



State of Vermont
Office of the Secretary of State
128 State Street
Montpelier, VT 05633-1101

[phone] 802-828-2363
[fax] 802-828-2496
www.sec.state.vt.us

James C. Condos, Secretary of State
Christopher D. Winters, Deputy Secretary

State of Vermont
Office of the Attorney General
109 State Street
Montpelier, VT 05609-1001

[phone] 802-828-3171
www.ago.vermont.gov

Thomas J. Donovan, Jr., Attorney General
Joshua R. Diamond, Deputy Attorney General
Sarah E.B. London, Chief Asst. Attorney General

May 2, 2019

Dear Representative,

We write in support of the consumer protection elements of S.163 relating to home improvement contractors.

Over the years hundreds, if not thousands, of Vermonters have reported consumer losses totaling in the millions of dollars related to work they hope will improve the most important asset they have: their homes. Complaints range from poor performance, to lack of insurance, to failure to perform, or theft of deposit monies.

Most other states have implemented some form of regulation to implement the best practices of the industry. But, Vermont has lagged. And, while many contractors not only do right by Vermonters, but set the bar for professional standards – others have failed to perform as Vermonters expect. In fact, we have heard testimony from many excellent contractors called in to correct defective conditions, or failures by those who have failed to deliver for their customers.

No law can solve every problem. However, currently there is no administrative oversight of this important profession. Setting a simple standard for registration, insurance, and a written contract is a good first step that could provide relief to homeowners and build confidence in both the industry and in government's ability to respond effectively to complaints.

The elements before you are neither burdensome, nor costly. The vast majority of Vermonters we have heard from in public hearings throughout the state and through the sunrise review support some form of meaningful regulation.

The bill before you is a modest, common sense step in the right direction that we support. We hope you will, too.

Sincerely,

Chris Winters
Deputy Secretary of State
Office of the Vermont Secretary of State

Christopher J. Curtis
Chief, Public Protection Division
Office of the Attorney General

Home Improvement Fraud: Contractor Registration as a Minimally-intrusive Way to Make the Law Work

From the Vermont Attorney General and the Vermont Secretary of State

What's the Problem? Public Protection.

From 2012-2018, the Vermont Attorney General's Consumer Assistance Program (CAP) received **790 consumer complaints** about home-improvement services.

- Claimed losses total **\$4.4 million**.
- Most complaints had damages of less than \$10,000.
- Almost all were residential, owner-occupied homes - some resulted in displacement from the home.
- VTers were left with harm too big to ignore but too small to attract help.
- CAP saw frequent flyer rip-offs with no system of warning the public.

Unique in an Undesirable Way: VT does not protect its citizens the way other states do.

- Most states regulate at the state level.
- Where states do not regulate, large municipalities do, strengthened by county-level regulation in rural areas.

Sunrise Review: In 2017, at the suggestion of the AGO, the House and Senate Gov Ops committees directed the Office of Professional Regulation (OPR) to assess whether contractors should be regulated.

- OPR's analysis is guided by 26 V.S.A. Chapter 57: 1) Regulation should be imposed only if there is a recognizable harm to the public, the public will benefit from regulation, and there is no

other means to effectively protect the public; and 2) If regulation is adopted, it must be the least restrictive form necessary to protect the public.

- OPR utilized CAP's data, held public hearings and received 120 comments.
- **OPR's report recommended against licensure but found "light-touch" registration would be an effective and minimally burdensome means of bolstering existing consumer-fraud statutes.**
- OPR and the AGO held public hearings in Newport, Springfield, and Burlington. **The vast majority of practitioners and consumers supported registration.**

Simple and Effective Regulation:

Registration patches known holes in our current law and connects our Consumer Fraud Act to the OPR administrative enforcement system, to make existing tools work on a long neglected problem.

How Simple?

1. Registration
2. Insurance
3. A Written Contract

Leveling the Playing Field: Registration: 1) gives consumers access to the information to avoid the bad apples and, 2) responsible contractors won't struggle to compete with those who don't follow labor and tax laws.

S.163 is the culmination of years of experience and collaborative policy work. It is smart, focused, and responsive government. We recommend adoption.