



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1336

PRINTERS NO. 1534

PRIME SPONSOR: Godshall

### COST / (SAVINGS)

FUND	FY 2010/11	FY 2011/12
General Fund	\$0	\$0

**SUMMARY:** House Bill 1336, printer's number 1534, amends the act of October 17, 2008 (P.L. 1645, No. 132), known as the Home Improvement Consumer Protection Act, by providing for the definition of "home improvement retailer," and further providing for registration as a contractor and for prohibited acts. The effective date is immediately after enactment.

**ANALYSIS:** The bill amends Section 2 of the Home Improvement Consumer Protection Act by adding a definition for "home improvement retailer" as a person, whether or not the person is registered under this act, who sells materials for use in home improvement contracts. Application procedures as outlined in Section 4 of the Home Improvement Consumer Protection Act are amended to provide that the Attorney General's Bureau of Consumer Protection may allow other forms of identification besides a driver's license or a copy of a state issued identification card to be used for registration, and to allow for proof of self insurance to meet liability insurance requirements of the Act.

The bill also provides for the establishment of a restricted revenue account to be known as the Home Improvement Account in the General Fund. All registration fees and penalties collected under the Act shall be deposited into the Account, which shall be interest-bearing. The funds in the Home Improvement Account shall be appropriated to the Attorney General for purposes of administering and enforcing the provisions of the Home Improvement Consumer Protection Act.

Section 9 (Prohibited Acts) of the Home Improvement Consumer Protection Act is amended by the bill in several ways.

- The amount for home improvement contracts, to which the one-third deposit amount restriction is applicable, is increased from \$1,000 to \$5,000. Clarification is also provided to make clear that a contractor can collect a one-third deposit in addition to the cost of special order materials that will be ordered as designated in the written home improvement contract.

- New subsections are added to specify that the one-third deposit limits shall not apply to home improvement retailers who post an irrevocable letter of credit, payable to the Bureau of Consumer Protection, in an amount of \$100,000 per store location, but not to exceed \$2,000,000, and where the home improvement retailer's contractors are registered and have proof of liability insurance. The bill also adds provisions to the Act to specify that in the event of a dispute, a consumer may file a complaint against a home improvement retailer, and to request a draw upon the home improvement retailer's letter of credit. If after investigation by the Bureau of Consumer Protection, the home improvement retailer is found to be in default of the home improvement contract, the Bureau of Consumer Protection is authorized to draw upon the irrevocable letter of credit to satisfy a consumer's complaint. If a home improvement retailer has two draws on its irrevocable letter of credit within a two year period, then the home improvement retailer will be prohibited from posting an irrevocable letter of credit for a period of five years and must then comply with the one-third deposit limitation requirements.

**FISCAL IMPACT:** The enactment of this legislation will have no adverse impact on Commonwealth funds. Currently, Home Improvement Contractor registration fees are deposited in the General Fund as miscellaneous revenue. (For the fiscal year ended June 30, 2010, fees collected totaled \$2,167,000.) With the establishment of the restricted Home Improvement Account, specific revenue will be available to support the costs for the Attorney General's Bureau of Consumer Protection to administer and enforce the provisions of the Home Improvement Consumer Protection Act.

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**DATE:** May 24, 2011

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*