

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2625 - SB 2655

January 27, 2010

SUMMARY OF BILL: Creates an offense for any home improvement services provider who, with intent to defraud, fails to refund money paid under a contract within 10 days of a written request by the owner if no substantial work has been performed, more than 45 days have passed since the start of the contract, a copy of the written request was filed with the Attorney General's Consumer Protection Division, and the provider has deviated from plans and specifications within the contract and has substituted lower quality materials for materials billed as high-quality. Violations are punishable as a theft graded by the value of the property or service and range from a Class A misdemeanor to a Class B felony. Adds this offense as an unfair and deceptive act or practice under the Tennessee Consumer Protection Act of 1977. Requires the Board of Licensing Contractors to, within 30 days of notification of conviction, revoke the home improvement services provider's license and place their name, license number, and violation on the Board's Web site and maintain this information for three years. Prohibits the re-issue of license to a convicted provider until the entire term of the imposed sentence has been served. Prohibits the re-issue of license to a provider who has been convicted two or more times for the same violations.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - Not Significant/Board for Licensing Contractors
Increase State Expenditures – \$342,800/Incarceration*
Not Significant/Board for Licensing Contractors

Increase Local Revenue – Not Significant
Increase Local Expenditures – Not Significant

Assumptions:

- Violations of the Tennessee Consumer Protection Act of 1977 are punishable through civil penalties, private rights of action, and as a Class B misdemeanor.
- A small increase in cases in the court system, which will result in additional state and local government expenditures for processing the cases and additional state and local government revenue from fees, taxes and costs collected. These expenditures and revenue are estimated to be not significant.
- Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.

- According to the Department of Correction (DOC), the average operating cost per offender, per day for calendar year 2010 is \$59.86.
- According to the Department of Commerce and Insurance, there are currently 1,354 licensed home improvement contractors in the state. DOC estimates that one-half of one percent of these contractors ($1,354 \times .005 = 6.77$) will violate the provisions of this bill and will be convicted of a Class D felony offense of theft with a value of \$1,000 to \$10,000.
- According to the U.S. Census Bureau, population growth in Tennessee has been 1.12 percent per year for the past 10 years, yielding a projected compound population growth of 11.78 percent over the next 10 years. Population growth will result in one additional offender. The maximum cost in the tenth year, as required by Tenn. Code Ann. § 9-4-210, is based on 8 offenders.
- According to DOC, the average post-conviction time served for a Class D felony is 1.96 years (715.89 days). The cost per offender is \$42,853.18 ($\59.86×715.89 days). The total additional operating cost for eight offenders is \$342,825.44 ($\$42,853.18 \times 8$).

**Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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