

**ADMINISTRATIVE RULES
FISCAL ESTIMATE
AND ECONOMIC IMPACT ANALYSIS**

Type of Estimate and Analysis

Original Updated Corrected

Administrative Rule Chapter, Title and Number

Ch. ATCP 110 and 111, Home Improvement Practices and Basement Waterproofing

Subject

Home improvement practices and basement waterproofing

Fund Sources Affected

Chapter 20 , Stats. Appropriations Affected

GPR FED PRO PRS SEG SEG-S

20.115 (1) (a) and (jb)

Fiscal Effect of Implementing the Rule

No Fiscal Effect
 Indeterminate

Increase Existing Revenues
 Decrease Existing Revenues

Increase Costs
 Could Absorb Within Agency's Budget
 Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

State's Economy

Specific Businesses/Sectors

Local Government Units

Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes No

Policy Problem Addressed by the Rule

ATCP 110, Home Improvement Practices, helps ensure fair transactions between home improvement contractors and their customers. This rule regulates many different types of home improvement, remodeling, and repair projects. This rule has been in existence since 1940 and has been modified a number of times, most recently in 2001.

The changes proposed in this rule, generally, represent updates and revisions to keep the rule consistent with current industry practices. It does not represent a major shift in policy from the existing rules.

Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

Local Governments

This rule will not impact local governments.

Home Improvement Contractors – General

This proposed rule is updated to reflect current practices in the home improvement industry. The rule will reduce the cost of compliance on home improvement contractors by reducing required paperwork, streamlining processes, and eliminating unnecessary, burdensome requirements. In general, the rule benefits both contractors and consumers by providing additional flexibility, while retaining prohibitions against unfair business practices. Contractors that take advantage of the proposed rule's added flexibility may incur minimal cost as they revise their standard contracts to conform to the new rule.

Home Improvement Contractors that Specialize in Major Reconstruction or Rebuilding of Existing Structures

The current rule (generally) regulates any home improvement work that is done on an existing residential building (see ATCP 110.01 (2), the definition of “home improvement,” for a more precise description). The current rule does not, however, regulate new home construction. Under this proposed rule, very large projects, those where the cost of the remodeling project is greater than the appraised value of the structure, would be outside the scope of the rule. This allows contractors who do this type of work to interact with their customers as they would when building a new home.

Basement Waterproofers

Ch. ATCP 111 regulates business practices by basement waterproofers. This proposed rule streamlines the code by moving these provisions into a section of ATCP 110. However, it does not make any substantive changes to the requirements.

Utility Rate Payers

This rule does not impact utility rate payers.

General Public

Chs. ATCP 110 and 111 impact buyers of home improvement services by placing certain requirements and restrictions on home improvement contractors. This proposed rule does not represent a measurable change from this impact.

Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

Benefits

Home improvement contractors

The proposed rule is intended to reduce the cost of compliance to contractors, which will in turn lead to increased efficiency, profitability, and competition. The rule also retains important prohibitions against unfair trade practices that harm honest businesses and consumers. This rule should benefit home improvement contractors.

General Public

The rule provides additional flexibility in transactions between contractors and consumers. Consumers may benefit when contractors’ gains in efficiency and flexibility translate into lower costs and increased competition.

Analysis by the Wisconsin Builders Association

The Wisconsin Builders Association submitted input to be included in the Initial Economic Impact Analysis. (However, those comments were received after the deadline and, therefore, DATCP was unable to incorporate them into them into the initial version of the Economic Impact Analysis, which was presented along with the hearing draft version of the rule.) The Wisconsin Builders Association comments are quoted below:

There will be implementation costs for revising contracts and other forms, and for training remodelers and their staff in the proper use of those revisions. However, those one-time compliance costs will not be significant, and certainly will not cumulatively reach or exceed \$20 million.

The rule is intended to maintain consumer protection while simplifying the paperwork compliance burden for remodeling contractors. Simplified compliance should lead to increased compliance with the rule, and thus greater consumer protection. The rule also recognizes that certain large major renovations are more appropriately regulated as new construction projects, rather than home repair or remodeling projects. This change will also reduce the cost and complexity of compliance.

Simplifying the compliance requirements of the rule will reduce the amount of time required for paperwork. The Wisconsin Builders Association estimates that this rule will reduce that time by approximately 2 hours per remodeling job. Using an average wage-plus-overhead figure of \$50 per hour and estimating that there are 10,000 remodeling projects in Wisconsin annually, a conservative estimate of the savings that will result from this rule change is \$1 million per year. Those savings will be offset initially by the cost of time spent learning how to comply with the revised regulation. We estimate that one-time added cost to be 1 hour per remodeling contractor. Estimating that approximately half of all Wisconsin dwelling contractors are also remodelers, there are roughly 5,000 remodeling contractors. That yields a one-time cost of \$250,000. The benefit of the rule change clearly outweighs the cost.

An important long-range implication of this rule change is reduced consumer complaints. This rule change will make it easier to understand and to comply with consumer protection regulations. When DNR simplified waterway permits under Chapter 30, subsequent program audits revealed a higher rate of compliance by contractors. We anticipate a similar result with this rule change.

Alternatives

DATCP could continue regulating the home improvement industry under existing rules. However, this proposed rule updates and refines existing ATCP 110, Home Improvement Practices. The intent of this rulemaking is to modernize and streamline the requirements, but without sacrificing important consumer protections.

Long Range Implications of Implementing the Rule

Implementing the rule will benefit business, consumers, and the general public. The rule modifications will provide flexibility for businesses while retaining protection for consumers.

Compare With Approaches Being Used by Federal Government

The federal government does not, in general, regulate home improvement practices.

Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Most states, including all of Wisconsin's neighbors have home improvement practices laws. Many of the provisions in ATCP 110 are common in these other states as well.

Illinois regulates home improvement practices through its Home Repair and Remodeling Act and its Home Repair Fraud Act. These provisions are generally similar to Wisconsin's Home Improvement Practices rule.

Iowa grants consumers a private right of action, which enables consumers to sue businesses that engage in deceptive or unfair practices, misrepresentation, or failure to disclose material facts. This law covers home improvement practices, among other areas.

Contractor who do home improvement work in Minnesota and Michigan are required to obtain a license from the state (there are some exceptions). In Minnesota, licensed contractors are required to pay into the Minnesota Contractor's Recovery Fund. This fund compensates people who have suffered losses due to a licensed contractor's fraudulent, deceptive or dishonest practices, misuse of funds, or failure to do the work the contractor was hired to do.