

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO.

Senate Bill 973

PRINTER'S NO.

1248

AMOUNT

No significant fiscal impact

FUND

General

DATE INTRODUCED

June 18, 2009

PRIME SPONSOR

Senator Tomlinson

HISTORY OF BILL

Referred to CONSUMER PROTECTION & PROFESSIONAL LICENSURE,
June 18, 2009

Reported as amended, June 23, 2009

First consideration, June 23, 2009

Second consideration, June 25, 2009

Re-referred to APPROPRIATIONS, June 29, 2009

Re-reported as amended, July 1, 2009

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 973 amends the Home Improvement Consumer Protection Act (the Act). The bill provides that proof of insurance may include information indicating the applicant is self-insured. It allows for the Bureau of Consumer Protection in the Office of the Attorney General to determine the adequacy of the self-insurance and the manner by which it is maintained.

The bill establishes a restricted revenue account, the Home Improvement Account, in the General Fund for the deposit of all fees and penalties collected after the effective date of the Act. The funds in the account are to be used by the Attorney General to administer the Act.

The value of home improvement projects is increased from \$1,000 to \$5,000 to apply the limitation imposed on the maximum amount of the

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deposit (equal to one-third of the contract price for the project) that the contractor may collect.

The bill specifies that the limitations of deposits on home improvement projects does not apply to home improvement retailers who, 1) post an irrevocable letter of credit payable to the Bureau in the amount of \$100,000 per store, not to exceed \$2 million for a retailer with multiple stores, and 2) ensures that its contractors are registered and have proof of insurance.

In the event of a dispute with a home improvement retailer or its contractors, the owner may file a complaint against the retailer with the Bureau and request a draw on the retailer's letter of credit. The Bureau is required to notify the retailer of the complaint and investigate the complaint. The bill allows the Bureau to draw on the letter of credit to satisfy a consumer complaint after mediation or civil action if the retailer is in default of the contract. After two draws on the irrevocable letter of credit, a home improvement retailer is prohibited from posting an irrevocable letter of credit for five years from the date of the second draw.

FISCAL IMPACT:

The bill directs the Act's future revenue from fees and penalties collected under the Act to the Office of Attorney General (OAG) for administration of the program, by setting up a restricted revenue account in the General Fund. Fees and penalties collected under the Act are currently deposited as general revenue in the General Fund.

The Governor requested a separate General Fund appropriation for \$530,000 in FY 2009-2010 for the OAG's administration of the program. Senate Bill 850 does not provide this funding.

Senate Bill 973 will provide the OAG with the necessary funding for the program's administration by directing all funds deposited in the newly established restricted revenue account to the OAG for this purpose. Year-to-date revenues as of 5/31/09 for fees collected under the Act equal about \$580,446. The revenue collected biennially from these fees is expected to adequately fund the OAG's administration of the program.