percentage of the applicants may need to pay an additional \$180 to retake the exam.
 - Applicants granted exam waivers will pay a \$100 supplemental application fee but will not have to pay the \$180 exam fee. This savings is minimal given the additional time that the applicant may spend preparing the documentation of experience required by the Exam Waiver. Therefore, for purposes of estimating the aggregate costs we will assume that either the exam pathway or exam waiver pathway has an approximate cost to each applicant of \$180.
 - Exam Waiver Denials: While we expect that most exam waiver applicants will qualify for the waiver, a few may not qualify due to lack of experience or an existing contractor registration that is not in good standing because of an enforcement action. Therefore, a few applicants that apply for an exam waiver (\$100 supplemental application fee) may then have to register for the exam for an additional \$180. We expect this to be a minimal amount of exam waiver applicants and not sufficient to impact the estimated aggregate costs of implementation of this regulation given the flexibility described in this section for the variable initial licensure costs.
- Insurance Premium Costs:
 - Based on a random sample of approximately 2% of the current contractor registrants' insurance coverage records in their application files, 81% of those registrants already comply with the proposed minimum insurance requirements in this regulation and 19% would face increased compliance costs.
 - Considering the small sample size together with industry data discussed above, for purposes of estimating compliance costs prior to implementation, we raised the percentage of applicants who will likely see an increase in insurance premiums from 19% to approximately 30-45%. Therefore, approximately 55%-70% of applicants will not see increased insurance premiums because of this regulation, greatly reducing the

aggregate costs of implementation and ongoing compliance.

With these conservative calculations and considering the above assumptions, the proposed regulation is estimated to increase the entry-level one-time cost for initial licensure (as compared to maintaining their contractor registration over that 2-year period of initial licensure) by \$680 to \$1740 per individual, varying based on the license applied for, course providers selected for pre-licensing education, and if the applicant needs to increase their insurance coverage or already complies with the proposed higher minimums set forth in the regulation. Note that insurance premiums are paid annually, so these figures are based on 2 years of insurance premiums. Dividing these estimates by two shows the estimated individual annual aggregate costs as \$340 to \$870. Additionally, the 1st Chart in Appendix A includes a range of hours per applicant and in the aggregate that may be required to complete pre-licensing education and to apply for an exam waiver (if applicable).

In the aggregate, the costs for approximately 3000 contractor registrations to transition to and obtain a 2-year Home Remodeler or Home Building License, is \$1,720,000 to \$2,620,000 for approximately 2000 Home Remodeler licenses and \$960,000 to \$1,410,000 for approximately 1000 Home Builder licenses. This averages out to aggregate annual increased costs for this registration to licensure transition for the first 2-year license term of: \$860,000 to \$1,310,000 for the approximately 2000 Home Remodeler Licenses \$480,000 to \$705,000 for the approximately 1000 Home Builder licenses.

Biennial Renewal Costs.

For purposes of estimating costs for the renewal of the approximately 2000 Home Remodeler Licenses and 1000 Home Builder Licenses, the following conservative assumptions were made for purposes of these pre-implementation estimates based upon the best available data:

- All 3000 new licensees will renew their 2-year license starting in FY2030 (July 1, 2029, to June 30, 2030). It is possible that not all licenses will be renewed because there is always a natural turnover in the licensed population over time. However, the number of licensees overall is expected to remain steady. Any new first-time applicants to this licensed program would incur the initial costs outlined in the 1st table in Appendix A.
- Insurance premiums costs are the same as they were to obtain the license in FY2028. While premiums may rise over time, these estimates are based upon the best available current data.
- Like pre-licensing education, continuing education costs will vary depending upon the course provider and how many courses the licensee takes in person. The estimated costs for the 7-hour increase in continuing education hours are calculated based on the range of costs to complete at least the required 6 hours of continuing education in person and 1 hour of continuing education via remote/online instruction.
- The 2nd chart in Appendix A also includes a range of hours per applicant and in the aggregate that may be required to complete the additional 7 hours of continuing education over the 2-year licensure period.

The average biennial increased individual costs to renew for a contractor license compared to maintaining a contractor registration for that 2-year period will range from \$464 to \$1362 per licensee, varying based on the applicable license fee, course providers selected for continuing education hours, and including those licensees who had to increase their insurance coverage to

comply with the proposed higher minimums set forth in the regulation.

In the aggregate, the costs to maintain and renew these licenses for a 2-year license term are \$1,288,000 to \$1,864,000 for approximately 2000 Home Remodeler licenses and \$744,000 to \$1,032,000 for approximately 1000 Home Builder licenses. This averages out to aggregate annual increased costs to maintain these licenses of \$644,000 to \$932,000 for the approximately 2000 Home Remodeler Licenses \$372,000 to \$516,000 for the approximately 1000 Home Builder licenses.

Summary of Costs

In total, the estimated aggregate increase of costs to transition approximately 3000 contractor registrations to approximately 2000 Home Remodeler Licenses and approximately 1000 licenses is \$2,680,000 to \$4,030,000 for the initial two-year license term. The total estimated increased costs for the first renewal of these 2-year licenses, as opposed to maintaining a contractor registration for that same 2-year period, is \$2,032,000 to \$2,896,000. For a summary of the costs identified and calculated within this analysis please refer to the Charts in Appendix A.

Conclusion

Most of the estimated costs and benefits are not due to the Board's exercise of discretion, but flow from the statutorily mandated elements of the Act's new license program and are consistent with the policies outlined in the existing contractor registration program in R.I. Gen. Laws Chapter 5-65. Where the Board has exercised discretion in setting fees or establishing requirements that involve costs to businesses, the Board has weighed alternatives during discussions at public meetings and determined that the proposed regulation's fees and associated costs are the least burdensome, reasonable requirements necessary to support program operations and implement the mandates of the Act. The Board's goal is to ensure the through this regulation it effectuates the full intent of the Act; to raise the standard of competency for contractors performing residential structural work and increase consumer protections.

The Board agrees with the General Assembly's stated purpose in enacting R.I. Gen. Laws Chapter 5-65.4 that contractor registrations alone are not sufficient to protect consumers, and that contractors supervising or performing residential structural work must meet minimum standards and should be licensed, not just registered. Moreover, the Board has worked carefully and considerately to make sure the proposed regulation "does not create an unreasonable barrier to entry nor inhibit trade or competition, but . . . [is] designed to advance consumer protection by establishing a standard of competency and enhance ongoing adherence to building standards and codes" R.I. Gen. Laws § 5-65.4-3(b). This regulation advances the goals of consumer protection by raising the skill level required to be a residential contractor in Rhode Island. The Board recognizes that some registered contractors who want to obtain a license may be unable to satisfy the requirements for licensure in the short term, which will limit the type of work they can perform to nonstructural home improvements or commercial work. In such cases, those registered contractors will retain their ability to continue offering and performing nonstructural home improvements and any commercial contractor work that is available to them. Moreover, the Act itself is structured to help mitigate that potential because while the licensing program will be implemented in January 2027, the Act does not require licensure to perform home building and structural home remodeling until January 2028.

Appendix A

Estimated Initial Costs to Transition to a 2-Year Home Remodeler or Home Builder License					
	REGISTERED CONTRACTORS (RC)	HOME REMODELERS (HR)	Estimated Increase in Costs for RC upgrade to HR License	HOME BUILDERS (HB)	Estimated Increase in Costs for RC upgrade to HB License
License Fees	\$150 (annual fee) over 2 years = \$300	\$500 (biennial fee)	Initial increase is \$200 (over 2 years)	\$600 (biennial fee)	Initial increase is \$300 (over 2 years)
Pre-licensing Education	\$200 (5-hour course)	\$500 to \$860* (5-hour existing RC course + 12.5 hours)	\$300 - \$660	\$500 to \$860* (5-hour existing RC course + 12.5 hours)	\$300 - \$660
Exam**	N/A	\$180	\$180	\$180	\$180
General liability insurance	\$900 to \$1,500 (per year)	\$1,200 to \$1,800 (per year)	(\$0 to \$300 per year) 2 years - \$0 to \$600	\$1,200 to 1,800 (per year)	(\$0 to \$300 per year) 2 years - \$0 to \$600
Total Estimated Individual Initial Costs	\$2300 to \$3500	\$3580 to \$5140	Increase of \$680 to \$1640 (for 2-year license)	\$3680 to \$5240	Increase of \$780 to \$1740 (for 2-year license)
Total Estimated Individual Indirect Time Costs***	5 hours of pre-licensing courses	Range = 5 to 22.5 hrs	Range = 0 to 17.5 hrs	Range = 5 to 22.5 hrs	Range = 0 to 17.5 hrs
Total Estimated Aggregate Indirect Time Costs	--	--	Up to 35,000 hours	--	Up to 17,500 hours
Total Estimated Aggregate Increased Costs for license****	--	--	\$1,720,000 to \$2,620,000	--	\$960,000 to \$1,410,000
Annualized Estimated Increased Aggregate Costs	--	--	\$860,000 to \$1,310,000	--	\$480,000 to \$705,000
Adding the initial aggregate estimated total costs for Home Remodelers and Home Builders together equals a range of \$2,680,000 to \$4,030,000. Lower bound HR cost (\$1,720,000) + lower bound HB cost (\$960,000) = \$2,680,000 Higher bound HR cost (\$2,620,000) + higher bound HB cost (\$1,410,000) = \$4,030,000					
* As discussed above starting on page 7, pre-licensing courses may be completed remotely. These ranges are based on 12.5 hours of instruction at the remote instruction hourly rate of \$24 and at the average of the in-person hourly rates (\$39.60 and \$66) which is \$52.8 an hour. Individuals may choose to take more expensive courses, but this is a fair representation of the range of average costs.					

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** Exam costs may vary. For example, exam costs could be lower for applicants that apply for and obtain an exam waiver which only costs \$100, \$80 less than the exam fee. Exam costs could be higher if an applicant fails the exam on the first attempt and needs to pay an additional \$180 fee to retake the exam ($\$180 \times 2 = \360). Similarly, exam costs could be higher for any applicant that applies for the waiver, is denied, and must take the exam ($\$100$ exam waiver fee + $\$180$ exam fee). For more information, see above starting on page 13 for exam fees and page 18 for exam waivers.

*** As discussed above starting on page 7, the number of hours of pre-licensing education needed to upgrade to a license will vary. Applicants for HB and HR licenses will need to complete 5 to 17.5 hours of pre-licensing courses and may spend 0 to 5 hours on exam waiver application preparation. Comparing this to the existing contractor registration requirements, this represents an increase of 0 to 12.5 hours of pre-licensing courses and 0 to 5 hours for exam waiver application preparation.

**** Insurance cost calculations assume that 30%-45% of the licensees in each category will incur insurance premium increases.

Home Remodelers – Total estimated aggregate renewal costs have been calculated as follows:

Lower bound estimated total costs: $[2000 \text{ HR licensees} \times (\text{CE costs} + \text{renewal fee})] + [2000 \text{ licensees} \times 0.30 \times \$600 \text{ insurance premium increase}]$.

Upper bound estimated total costs: $[2000 \text{ HR licensees} \times (\text{CE costs} + \text{renewal fee})] + [2000 \text{ licensees} \times 0.45 \times \$600 \text{ insurance premium increase}]$.

Home Builders - Total estimated aggregate renewal costs have been calculated as follows:

Lower bound estimated total costs: $[1000 \text{ HB licensees} \times (\text{CE costs} + \text{renewal fee})] + [1000 \text{ licensees} \times 0.30 \times \$600 \text{ insurance premium increase}]$.

Upper bound estimated total costs: $[1000 \text{ HB licensees} \times (\text{CE costs} + \text{renewal fee})] + [1000 \text{ licensees} \times 0.45 \times \$600 \text{ insurance premium increase}]$.

For more information, see above starting on page 10.

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Estimated Biennial Costs to Maintain and Renew Home Remodeler and Home Builder Licenses					
	REGISTERED CONTRACTORS (RC)	HOME REMODELERS (HR)	Estimated Increase in Costs for RC upgrade to HR License	HOME BUILDERS (HB)	Estimated Increase in Costs for RC upgrade to HB License
Continuing Education (CE)	\$118 to \$330 For 2 years of CE	\$382 to \$792	\$264 to \$462*	\$382 to \$792	\$264 to \$462*
Renewal Fee	\$150 (annual fee) over 2 years = \$300	\$500 (biennial fee)	\$200	\$600 (biennial fee)	\$300
General liability insurance	\$900-\$1,500 (per year)	\$1,200 to \$1,800 (per year)	(\$0 to \$300 per year) 2 years - \$0 to \$600	\$1,200 to 1,800 (per year)	(\$0 to \$300 per year) 2 years - \$0 to \$600
Estimated Individual Costs	\$2,218 to \$3630	\$3282 to \$4,892	Increase of \$464 to \$1262	\$3,382 to \$4,992	Increase of \$564 to \$1362
Total Estimated Indirect Time Costs	5 hours of continuing education courses over 2 years	12 hours of continuing education courses over 2 years	7 hours of additional continuing education courses over 2 years	12 hours of continuing education courses over 2 years	7 hours of additional continuing education courses over 2 years
Total Estimated Aggregate Indirect Time Costs	--	--	(7 hours x 2000 licensees) 14,000 hours over 2 years	--	(7 hours x 1000 licensees) 7,000 hours over 2 years
Total Estimated Aggregate Renewal costs starting in FY2030**	--	--	\$1,288,000 to \$1,864,000	--	\$744,000 to \$1,032,000
Annualized Estimated Aggregate Costs to Maintain License	--	--	\$644,000 to \$932,000	--	\$372,000 to \$516,000
Adding the aggregate estimated costs for Home Remodelers and Home Builders together equals a range of \$2,032,000 to \$2,896,000 Lower bound HR cost (\$1,288,000) + lower bound HB cost (\$744,000) = \$2,032,000 Higher bound HR cost (\$1,864,000) + higher bound HB cost (\$1,032,000) = \$2,896,000					
*The estimated increased continuing education costs are based on a range of costs for at least 6 hours of in person instruction and 1 hour on remote instruction as required by the proposed regulation. For more information, see above starting on page 15.					
** Insurance cost calculations assume that 30%-45% of the licensees in each category (HR & HB) will incur insurance premium increases. Home Remodelers – Total estimated aggregate renewal costs have been calculated as follows: Lower bound estimated total costs: [2000 HR licensees x (CE costs + renewal fee)] + [2000 licensees x 0.30 x \$600 insurance premium increase]. Upper bound estimated total costs: [2000 HR licensees x (CE costs + renewal fee)] + [2000 licensees x 0.45 x \$600 insurance premium increase].					

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Home Builders - Total estimated aggregate renewal costs have been calculated as follows:

Lower bound estimated total costs: $[1000 \text{ HB licensees} \times (\text{CE costs} + \text{renewal fee})] + [1000 \text{ licensees} \times 0.30 \times \$600 \text{ insurance premium increase}]$.

Upper bound estimated total costs: $[1000 \text{ HB licensees} \times (\text{CE costs} + \text{renewal fee})] + [1000 \text{ licensees} \times 0.45 \times \$600 \text{ insurance premium increase}]$.

For more information, see above starting on page 10.