



HOME BUILDERS ASSOCIATION OF CONNECTICUT, INC.

3 Regency Drive, Suite 204, Bloomfield, CT 06002
Tel: 860-216-5858 Fax: 860-206-8954 Web: www.hbact.org

*Your Home
Is Our
Business*

15A
461
5870

February 22, 2011

To: Senator Paul R Doyle, Co-Chairman
Representative Joseph J. Taborsak, Co-Chairman
Members of the General Law Committee

From: Bill Ethier, Chief Executive Officer

Re: **Senate Bill 461, AAC Home Improvement Contractors**
House Bill 5870, AAC Home Improvement Contractors

The HBA of Connecticut is a professional trade association with 1,100 member firms statewide, employing tens of thousands of Connecticut citizens. Our members, all small businesses, are residential and commercial builders, land developers, home improvement contractors, trade contractors, suppliers and those businesses and professionals that provide services to our diverse industry. Our members build 70% to 80% of all new homes and apartments in the state each year.

We oppose SB 461 and HB 5870 because we firmly believe a licensing program for the huge home improvement contractor (HIC) industry would be unworkable and not solve the issues consumers have with HIC projects.

Most contractors are reputable and try to do good quality work for their customers. We represent these contractors and try to teach consumers how to hire and work with a quality contractor. We have no interest in protecting illegitimate contractors or promoting poor quality work and strive to weed those ills out of our industry. We provide our members with extensive education and opportunities to stay on top of the latest technologies, construction techniques, business management skills, etc. **While the raw number of complaints about HICs at the Department of Consumer Protection ("DCP") is large compared to other regulated businesses, the number of such complaints relative to the huge scope of the home improvement industry is very small.** At the industry's peak just a few years ago, there were roughly 28,000 registered HICs in CT. We estimate there may have been close to another 5,000 to 10,000 operating illegally without an HIC registration. Considering CT has about 1.4 million households and that each HIC performs on average about 7 to 8 projects per year, there are conservatively about 250,000 home improvement projects in CT each year. At, for example, 2,000 complaints, **far less than 1% of all projects produce consumer complaints to DCP.**

In summary, rather than change to a licensing and testing scheme, we urge greater consumer education about, and greater enforcement of, the HIC registration act.

We strongly believe that licensing and testing contractors will provide no greater protection to consumers and will have the adverse affect of legitimizing the marginal contractor while imposing more regulatory burdens on reputable contractors. The

"Leading Our Members to Professional Excellence."

Serving the Residential Development & Construction Industry Through Advocacy, Education & Networking

current HIC registration law and the state's other regulatory and legal methods of controlling the construction business provide substantial protection for home owners. For many construction jobs, the other regulatory control on contractors that does not exist for any other business or profession is our system of permitting and inspections under our building, safety and public health codes. Only small jobs and maintenance and repair jobs escape these code regulations. Additionally, on all jobs consumers have a wide array of avenues to seek relief from contractors who do not perform, such as breach of contract, breach of warranty, unfair trade practices act, violation of the home improvement registration act that makes the contract unenforceable for the contractor and probably several other causes of action that could be brought to bear on the contractor.

The vast majority of complaints against contractors are based on workmanship issues, communication issues (i.e., the contractor and consumer had different expectations about the job) and issues surrounding unscrupulous contractors (e.g., running away with a deposit, not starting or finishing a job as scheduled). No amount of licensing and testing can solve these issues. We are not aware of any contractor licensing scheme anywhere in the nation that does an effective job of improving the professionalism of the contractor industry or the quality of home improvement work by those providing inferior workmanship, who conduct unscrupulous business practices, or for a variety of reasons fail as a viable business. Examining the trades and professions that are licensed reveals a host of problems that have not been solved by their licensing programs. In short, for no additional consumer protection and at tremendous public expense, these bills will impose substantial new costs and burdens on doing business in Connecticut.

Reducing competition in an industry, as called for by some contractors, is not a legitimate use of a licensing program. If the result of licensing and testing is to limit entry into the business and reduce the number of entities in the construction business, then the costs of providing home improvement services will go up. But, as with all regulatory schemes, some contractors will fall through the cracks (i.e., they'll pass the test yet still not satisfy consumers, or worse). We have found no evidence that contractors under a licensing program have any greater compliance with the law than what is currently exhibited under our registration and guaranty fund program. Thus, consumers will not benefit from licensing home improvement contractors.

Stronger enforcement and education of both contractors and consumers about the current HIC registration act will go a long way to solve complaint problems in this industry. Recent efforts by the Department of Consumer Protection along these lines have brought many contractors who were working in this industry illegally into the registration program. We applaud these efforts. The best course of action to protect consumers from bad contractors is to teach consumers how to avoid such contractors, to ask the right questions and to deal with all contractors in certain ways. The state needs to do more to teach consumers about the current registration program. **The legislature should specifically authorize DCP to educate consumers and contractors about the requirements of the HIC registration law. Education is the first line of defense for effective enforcement.**

You should repeal the raid of the HIC guaranty fund, which all contractors pay into, by the general treasury that deprives DCP of the resources it needs to better enforce the home improvement act and, if authorized, to educate consumers and contractors about the act. While we know this is difficult within the state's tight budget, it's the right thing to do.

To provide more protection to consumers who cannot satisfy a larger judgment against a contractor, **you should raise the \$15,000 limit placed on a consumer's use of the guaranty fund**. See C.G.S. section 20-432(k).

Additionally, the HBA of Connecticut has worked closely with DCP over the years to address the genesis of consumer complaints against home improvement contractors. We believe an adequate database of consumer complaints regarding this industry does not exist in a form that is useable in making informed decisions regarding the causes of such complaints. It is in the industry's, consumer's and the state's best interest to determine this information. Some strides were made this past year by DCP to improve its complaint web site but more needs to be done. We have proposed to DCP that a complaint form specific to HICs be used by DCP to help determine the causes of such complaints. We are told our proposal does not fit with the state's current e-license computer contract, but we are convinced that the state will be in a much better position to develop appropriate policies, and if necessary new laws, only once we have such a database. **Thus, the legislature should authorize an industry specific complaint form and new related database.**

SB 461 requires taking and passing a test to ensure a contractor has the knowledge to properly perform the work authorized by the license. Given that home improvement projects involve a huge array of types of work, from painting to siding, from carpentry to flooring, i.e., everything between the foundation to ridge vent, **what exactly would each contractor be tested for?** Would a separate license and accompanying fee be required for each "class" of work? Indeed, most home improvement jobs entail various types of work. A single business that engages in multiple types of work could be saddled with extremely high licensing costs. **HICs already pay into the guaranty fund, so how much more would a cash bond cost, and why?** And are such bonds available at a reasonable cost? What limits would be placed in this bill to curtail the high potential of a run-a-way regulatory scheme?

Consumer education coupled with strong enforcement of the current HIC registration law will more effectively and more quickly reach the goals that lie under this licensing effort. We urge you to pursue that path and not support SB 461 or HB 5870.

Thank you for the opportunity to provide you with our views on this important issue. We remain committed to working with you and DCP to improve the regulation of our industry.

