

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 14, 2010
POSITION: Oppose
SPONSOR: Service Contract Industry Council

BILL NUMBER: AB 2111
AUTHOR: C. Smyth

BILL SUMMARY: Service Contracts

This bill would amend statutes regarding service contracts by expanding the definition to include optical products and the accessories of an electronic set or appliance, delete the limit on incidental payments, and amend the definition of service contract administration, as well as other conforming changes.

FISCAL SUMMARY

The Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation (Bureau) estimates this bill would result in additional costs of \$132,000 in 2010-11 and \$210,000 annually thereafter for three positions to manage the additional workload generated by this bill. In addition, this bill would result in unknown, potentially significant enforcement costs due to a projected increase in consumer complaints and related investigations.

To the extent that current year costs cannot be absorbed within the Department's existing resources, an appropriation would be necessary to fund these costs. Absent an appropriation, the Department may have to delay implementation of the bill until July 1, 2011.

This bill is also expected to generate revenue of an unknown amount from a combination of additional fines and citations and additional license registrations and renewals.

The Department of Insurance (DOI) indicates minor and absorbable costs as a result of this bill. DOI further estimates that this bill would generate additional license application and renewal fee revenue of approximately \$47,000 in 2010-11 and \$8,000 in 2012-13 and every two years thereafter resulting from the 12 additive warranty companies applying to become Vehicle Service Contract Providers.

The Department of Justice indicates that the fiscal impact of this bill is insignificant.

Any local government costs resulting from the mandate in this measure would not be state-reimbursable because the mandate only involves the definition of a crime or the penalty for conviction of a crime.

COMMENTS

The Department of Finance is opposed to this measure because it would result in additional costs that are not included in the Administration's current fiscal plan.

Under existing law, the Bureau, within the Department of Consumer Affairs, regulates electronic service dealers, service contract administrators and service contract sellers that provide extended warranties. The DOI oversees other warranties such as vehicle service contract providers.

(continued)

Analyst/Principal Date Assistant Program Budget Manager Date
(0282)J. Carosone Nona Martinez

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

C. Smyth

June 14, 2010

AB 2111

COMMENTS (Cont'd)

This bill would:

- Permit a service contract administrator who meets specified requirements to function as a service contract seller.
- Redefine service contract to include an electronic set or appliance, as specified, and its accessories, or optical products and removes the monetary limit on incidental indemnity.
- Require the entity financially and legally obligated under the terms of the service contract to comply with specific requirements prior to issuance of a service contract.
- Extend the sunset date of the provisions relating to service contracts from 2013 to 2018.
- Create a penalty if the specified provisions under this bill are violated, and make technical and conforming changes.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2010-2011	FC	2011-2012	FC	2012-2013	
	RV	98	FC						
0820/Justice	SO	No		-----	No/Minor	Fiscal Impact	-----		0001
0845/Insurance	SO	No		-----	No/Minor	Fiscal Impact	-----		0001
1111/ConAfr-BurPg	SO	No	C	\$132	C	\$210	C	\$210	0325
1259/Delinq Fees	RV	No		-----	See Fiscal	Summary	-----		0325
1257/Othr Reg Lic	RV	No		-----	See Fiscal	Summary	-----		0217

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0217	Insurance Fund
0325	Electronic and Appliance Repair Fund