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## FISCAL IMPACT REPORT

SPONSOR: King DATE TYPED: 02/27/01 HB 804  
 SHORT TITLE: Failure to Disclose Penalty SB \_\_\_\_\_  
 ANALYST: Valdes

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	Indeterminate	Indeterminate	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Construction Industries Division, Regulation and Licensing Department

### SUMMARY

#### Synopsis of Bill

House Bill 804 would increase the penalty for a contractor's failure to disclose that the bonds required by the Construction Industries Licensing Act do not protect the consumer if the contractor defaults, or if the contractor fails to indicate his license number on all written bids and building permit applications. The Bill does not allocate funds.

#### Significant Issues

If the public is better informed about the fact that contractors are not bonded for consumer protection purposes, there may be fewer consumer-type complaints received by CID.

The bonds required by the Construction Industries Licensing Act are for the purpose of satisfying any fines or penalties assessed by CID against contractors. Contractors often state that they are bonded in their advertising but do not clarify the purpose of the bonds. This can create a false expectation on the part of consumers that such bonds can be used to redress disputes with contractors. Increasing the penalty for failing to disclose the purpose of the bonds should help guard against intentional or accidental misrepresentation to the consumer about the purpose of the bonds.

**PERFORMANCE IMPLICATIONS**

This bill could result in increased efficiency in the processing of code violation and unlicensed contracting complaints in the Construction Program.

**FISCAL IMPLICATIONS**

This bill could result in additional revenue to the General Fund due to the increase of the penalty from \$150 to \$1,000 per violation.

The bill would have no fiscal impact on the Construction Industries Division.

**OTHER SUBSTANTIVE ISSUES**

Contractors may be more diligent about disclosing that their bonds do not protect consumers if they were faced with substantially increasing fines for failure to provide disclosure as required by this bill.

MV/njw