

# OFFICE OF FISCAL ANALYSIS

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sSB-1357

AN ACT CONCERNING THE DEPARTMENT OF CONSUMER PROTECTION'S RECOMMENDATIONS REGARDING VARIOUS STATUTES CONCERNING CONSUMER PROTECTION.

## ***OFA Fiscal Note***

### ***State Impact:***

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Resources of the General Fund	GF - Revenue Impact	See Below	See Below
Consumer Protection, Dept.	Real Estate Guaranty Fund, New Home Construction Guaranty Fund, Health Club Guaranty Fund, Consumer Protection Enforcement Account - Revenue Impact	See Below	See Below

Note: GF=General Fund

***Municipal Impact:*** None

### ***Explanation***

The bill makes various changes to consumer protection statutes resulting in the impacts described below.

**Section 3** establishes a civil penalty of up to \$1,000 for a person who is a licensed architect in the state that fails to comply with continuing education requirements resulting in a potential revenue gain to the state to the extent that violations occur. In FY 24, there were over 4,700 architect license applications and renewals.

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5/1/25

**Section 6** expands the number of circumstances where a person can apply to the real estate guaranty fund<sup>1</sup> for compensation resulting in a potential cost to the fund.

**Section 6** also sets the interest rate to 10%<sup>2</sup> for licensees who must repay the fund for a claim that was paid out, resulting in a potential revenue gain to the fund to the extent payments are made from the fund. In FY 24 there was one restitution claim paid for almost \$5,000.

**Section 8** allows the Department of Consumer Protection (DCP) to issue a fine of up to \$500 per day for a person who does not comply with a stop work order resulting in a potential revenue gain to the consumer protection enforcement account to the extent violations occur.

**Section 11** increases the maximum payment per claim from the new home construction guaranty fund<sup>3</sup> from \$30,000 to \$50,000 and consumers are allowed to make claims against the fund if a judgement is awarded against a proprietor resulting in a potential cost to the fund depending on the number and size of future claims.

**Section 11** also holds new home construction contractors and proprietors liable for the resulting debt to the fund resulting in a potential revenue gain to the fund to the extent violations occur and contractors and proprietors repay the Fund. In FY 24 there were four restitution claims paid for over \$100,000.

**Section 13** exempts certain people from registration as a community association manager resulting in a potential revenue loss to the General Fund to the extent this results in fewer registrations. In FY 24 there were over 320 applications and renewals for a community association

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<sup>1</sup>The Real Estate Guaranty Fund is administered by the Department of Consumer Protection and can reimburse consumers who suffer financial losses in certain real estate transactions. A claimant is eligible for a payment of up to \$25,000 from the fund.

<sup>2</sup>Current law requires the Real Estate Commission to determine an interest rate that reflects market rates which have historically been under 10%.

<sup>3</sup>The New Home Construction Guaranty Fund can reimburse consumers who are unable to collect for losses resulting from work performed by a registered new home builder. Homeowners may be eligible to receive up to \$30,000 from the fund if certain criteria are met.

manager. The application fee for this registration is \$160 and the renewal fee is \$200.

**Section 27** increases the fee DCP charges when reinspecting a food factory, food warehouse, or food establishment from \$40 to \$175 resulting in a potential revenue gain to the state to the extent reinspection's occur.

**Section 28** allows DCP to issue a civil penalty against a bakery, food manufacturing establishment, or food warehouse licensee for violations resulting in a potential revenue gain to the state to the extent violations occur. In FY 24 there were over 3,500 applications and renewals for these licenses.

**Section 31** allows DCP to issue a civil penalty of up to \$1,000 per violation against a health club resulting in a potential revenue gain to the state to the extent violations occur. In FY 24 there were over 250 applications and renewals for health club licenses in the state.

**Section 32** increases the maximum payment per claim from the health club guaranty fund<sup>4</sup> from \$75,000 to \$125,000 resulting in a potential cost to the fund depending on the number and size of future claims.

**Section 32** also holds health clubs liable for the resulting debt to the fund with an interest rate of ten percent per year resulting in a potential revenue gain to the fund to the extent violations occur and health clubs repay the Fund. In FY 24 there were 65 restitution claims paid for over \$40,000.

**Section 39** allows DCP to impose a fine of up to \$10,000 for certain vehicle lemon law violations resulting in a potential revenue gain to the

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<sup>4</sup>This fund is administered by the Department of Consumer Protection to protect consumers who have a health club contract with a club that subsequently closes down or moves. If a health club is no longer operating at the location where the consumer entered into the contract, the consumer may have a claim against the health club and may apply to the Guaranty Fund.

state to the extent violations occur.

The bill also makes various changes to consumer protection statutes that result in no fiscal impact to the state or municipalities.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of violations, claims paid from guaranty funds, and inflation.