*Report to the California State Legislature*

# Response to Issues and Recommendations Pursuant to the Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation's 2014 Sunset Review

BEARHFTI

BUREAU OF ELECTRONIC & APPLIANCE REPAIR,
HOME FURNISHINGS & THERMAL INSULATION

STATE OF CALIFORNIA

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DEPARTMENT OF CONSUMER AFFAIRS

***July 1, 2015***

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# EXECUTIVE SUMMARY

## INTRODUCTION

The Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation (Bureau) underwent the sunset review process in 2014. The Bureau was found to be in good standing, however, the Assembly Business, Professions and Consumer Protection Committee and the Senate Business, Professions and Economic Development Committee identified several areas they wished the Bureau to comment on after further study and review.

Assemblymember Susan Bonilla authored AB 2740 (Chapter 428, Statutes of 2014) as part of the sunset review process. Among other provisions, AB 2740 required the Bureau to report to the Legislature by July 1, 2015, on all of the following[1]:

- While the Bureau is in good fiscal standing, its revenues are projected to stay the same over the next few years and the cost of doing business is projected to rise over time, potentially leading to a long-term deficit. The Bureau should report to the committees any planned efforts to increase its revenues and reduce its expenditures, and whether, or when, it might seek a statutory fee increase in the future.

- For the 2013–14 fiscal year, the Bureau's Electronic and Appliance Repair Fund and the Home Furnishings and Thermal Insulation Fund are expected to spend roughly 37 percent and 19 percent of their budgets, respectively, on the pro rata costs to the department. The Bureau should advise the committees about the bases upon which pro rata costs are calculated, and whether it could achieve cost savings by dealing with more of its consumer complaints in-house.

- Currently, electronic and appliance repair and service contract registrations as well as thermal insulation licenses are renewed annually, and home furnishings licenses are renewed biennially. The Bureau should examine the pros and cons of requiring biennial renewals instead of annual license renewals for all licensees.

- In its last sunset review report in 1995, the department studied both the electronic and appliance repair market and the home furnishings and thermal insulation market to determine whether regulatory activities were appropriate, necessary, and should be continued, and recommended areas of deregulation and areas to monitor in order to better target resources and evaluate consumer risk and impact. The Bureau should conduct market condition assessments to study both of these markets and determine if current statutes and regulations reflect the needs of the markets, where risk to consumers is the greatest, where resources could be refocused or expanded, and whether continued regulation is clearly necessary across all segments of these markets.

- The Bureau issues a separate furniture retailer license, bedding retailer license, combination furniture and bedding retailer license, sanitizer license, and custom upholsterer license. The Bureau may consider whether it should consolidate any of its licenses, and whether it should continue to regulate, or issue, stand-alone licenses to sanitizers and custom upholsterers.

[1] AB 2740 Section 1(a)(7), Legislative Findings and Declarations.

- The Bureau has reported high product failure rates, which are primarily attributed to technical violations of flammability, product labeling, and feather and down standards. The Bureau should reexamine its testing protocols to ensure that it has the information it needs to appropriately identify areas of highest risk to consumers, and reexamine its standards, especially feather and down and product labeling standards, to determine if some standards could be relaxed, presuming there is no appreciable impact on consumer safety, whether standards should be clarified or better advertised, or whether penalties for violations are too low to act as a proper deterrent.

- The Bureau is scheduled to go live on the department's BreEZe system in late 2015. The Bureau should update the committees on the status of its implementation of BreEZe, including whether the system will accommodate the Bureau's current and future needs.

## OVERVIEW

Since the passage of AB 2740 last fall, the Bureau has undergone an extensive review of its existing statutes, regulations, and testing procedures; reviewed its budget and administrative practices; closely consulted on fee legislation introduced this year; contracted with CPS HR Consulting to conduct a market assessment of applicable industries; and met with consumer, environmental, and industry groups in order to address the issues raised in AB 2740. The following report is a summary of the Bureau's findings and recommendations.

### Bureau Revenue and Expenditures

The Bureau's Home Furnishings and Thermal Insulation Fund is projected to become insolvent in Fiscal Year (FY) 2017-18 and the Electronic and Appliance Repair Fund is projected to become insolvent in FY 2019-20. Assemblymember Sebastian Ridley-Thomas has introduced AB 1175 this year to raise most of the Bureau's licensing fees by 25 percent. If this legislation is enacted, the Bureau will promulgate regulations in 2016 to raise most home furnishing license fees by 15 percent. The Bureau is also likely to promulgate regulations in 2017 that would raise license fees for electronic and appliance repair, as well as services contract licensees, by 15 percent.

### Department of Consumer Affairs Pro Rata

The Bureau pays the Department of Consumer Affairs (Department) pro rata for various services it receives (e.g. publications, human resources, and complaint resolution). Some services are paid for based on the position authority of the Bureau's two funds; other services are paid for based on the workload the Bureau sent to various programs in the previous year or previous two years.

The Complaint Resolution Program (Program) is one area where the Bureau does pay a significant amount of its pro rata costs. However, that Program handles roughly 900 cases annually and resolves over 95 percent without the need for additional Bureau resources. The Department is instituting several cost cutting measures so future year costs for that Program are expected to be significantly lower.

### Biennial and Annual License Renewals and License Consolidation

Based on the Bureau's Market Assessment Study conducted by CPS HR Consulting and interactions with the Bureau's numerous licensees, the Bureau recommends all of its license types be renewed annually. The Bureau further recommends that the Importer, Wholesaler, and Manufacturer license types for the home furniture and bedding industries be consolidated into two license types: Wholesaler and Manufacturer. These changes would require legislation.

Market Condition Assessment

The Bureau contracted with CPS HR Consulting to study many aspects of the Bureau and the industries it regulates. Specifically, CPS HR Consulting completed a market condition assessment to study the policies, relevant statutes and regulations, and current resources of the Bureau's programs. Based on this review, the Bureau will be updating several regulatory sections, including rules governing advertising of traditional sales as well as "going out of business sales," examining Bureau operational procedures, and conducting outreach to industry, stakeholders, and consumers.

Flammability, Labeling, and Other Bureau Testing Standards

With the recent adoption of Technical Bulletin (TB) 117-2013, there has been a dramatic decrease in upholstered furniture failure rates. Historically, the Bureau applied the TB 117 performance standard to upholstered furniture products. This standard required products to withstand an open flame test and smolder resistance test. In order to pass these tests, manufacturers were predominantly using products treated with flame retardant chemicals. TB 117 was superseded by TB 117-2013 in 2013 because the standard did not adequately address the predominant source of upholstered furniture fires and losses today, which are smoldering ignition sources. The intent of the new standard is to produce upholstered furniture that is safer from the hazards associated with smoldering ignition. Since the implementation of TB 117-2013, upholstered furniture failure rates have dramatically decreased to approximately 2 percent.

TB 133 is a standard that is required of various upholstered products that are used in public spaces, such as hotels and hospitals. Furniture manufacturers and health care providers have sought amendments to this standard because of its rigorous open flame test. However, Bureau regulations, as well as the California Building Standards code, include exceptions from this requirement that address the concerns raised. Interested stakeholders may wish to seek changes in how local fire authorities determine the applicability of TB 133.

The open flame federal standard for mattresses has an average 19 percent failure rate (after two failure tests, the Bureau places a "hold" on a specific mattress type so that it cannot be sold in California until the issue is resolved).

Minor product labeling violations for non-plumage products constitute approximately 80 percent of the overall failure rates for bedding materials. These minor violations entail incorrect label or font size, or when minor information is missing from the label. The Bureau initially seeks to fix the issue directly with the manufacturer prior to commencing an enforcement action. In the vast majority of cases, this communication resolves the labeling issue. For major labeling violations, e.g. inaccurate product contents or material percentages for feather and down products where those ratios have a direct impact on the product's cost to the consumer, the Bureau will place a "hold" on the product so that it cannot be sold until the issue(s) regarding the product and its disclosures are resolved.

Plumage products also must meet cleanliness requirements to ensure there is a low presence of organic materials such as plant material. The current standard in Bureau regulations is 20 grams of oxygen per 100,000 grams of sample. As a result of industry updates to cleanliness testing and manufacturing procedures, as well as a review of national and international standards, the Bureau will seek to heighten its compliance standard to 10 grams of oxygen per 100,000 grams of sample prior to its next sunset review.

Feathers are also inspected to determine if they are intact or damaged. Bureau regulations prescribe specific maximums for damaged feathers that cannot be exceeded. Based on industry updates and manufacturing processes, the Bureau will explore changing this standard from a hard and fast threshold to a sliding scale standard currently used by the International Down and Feather Bureau.

Furniture manufacturers have also repeatedly sought for the Bureau to reduce product labeling requirements for upholstered furniture, specifically, the need to identify exact percentages of various materials found within upholstered furniture. Until further information is available, the Bureau will not seek to change these requirements.

BreEZe

The Bureau is currently scheduled to transition to BreEZe in Release 3, which is not yet scheduled. The Department is currently working on implementing Release 2 of the project, after which the Department will conduct a cost benefit analysis on the overall project. Based on the cost benefit findings, the Department will implement Release 3. A review of the Bureau's programmatic needs found that BreEZe will be able to meet the Bureau's licensing and enforcement requirements.

# BUREAU REVENUE AND EXPENDITURES

*AB 2740 Sec. 1(a)(7)(A): While the bureau is in good fiscal standing, its revenues are projected to stay the same over the next few years and the cost of doing business is projected to rise over time, potentially leading to a long-term deficit. The bureau should report to the committees any planned efforts to increase its revenues and reduce its expenditures, and whether, or when, it might seek a statutory fee increase in the future.*

Efforts to Reduce Expenditures: The Bureau has been able to maintain fiscal solvency without a statutory fee increase for many of its license types for over 17 years. Specifically, the last statutory fee increase for the electronic appliance and repair industry occurred in 1997 (SB 780, Chapter 401, Statutes of 1997) and the last statutory fee increase for the home furnishings industry was for the Manufacturers and Importers licenses in 2001 (AB 603, Chapter 199, Statutes of 2001).

The Bureau has consistently found ways to direct its resources to maximize cost efficiencies in its operations over the years by sharing staff in response to workload, co-habitation of facilities and equipment, and sharing one Bureau Chief, even prior to the official merger of the Bureaus in 2009. However, the Bureau is now facing a long-term deficit. The Bureau continues to seek additional ways to reduce expenditures, such as forestalling purchases of major equipment; however, there are few areas within the Bureau's operation where additional cost savings will be effective and still ensure the Bureau upholds its mission to protect and serve consumers. Fundamentally, the cost of doing business for the past several decades has risen, while the revenue stream from licensing fees has been relatively flat.

Efforts to Increase Revenues: The Bureau has worked with Assemblymember Ridley-Thomas, who introduced legislation to raise revenues by increasing the statutory fee caps for most license and registration types. This legislation, AB 1175 (Ridley-Thomas, 2015), is currently on the Senate Floor.

AB 1175 would increase most of the Bureau's licensing statutory fee caps by 25 percent. If the bill takes effect, the Bureau will immediately prepare a regulation proposal to raise home furnishings license fees by 15 percent because the Home Furnishings and Thermal Insulation Fund is projected to become insolvent in FY 2017-18. The bill would also prohibit the Department from promulgating a regulation that would raise the fees of electronic and appliance repair and service contract licenses until January 1, 2017. The Bureau wishes to minimize its impact on regulated businesses and the Electronic and Appliance Repair Fund is not projected to become insolvent until FY 2019-20. It is likely the Bureau will prepare a regulation package in 2017 to raise license fees for the electronic and appliance repair license types by no more than 15 percent.

Below are several fund condition scenarios for both Bureau funds. For each fund, there is a status quo scenario that identifies when the fund will become insolvent if AB 1175 is not enacted. In addition, there is a scenario that assumes a regulatory fee increase of 15 percent takes effect July 1, 2016, for home furnishings and thermal insulation industries and July 1, 2017, for the electronic and appliance repair industries.

| Home Furnishings and Thermal Insulation | | |
|---|---|---|
| | Fiscal Year | Months in Reserve |
| Status Quo Scenario* | 2015-16 | 3.7 |
| | 2016-17 | 1.8 |
| | 2017-18 | **-0.1** |
| 15 % Fee Increase on July 1, 2016 Scenario | 2015-16 | 3.7 |
| | 2016-17 | 3.3 |
| | 2017-18 | 2.8 |
| | 2018-19 | 2.0 |
| | 2019-20 | 1.1 |

| Electronic and Appliance Repair | | |
|---|---|---|
| | Fiscal Year | Months in Reserve |
| Status Quo Scenario* | 2015-16 | 7.1 |
| | 2016-17 | 5.6 |
| | 2017-18 | 4.0 |
| | 2018-19 | 2.2 |
| | 2019-20 | 0.3 |
| 15 % Fee Increase on July 1, 2017 Scenario | 2015-16 | 7.1 |
| | 2016-17 | 5.6 |
| | 2017-18 | 5.6 |
| | 2018-19 | 5.3 |
| | 2019-20 | 4.8 |

# DEPARTMENT OF CONSUMER AFFAIRS PRO RATA

*AB 2740 Sec. 1(a)(7)(B): For the 2013–14 fiscal year, the Bureau's Electronic and Appliance Repair Fund and the Home Furnishings and Thermal Insulation Fund are expected to spend roughly 37 percent and 19 percent of their budgets, respectively, on the pro rata costs to the department. The bureau should advise the committees about the bases upon which pro rata costs are calculated, and whether it could achieve cost savings by dealing with more of its consumer complaints in-house.*

Pro Rata Cost Calculations: The Bureau's Pro Rata Costs can be broken down into several categories, which differ based on the fund and program area utilizing the Department's services. The Bureau's costs for each of these categories is calculated in one of two ways: 1) the number of authorized positions associated with the Bureau's Electronic and Appliance Repair Fund or the Home Furnishings and Thermal Insulation Fund, or 2) a prorated share of cost based on the past year or two-year actual workload for service received by certain Departmental units. Below is a detailed breakdown of the various services the Bureau utilizes and the methodology used to determine the Bureau's costs.

| | Departmental Service | Cost Methodology | FY 13-14 Actual Cost | % of Total Budget | EAR Cost | % Total of Budget | HFTI Cost | % Total of Budget |
|---|---|---|---|---|---|---|---|---|
| Consumer and Client Services Division | Administrative Services (Executive, Legal, Legislative, Training Services, Human Resources, Accounting, Budgets, and Business Services Offices | Authorized Position Count | $618,902 | 9.06% | $206,964 | 8.72% | $411,938 | 9.25% |
| | Information Technology Services | Multiple: Based on Authorized Position Count & Previous Year Workload | $631,346 | 9.25% | $282,165 | 11.89% | $349,181 | 7.84% |
| Communication Division | Public Information and Outreach | Authorized Position Count | $16,329 | 0.24% | $5,812 | 0.24% | $10,517 | 0.24% |
| | Consumer Information Center | Previous Year Workload | $9,710 | 0.14% | $9,570 | 0.40% | $140 | 0.00% |
| | Correspondence Unit | Previous Year Workload | $9,819 | 0.14% | $9,170 | 0.39% | $649 | 0.01% |
| | Publications | Fund Position Authority | $15,575 | 0.23% | $5,204 | 0.22% | $10,371 | 0.23% |
| Complaint Resolution Program | | Previous Year Workload | $638,174 | 9.35% | $430,115 | 18.12% | $208,059 | 4.67% |
| Division of Investigations | Investigations | Two-Year Roll Forward | $0 | 0.00% | $0 | 0.00% | $0 | 0.00% |
| | Investigations and Services Team | Authorized Position Count | 13,654 | 0.20% | $4,560 | 0.19% | $9,094 | 0.20% |
| | | Total Pro Rata | $1,953,509 | 28.61% | $953,560 | 40.18% | $999,949 | 22.45% |

Impacts Associated with Bureau Internal Intake of Consumer Complaints: The Bureau utilizes the Department's Complaint Resolution Program to handle the majority of its complaints. The intent of using this Program is to provide a cost-effective means of resolving complaints received, as well as ensuring timely investigations and enforcement outcomes. Specifically, in FY 2013-14, the Complaint Resolution Program received 860 Bureau-related complaints, of which 830 were closed and 30 (less than four percent) were referred to the Bureau for final resolution. The Bureau is currently staffed with four Enforcement Analysts who work cases primarily driven by field inspections, laboratory testing results, and Internet searches performed as part of their duties. While the Bureau's laboratory staff spend some time each week answering manufacturers' questions on proper labeling and compliance, enforcement staff are not often involved with consumer complaints unless a complaint is received at the Department that triggers an investigation by one of the Bureau's field staff (five Electronic and Appliance Repair Field Representatives and six Home Furnishings Inspectors).

In 2012, the Department hired an independent consulting firm to perform an organizational review of the Complaint Resolution Program. Based on the findings and recommendations in this review, the Department closed the South El Monte and Hayward Complaint Offices in 2014. Furthermore, the Department will also be closing the Riverside Complaint Office effective August 1, 2015, and transferring a portion of the positions to the Sacramento Complaint Office. The Department will continue to monitor the Program's caseload and operating cost to see if further action needs to be taken to efficiently conduct its services. The Department has reduced the positions allocated to the Program from a total of 25.6 on July 1, 2013, to 17 positions effective August 1, 2015.

The Bureau and the Department are currently working to determine whether it will be more cost-effective in future budget years for the Bureau to handle consumer complaints in-house or continue to use the Program. A final decision on this matter is expected in January after the Department has been able to finalize budget change proposals and project long-term cost savings from recent Program reductions. The Department and Bureau will ensure the final decision and rationale are provided to the Legislature as part of the 2016-17 Budget review process.

# BIENNIAL AND ANNUAL LICENSE RENEWALS AND LICENSE CONSOLIDATION

*AB 2740 Sec. 1(a)(7)(C): Currently, electronic and appliance repair and thermal insulation licenses are renewed annually, and home furnishings licenses are renewed biennially. The bureau should examine the pros and cons of requiring biennial renewals instead of annual license renewals for all licensees.*

*…*

*AB 2740 Sec. 1(a)(7)(E): The bureau issues a separate furniture retailer license, bedding retailer license, combination furniture and bedding retailer license, sanitizer license, and custom upholsterer license. The bureau may consider whether it should consolidate any of its licenses, and whether it should continue to regulate, or issue, stand-alone licenses to sanitizers and custom upholsterers.*

As part of the Bureau's market assessment activities, which are discussed in further detail in the next section of this report, the Bureau contracted with CPS HR Consulting to study many aspects of the Bureau and the industries it regulates. Specifically, CPS HR Consulting completed a market condition assessment to study the policies, relevant statutes and regulations, and current resources of the Bureau's programs. Further, the market condition assessment examined whether program resources should be refocused or expanded and identified greatest industry risks to consumers. The market assessment also determined if current rules were appropriate and necessary for today's market, if market segments should be consolidated or deregulated, and potential impacts for biennial or annual license renewal augmentations.

Based on the results of the market assessment study and the rationale below, the Legislature may wish to examine and augment the following during the Bureau's next sunset review in 2018:

1. **Move all Bureau license types to an annual renewal cycle, adjusting statutory fee maximums appropriately (e.g., change a furniture retailer's biennial renewal fee of $240 to annual renewal fee of $120).**
2. **Consolidate three existing home furnishings license types – Wholesalers, Importers, and Manufacturers – into two license types: Wholesalers and Manufacturers.**

<u>Justification for Annual Renewal Cycle</u>: The Bureau licenses approximately 39,500 licensees; 45 percent of the population is renewed annually (electronic and appliance repair, service contracts sellers and administrators, and thermal insulation industries) and the remaining 55 percent (home furnishings industry) is renewed biennially.

Based on conversations with the home furnishings industry, particularly small business retailers, there is a consistent preference to pay a smaller annual fee rather than a larger fee every two years. From the industry's perspective, this is more advantageous for several reasons.

Historically, home furnishings retailers locked into multiple year leases for their retail facilities and warehouses, but since the economic downturn, profit margins have become unstable and many retailers are now in month-to-month agreements with facilities. Due to potential changes in locations, the need to be creative in keeping costs down and having a consistent annual tax write off, many businesses prefer an annual renewal.

Additionally, one of the most consistent responses the Bureau receives in an enforcement citation review conference for a delinquent license is that because the license is renewed every two years rather than annually, the owner forgets. They have commented that the license renewal should be annual like the others to be consistent and easier to remember.

Switching to an annual renewal will also provide a more consistent revenue base for the Bureau. With biennial renewals, there can be a peak year and a valley year, which presents challenges in estimating available resources and the potential for reserve, whereas annual renewals make it easier to make projections and accurately budget.

In addition, annual renewals tend to ensure more effective enforcement. With a two-year license cycle and very transient populations (especially retail furniture/bedding locations), companies move locations or are out of business before the Bureau receives information for another year. Subsequently more field hours are spent trying to track down businesses when more recent information would have been available with a shorter time frame for renewal. If the Legislature decides to make all license types an annual renewal, fees should also be adjusted appropriately. For example, a furniture retailer's biennial renewal fee of $240 should be changed to an annual renewal fee of $120.

Background on Wholesaler, Importer, and Manufacturer License Types: Under existing law, any business that manufacturers or wholesales a product made outside of the United States must obtain an Importer license. A business that manufactures or wholesales a product made in the United States, however, must obtain either a Wholesaler or Manufacturer license. In effect, an overseas furniture manufacturer is considered an Importer under existing law.

Justification for License Consolidation: Existing law has often led to confusion from applicants over when a Manufacturing license or an Importer license is required. In addition, Uniform Registry Numbers, which are recognized and granted reciprocity between states, are only intended for use by companies that manufacture furniture or bedding and must appear on the law labels for those products. The Uniform Registry Number identifies the issuing state and the manufacturing plant location – state or country – via the number suffix and is intended to be designated for the furniture or bedding manufactured at one specific location. Issuing a registry number to an Importer can lead to misuse by manufacturers that avoid licensure by using their Importers Registry Number. Limiting issuance of a registry number only to Manufacturer licensees will reduce cases of inappropriate licensure and make the law more consistent and clear for other regulating entities to identify the activities allowed under the license type.

For these reasons, the Bureau recommends that the Importer license type be abolished and businesses that wholesale products internationally should be required to obtain a Wholesaler license. Similarly, businesses that manufacture products internationally should be required to obtain a Manufacturer license, which would be the only license type allowed to obtain a registry number and import products.

Stand-Alone Sanitizer and Custom Upholsterer Licenses

Sanitizers provide a critical role in the health and safety of consumers with used and rebuilt mattresses or bedding that contains any secondhand filling material, which must be sanitized before it is offered for sale. The methods utilized to address public safety are the usage of a dry heat method with specific requirements that ensure the product is sanitized or an application of a specified chemical disinfectant (Steri-Fab), in a prescriptive manner that achieves complete disinfection.

While the licensing population is low, the work they do is unique to that segment of the industry, and it is extremely vital to providing an adequate level of consumer protection. Companies that use the dry heat method are mattress rebuilders who supply rebuilt mattresses to retailers and other entities. There is not a comparable license type that they could be combined with, as the nature of their business is primarily to ensure the sanitization of bedding. The chemical disinfectant method may be used under other license types, such as a mattress retailer that sanitizes their own mattresses that are returned and are not required to have an additional license.

Custom Upholsterers are also unique in that they rebuild a piece of furniture with materials obtained from other sources, as a manufacturer would. Consequently, they are obligated to disclose the filling, fabric, and other information that defines what was done to the product to the consumer on the invoice. They are responsible for obtaining proper filling materials, labeling, and invoices, which are critical in ensuring the consumer gets an appropriate product. While custom upholsterers are somewhat similar to a manufacturer, combining them with a manufacturer's license in which the volume is traditionally high, would put an undue burden of a higher priced license. These licensees are generally small, family run businesses, with a relatively small volume of product, as each piece must be custom upholstered, as opposed to mass producing products.

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# MARKET CONDITION ASSESSMENT

*AB 2740 Sec. 1(a)(7)(D): In its last sunset review report in 1995, the department studied both the electronic and appliance repair market and the home furnishings and thermal insulation market to determine whether regulatory activities were appropriate, necessary, and should be continued, and recommended areas of deregulation and areas to monitor in order to better target resources and evaluate consumer risk and impact. The bureau should conduct market condition assessments to study both of these markets and determine if current statutes and regulations reflect the needs of the markets, where risk to consumers is the greatest, where resources could be refocused or expanded, and whether continued regulation is clearly necessary across all segments of these markets.*

As previously discussed, the Bureau contracted with CPS HR Consulting to perform the Market Condition Assessment. In conducting the assessment, CPS HR Consulting did the following:

- Reviewed pertinent legislation, regulations, organizational structure, operating statistics, and past performance;
- Interviewed the following critical stakeholders:
  - Bureau management;
  - Bureau Advisory Council members;
  - Industry officials;
  - A representative sample of California consumers; and
- Collected and analyzed secondary market research of the industries under the Bureau's oversight.

<u>Consumer Feedback</u>:

- Less than half of the responses indicated familiarity with the Department and its mission, and even fewer were familiar with the Bureau and its various responsibilities.
- Most responses were generally positive about the Department's role and consumer protections provided; relatively few responses were negative or dismissive of the Department mission and roles.
- Many respondents were not very informed about the Department and specific programs and services outside the limited scope of this consumer survey.
- Many respondents believed there is a need for stronger and more varied outreach, visibility, communication, and publicizing of Department programs and services using a wide variety of media.
- A moderate number of respondents expressed the view that, in retrospect, they wished they had more knowledge of the Department when they experienced consumer issues or problems in the past.
- The majority of respondents were at least somewhat satisfied with service contracts of products also regulated by the Bureau.

<u>Secondary Market Research Findings</u>:

- The Bureau needs to keep its website updated with the latest legislative changes and the names of violators to encourage compliance[2].
- The Bureau needs to improve outreach and industry/consumer education through more direct mail, webinars, teleconferences, podcasts, and workshops in Northern and Southern California.

[2] This function is already available on the Bureau's licensee lookup function, which can be found at http://www.bearhfti.ca.gov/enforcement/index.shtml.

Industry Feedback:
Home Furnishings

- Enforcement focus should shift from retailers to wholesalers and manufacturers in order to better use limited resources. For products manufactured outside of the Unites States, the focus should be placed on the importer of record.
- Furniture testing should be limited to cushion samples so that an entire piece of furniture is not lost for testing.
- The Bureau should evaluate advertising regulations for all industry sectors.
- The Bureau should consider hiring retired furniture sales staff for inspection work.

Electronic and Appliance Repair

- The Bureau should shift its focus from registering applicants to adopting a Contractors' State License Board model where applicants must meet licensing and certification requirements.
- The Bureau should develop a customer satisfaction assessment method, such as a survey application for mobile devices.
- The Bureau should standardize enforcement and outreach for all industry sectors, as well as increase outreach efforts through media and social media.

Service Contracts

- The Bureau should eliminate the prescriptive requirement for consumers to file a service contract claim.

In general, feedback from all stakeholders indicates that augmentations should be made either in the Bureau's practice acts or in operations, but there were no areas identified that required substantial reform. The Bureau's next steps and future efforts based on this assessment are incorporated in the conclusion of this report.

# FLAMMABILITY, LABELING, AND OTHER BUREAU STANDARDS

*AB 2740 Sec. 1(a)(7)(F): The bureau has reported high product failure rates, which are primarily attributed to technical violations of flammability, product labeling, and feather and down standards. The bureau should reexamine its testing protocols to ensure that it has the information it needs to appropriately identify areas of highest risk to consumers, and reexamine its standards, especially feather and down and product labeling standards, to determine if some standards could be relaxed, presuming there is no appreciable impact on consumer safety, whether standards should be clarified or better advertised, or whether penalties for violations are too low to act as a proper deterrent.*

Flammability Standards: As seen in the statistics below, the Bureau's high failure rate for flammability testing is primarily due to the previous TB 117 flammability standard. Data from the past 12 years reveals a fail rate of approximately 50 percent on upholstered furniture products tested that were required to meet the TB 117 (2000 version) standard. The fail rate was primarily due to each component contained in the article having to meet requirements of different sections of TB 117.

As of January 1, 2014, manufacturers could utilize the new or old standard. As of January 1, 2015, all manufacturers must meet the new standard for upholstered furniture sold in California. Since the implementation of TB 117-2013, which requires a more stringent smolder test and has no open flame component, the Bureau has noticed a considerably lower failure rate in upholstered furniture products. Additionally, TB 117-2013 allows options on how a product may be manufactured in order to comply, e.g. outside cover fabric can fail if a compliant barrier is used. For these reasons, it is more likely the Bureau will see a much higher compliance rate. As of March 25, 2015, test statistics indicate a two percent fail rate. The Bureau anticipates that this fail rate will range between 2-10 percent, which is a reasonable value based on manufacturing process variables and improved understanding of the standard.

The open flame standard conducted on mattresses and mattress sets, as required by Title 16 of the Code of Federal Regulations section 1633 (16 CFR 1633), indicates an average pass rate of 81 percent. The smoldering test conducted on mattresses and mattress pads, as required by 16 CFR 1632, indicates an average pass rate of 95 percent. Thermal insulation products are tested for both flammability and physical properties and have continued to indicate an average pass rate of 82 percent.

Below are compliance testing statistics for the past four fiscal years and the current fiscal year as of March 2015:

Data for FY 2010-11

| Type Test | Completed Samples 07/01/10 -06/30/11 | | | |
|---|---|---|---|---|
| | Pass | | Fail | |
| | No. | % | No. | % |
| TB 117 (upholstered furniture) | 69 | 63 | 40 | 37 |
| 16 CFR 1633 (mattress/mattress sets) | 36 | 86 | 6 | 14 |
| 16 CFR 1632 (mattress/mattress pads) | 4 | 100 | 0 | 0 |
| Plumage (Feather & Down) | 6 | 43 | 8 | 57 |
| Thermal Insulation | 87 | 86 | 14 | 14 |
| *Bedding (no flammability test) | -9 | N/A | 0 | N/A |
| **Labeling | 24 | 15 | 135 | 85 |
| Total[1] | 202 | 75 | 68 | 25 |

Data for FY 2011-12

| Type Test | Completed Samples 07/01/11 -06/30/12 | | | |
|---|---|---|---|---|
| | Pass | | Fail | |
| | No. | % | No. | % |
| TB 117 (upholstered furniture) | 99 | 47 | 110 | 53 |
| 16 CFR 1633 (mattress/mattress sets) | 28 | 82 | 6 | 18 |
| 16 CFR 1632 (mattress/mattress pads) | 2 | 100 | 0 | 0 |
| Plumage (Feather & Down) | 12 | 40 | 18 | 60 |
| Thermal Insulation | 23 | 88 | 3 | 12 |
| *Bedding (no flammability test) | -12 | N/A | 0 | N/A |
| **Labeling | 26 | 9 | 261 | 91 |
| Total[1] | 164 | 54 | 137 | 46 |
| Note: The laboratory adjusted sample flow for our facility move; therefore very few samples were received between Feb–April, 2012. | | | | |

Data for FY 2012-13

| Type Test | Completed Samples 07/01/12 -06/30/13 | | | |
|---|---|---|---|---|
| | Pass | | Fail | |
| | No. | % | No. | % |
| TB 117 (upholstered furniture) | 67 | 51 | 65 | 49 |
| 16 CFR 1633 (mattress/mattress sets) | 44 | 81 | 10 | 19 |
| 16 CFR 1632 (mattress/mattress pads) | 5 | 83 | 1 | 17 |
| Plumage (Feather & Down) | 19 | 46 | 22 | 54 |
| Thermal Insulation | 26 | 79 | 7 | 21 |
| *Bedding (no flammability test) | -30 | N/A | 0 | N/A |
| **Labeling | 47 | 18 | 216 | 82 |
| Total[1] | 161 | 61 | 105 | 39 |

Data for FY 2013-14

| Type Test | Completed Samples 07/01/13 - 06/30/14 | | | |
|---|---|---|---|---|
| | Pass | | Fail | |
| | No. | % | No. | % |
| TB 117 (upholstered furniture) | 25 | 78 | 7 | 22 |
| TB 117-2013 (upholstered furniture) | 1 | 50 | 1 | 50 |
| 16 CFR 1633 (mattress/mattress sets) | 92 | 75 | 31 | 25 |
| 16 CFR 1632 (mattress/mattress pads) | 60 | 94 | 4 | 6 |
| Plumage (Feather & Down) | 10 | 31 | 22 | 69 |
| Thermal Insulation | 45 | 82 | 10 | 18 |
| *Bedding (no flammability test) | -89 | N/A | 0 | N/A |
| **Labeling | 48 | 13 | 312 | 87 |
| Total[1] | 233 | 76 | 75 | 24 |

Data for FY 2014-15 to Date

| Type Test | Completed Samples 07/01/14 - 03/25/15 | | | |
|---|---|---|---|---|
| | Pass | | Fail | |
| | No. | % | | % |
| TB 117 (upholstered furniture) | 2 | 100 | 0 | 0 |
| TB 117-2013 (upholstered furniture) | 62 | 98 | 1 | 2 |
| 16 CFR 1633 (mattress/mattress sets) | 83 | 81 | 20 | 19 |
| 16 CFR 1632 (Mattress/mattress pads) | 14[2] | 100 | 0 | 0 |
| Plumage (Feather & Down) | 3 | 43 | 4 | 57 |
| Thermal Insulation | 20 | 77 | 6 | 23 |
| *Bedding (no flammability test) | -34 | N/A | 0 | N/A |
| **Labeling | 37 | 16 | 188 | 84 |
| Total[1] | 184 | 86 | 31 | 14 |

[1] Total results do not include bedding or labeling.
[2] Eleven of the 14 samples were rebuilt mattresses.

* Comforter, bed pillows, decorator pillows, quilts, body pillow or any other type of product that does not require flammability testing or plumage analysis.
** This category includes labeling results for products with the exception of Thermal Insulation products.

TB 133: Several Industry Associations, as well as health care providers, have asked the Bureau to update TB 133, which is an open flame test procedure designed to test seating furniture used in public occupancy areas (e.g. health care facilities, public auditoriums, and hotels). This standard is not intended to test any residential product.

In order to meet this standard, manufacturers must often utilize barriers, highly fire resistant component materials, or both in their products. However, the Bureau's existing regulations allow for owners of public occupancy spaces to utilize TB 117-2013 when those spaces meet specified fire sprinkler standards (4 CCR 1374(e)). In addition, the California Building Standards Code recognizes the same exemption (24 CCR Part 9, 805.2-805.4). There appears to be discretion, however, for local fire authorities to require the TB 133 standard to be met even in instances where the fire sprinkler exception is also met. Interested stakeholders may wish to address this issue with the Office of the State Fire Marshal during the California Building Standards Code development process.

Product Labeling; Non-Plumage (Non-Feather and Down) Products: The majority of product labeling discrepancies for non-plumage products are minor violations that are addressed by notifying the manufacturer of the discrepancy. Some examples of minor label violations are letter height, label size, capital letter requirements, finished size, missing or incorrect net weight of filling materials (as required for particular bedding products), incorrect label material, differences in percent components, or unacceptable component terminology. Minor label discrepancies on regulated items constitute about 80 percent of the total labeling non-compliance rate. Manufacturers do not receive a notice of violation or citation when a minor label violation is found. The Bureau provides education to the manufacturer to allow the manufacturer time to correct the next production of labels that will be printed and attached to their products.

Major labeling violations are generally addressed during an actual Bureau inspection. The inspector may withhold products from sale when law labels and/or flammability labels are not attached, if registry numbers are missing or incorrect on the law label, and when product manufacturers are not licensed with the Bureau. Once the manufacturer/retailer addresses the issues and all Bureau requirements are met, the Bureau inspector may lift the "withhold from sale" on those particular products and they may be offered for sale once again.

The Bureau has been actively communicating with the industry to educate manufacturers regarding product label requirements and plans to continue this outreach effort. The Bureau will be posting label examples on the website that adhere to the actual required font and label size, as suggested by the Bureau's Advisory Committee. The Bureau has recently published Frequently Asked Questions on the newly adopted standards per TB 117-2013 and SB 1019 regarding flame retardant chemicals. The industry has expressed gratitude on several occasions for the posting of helpful tools such as this on the Bureau website.

Product Labeling; Plumage (Feather and Down) Products: Plumage products are offered for sale considering performance, features, safety, price, and effectiveness. Specifically, down products are known for their insulating, lightweight, and compact properties. Therefore, the down content is typically very important to consumers who are considering buying these products, which makes accurate product labeling especially significant. Product labeling discrepancies for plumage products are considered major violations when the discrepancy involves a difference in the percentage of what the manufacturer claims is contained in the product and what is actually in the product. Bureau regulations do not allow any variance in the amount of down claimed (Title 4, California Code of Regulations, Article 5, 1193(f)). Other types of plumage contained in the product must not exceed the allowable maximums unless those

maximums are properly documented on the label. In instances when components exceed maximums, the percentage of such components must be labeled. Allowing a variance in the down may cause industry to produce lower quality products for the California consumer. Typically, the labeled percentage of down in plumage products are not allowed a variance, however, Canada permits some variance while Japan, like California, does not. The International Feather and Down Laboratory has testing labs throughout the world and their testing techniques include double testing. Double testing allows for an inherent variance in the average of the test results. To allow a variance in down content may cause the manufacturer to "shoot" for the tolerance, therefore intentionally being deceptive, as opposed to unintentional variations in the manufacturing process. The Bureau test results show that plumage failures can be attributed to low down content; however, allowing a tolerance would not be beneficial to the consumer. Further, given the high cost of plumage products, having strict standards minimizes economic harm to consumers.

For these reasons, the Bureau does not plan to amend this existing regulatory standard.

Cleanliness of Plumage (Feather and Down) Products: The cleanliness requirements for plumage products are stated in Title 4, CCR, Article 5, 1193(h) as, "Cleanliness. All plumage products must have an oxygen number not exceeding 20 grams of oxygen per 100,000 grams of sample." The oxygen number test determines the cleanliness of plumage products, meaning the presence of organic material such as plants, insects, blood, etc., on the surface of the down and feathers; the lower the oxygen number, the cleaner the down and feather material.

The American Down and Feather Council (ADFC) is a voluntary organization that self regulates the industry. The ADFC has many members from the feather and down industry who may file a complaint regarding labeling or other regulated concerns that will start a lengthy testing process that can lead to voluntary product withholds and reporting non-compliant issues to regulating states where the products are offered for sale. The ADFC requires the oxygen number be less than 10. In the United States, the accepted industry standard for the oxygen number is 4.8 or less. To qualify as "clean," in California, the oxygen number must be less than 20, while most other states require less than 10. By comparison, Europe requires 20 and Japan requires 4.8 or less.

The Federal Trade Commission (FTC) states, "because modern mass production techniques allow the industry to produce feather and down materials efficiently with oxygen numbers below 10, cleanliness of feather and down filling should be consistent with an oxygen number of less than 10, no matter how it is measured." In August 1998, the FTC rescinded its feather and down guidelines; however, the FTC still has policies regarding truth in advertising and claims made on products must be truthful, accurate, and substantiated.

In the past 20 years, Bureau testing results have shown plumage samples to be less than 5 grams of oxygen per 100,000 grams of sample; therefore the Bureau plans to update its regulations to reflect the more stringent oxygen number not exceeding 10 grams of oxygen per 100,000 grams of sample. The update will reflect international standards and ensure the utmost cleanliness for the consumer as a value of 10 indicates a cleaner plumage product.

Damaged Feathers; Maximum Allowed in Plumage (Feather and Down) Products: Bureau statistics show that plumage products have approximately a 50 percent failure rate based on labeling violations alone. The majority of failures are due to both low down content on products claiming specific down percentages and damaged feathers exceeding the maximums allowed in California regulations.

The International Down and Feather Bureau (IDFB) is the international trade association of the down/feather industry (processors of raw material and/or producers of finished articles, filled with down/feathers). The IDFB's goal is to develop and promote international standards for down and feather fillings, including definitions and testing regulations. The IDFB developed a sliding scale for maximums allowed for damaged feathers in blended waterfowl feather and down products. The sliding scale is accepted by the industry and creates a more realistic standard for manufacturers. The acceptance of the sliding scale for the maximum requirement for damaged feathers will not impose hardship on the industry, but provide a more realistic producible product based on the blended products.

The Bureau proposes adopting the sliding scale maximums for damaged feathers for blended waterfowl feather and down products. This will provide more realistic and obtainable standards for the plumage industry and will not cause economic or health and safety hazards to the consumer.

Percentage Requirements on the Law Label**:** Existing law requires that manufacturers include specific information on their product law labels. Specifically, the materials used must be listed in order of predominance and the label must identify the percentage, by weight, of each item in the product. Industry representatives have posed the following questions regarding the percentage requirements on the law label:

- Why do we need percentages listed on the law label?
- What are the consumer benefits and/or protections in providing the percentage components?
- Is there harm posed if the percentages are not listed?
- Is this necessary or an undue burden on the industry?
- Food industry labeling includes highest volumes listed in order, but does not have percentages listed. Why is furniture held to a higher standard than products we ingest?

Industry is requesting to eliminate the percentage requirement and allow manufacturers to only list materials in order of predominance. The exception would be to keep current labeling requirements for plumage products where percentages affect quality control and cost to the consumer.

Additional arguments for eliminating the percentage labeling requirement:

- The requirement is antiquated, burdensome, and costly for manufacturers;
- Only four states (according to one association), including California, require percentages to be listed;
- Percentages do not equate to quality or comfort;
- Percentages are not used in marketing of the upholstered furniture products;
- Component changes (foam density/fiber weight) result in inaccurate percentages and subjects the manufacturer to unwarranted enforcement penalties;
- It is not reasonable or efficient for manufacturers to reprint labels each time there is a change in percentages (these changes are not meaningful);
- Consumers do not have a reference point for comparison of products based on percentages;
- Attempts to calculate, or comprehend different percentages create confusion in the marketplace; and
- Each manufacturer must stock large quantities of a variety of labels with differing percentages and apply them appropriately.

Potential Counterarguments:
With the exclusion of feather and down products, which shall always require percentages based on the economic harm, below are possible arguments for continuing to require percentages of components in the "All new material consisting of" section of the law label.

- Consumers cannot differentiate between low and high quality materials and exactly how much of each is contained in the product. For example, a listed polyurethane foam pad could contain shredded polyurethane foam, which is a lower quality product, but the label would not indicate how much of the product is shredded foam versus a higher quality material;
- Economic harm caused to the consumer from not being properly informed;
- Durable goods, such as a sofa or loveseat, are much more costly than food items or other non-durable goods. These items are intended for long-term use, which makes quality more important to the consumer. Listing material percentages enables consumers to make informed choices when investing in high-priced items;
- Food and hygiene products tend to have many components as compared to furniture products, which generally have less than five;
- Food items list important percentages, such as the percentages of fat, sodium, carbohydrates, and protein, expressed in grams; and
- Key regulating states require percentage of components (Ohio, Texas, and Utah).

States that Require Percentages:
According to the charts provided by International Sleep Products Association (ISPA) and located in the 2013 Manual of Labeling Laws, there are 32 states that require some type of labeling and 21 of those require a statement of materials used showing percentages by weight. However, a Bureau survey requested through International Association of Bedding and Furniture Law Officials only confirmed California, Ohio, Texas, and Utah require the label to state percentages of product components.

The Bureau recommends amending 4 CCR Section 1113, Deviations from Percentages Stated, to allow more variance in percent differences. This change is anticipated to not have an impact on consumer safety or cause economic harm and will allow more variance in the manufacturing process and by default, provide more compliance in labeling for industry.

The Bureau does not intend to update these percentage requirements until additional information is available that ensures consumers will not be harmed by this change in disclosures.

<u>Penalties for Violation</u>:
The Bureau finds that minor first offenses are best resolved by treating them in a similar fashion as a "fix-it" ticket. Many Bureau licensees are businesses that need to be made aware of requirements. For this reason, the Bureau allows the business 30 days to enter into compliance and if they do so, does not levy fines or penalties.

For more significant violations, the Bureau always has the ability to withhold products that are in violation from sale and levy citation fines. Further, for particularly egregious violations of unlicensed activity, the Bureau may seek to have the licensee's phone disconnected. Authority it regained recently in SB 1243 (Lieu, Chapter 395, Statues of 2014). For the most egregious cases, the Bureau also partners with local district attorneys to pursue criminal convictions. These tools seem to offer more than sufficient deterrence in the majority of the Bureau's cases.

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# BREEZE

*AB 2740 Sec. 1(a)(7)(G): The bureau is scheduled to go live on the department's BreEZe system in late 2015. The bureau should update the committees on the status of its implementation of BreEZe, including whether the system will accommodate the bureau's current and future needs.*

At present, the Department continues to support the Bureau's legacy systems as the Bureau's transition to BreEZe in Release 3 is not currently scheduled. The Department will conduct a formal cost-benefit analysis of BreEZe, in conformance with the State Auditor's Report, prior to moving forward with Release 3. Unless the cost-benefit analysis indicates otherwise, the goal remains to have a single integrated licensing and enforcement system. The Department and Bureau are awaiting the outcome of that analysis prior to planning the Bureau's transition to BreEZe.

The Bureau has paid a share of the initial hardware and software investment costs, and will continue to contribute to the remaining non-Accenture project costs, but will not pay Accenture project costs for Release 1 and 2. BreEZe project costs are allocated among the boards and bureaus based upon their respective share of the Department's overall annual initial licensing application and license renewal transactions.

Bureau BreEZe Costs

| | Total Costs | % of Total Budget | EAR Costs | % of Total Fund Budget | HFTI Costs | % of Total Fund Budget |
|---|---|---|---|---|---|---|
| FY 2013-14 | $147,434 | 2.15% | $60,955 | 2.56% | $86,479 | 1.93% |
| FY 2014-15 | $75,378 | 0.94% | $29,305 | 1.02% | $46,073 | 0.90% |
| FY 2015-16 | $208,307 | 2.69% | $82,397 | 2.92% | $125,910 | 2.55% |
| FY 2016-17 | $183,677 | 2.33% | $72,560 | 2.54% | $111,117 | 2.22% |

Based on a review of the Bureau's existing infrastructure and operational needs, its strategic plan, various 2014 sunset documents, and the materials associated with this report, the Bureau is confident that BreEZe will meet the Bureau's current and future needs. Based on lessons learned from Release 1 Programs, the Bureau is committed to having a thorough and involved design phase process to ensure all needs are met.

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# CONCLUSION

Due to this extensive review, the Bureau has identified several key tasks it will pursue prior to its next sunset review in 2018.

- Regulatory Proposals
  - Update the Bureau's advertising regulations to ensure industries can easily understand compliance requirements and the Bureau can effectively enforce violations of those requirements.
  - Evaluate changing the plumage cleanliness requirement from 20 grams of oxygen to 10 grams of oxygen per 100,000 grams of sample.
  - Evaluate changing current maximums allowed for damaged feathers for blended waterfowl feather and down products to a sliding scale requirement for maximum damaged feathers contained in blended waterfowl feather and down products.
  - Raise home furnishing industry license fees 15 percent in 2016.
  - Raise electronic and appliance repair and service contractor industry license fees 15 percent in 2017.
- Operational Updates
  - Explore cost savings opportunities from utilizing the Department's Complaint Resolution Program.
  - Explore altering enforcement focus to increase the number of Wholesaler, Importer, and Manufacturer compliance inspections.
  - Continue to monitor TB 117-2013 failure rates to evaluate whether Bureau projections are accurate or to determine what, if any, issues arise with the new standard.
  - Continue to assess programmatic needs and devote resources at the appropriate time to the BreEZe design phase process when Release 3 project development commences.
- Outreach Opportunities
  - Update the Bureau's website to be more user-friendly and provide various documents requested by industry in the market assessment study.
  - Conduct three Bureau Advisory Committee meetings annually to ensure licensees and interested stakeholders are apprised of Bureau operations and efforts. Further, when budget constraints are alleviated, consider council meetings outside the Sacramento Region.
  - Provide YouTube content to numerous regulated small business entities in English, Spanish, and Mandarin on Bureau requirements such as TB 117-2013 and flame retardant chemical disclosure rules.
  - Look for opportunities to conduct outreach on compliance requirements in a uniform fashion for all Bureau license types.

Additionally, there are items raised by stakeholders that the Legislature may wish to examine and augment in the Bureau's next sunset review in 2018.

- Require all home furnishings license types to renew their licenses annually rather than biennially.
- Consolidate three home furnishings license categories: Wholesaler, Importer, and Manufacture into two license types: Wholesaler and Manufacturer.

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# APPENDIX A – BUREAU MARKET CONDITION ASSESSMENT, FINAL REPORT, MARCH 2015

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FINAL REPORT

# Department of Consumer Affairs

## Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation

# Market Condition Assessment Final Report

**March 16, 2015**

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# Executive Summary

The Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation (Bureau or BEARHFTI) is a regulatory body under the organizational structure of the California Department of Consumer Affairs (DCA). The Bureau registers regulates electronic and appliance repair businesses and has jurisdiction over the sale and administration of service contracts over various consumer products. In addition, the Bureau licenses and regulates the manufacture and sale of upholstered furniture, bedding, and thermal insulation products, and conducts flammability and sanitization testing. The Bureau's mission is: "to protect and serve consumers while ensuring a competent and fair marketplace."

In response to the passage of Assembly Bill 2740, in October 2014 the Board engaged CPS HR Consulting (CPS HR) to conduct an independent assessment of the conditions of the Electronic and Appliance Repair and Home Furnishing and Thermal Insulation markets in California.

The study scope and methodology included the following:

- Review pertinent legislation, regulations, organizational structure, operating statistics and past performance; and
- Interview or survey the interests of the following critical stakeholders:
  - Bureau management;
  - Bureau Advisory Council members;
  - Industry officials, collect and analyze secondary market research of the industries under the Bureau's oversight; and
  - A representative sample of California consumers.
- Prepare draft and final reports with findings and recommendations.

The following summarizes the study recommendations.

CPS HR recommends the Bureau:

1. Evaluate technology improvements (tablets, applications and database) for field inspectors to improve efficiency and reduce workload for Enforcement Unit staff.
2. Add resources to the Bureau to eliminate the present case backlog and stay current with the existing workload.
3. Continue to update and revise applicable legislation and regulations to streamline licensing and enforcement, reduce confusion with licensees and registrants, and increase fees appropriately to ensure the Bureau's sustainability.
4. Switch all license and registration renewals to annual to improve operational cash flow and enforcement effectiveness.

5. Work with the DCA Communications Division to implement an electronic communications strategy to increase education and outreach to consumers and pertinent licensee/registrant industries.

**Recommendations proposed by the Home Furnishings Industry**

6. The Bureau should change its enforcement focus from retailers to furniture and foam manufacturers and importers because they are the source of the problem, not retailers. The focus on retailers should be on advertising and service delivery. Implementing this recommendation would result in better use of limited staff because most time would be spent inspecting manufacturers and large importer warehouses, rather than small retailers. However, it is understood that the travel cost implications of this recommendation may not be viable given current travel budget constraints.
7. Bureau focus should be shifted to the importer of record, not foreign manufacturers.
8. When inspectors find unlicensed businesses, they should be charged the license fee plus a late charge for all the delinquent time they were unlicensed.
9. When testing, the Bureau should test cushion samples only, not the entire piece of furniture. This would speed up testing and reduce cost.
10. The Bureau should develop false and deceptive advertising regulations for BEAR similar to the BHFTI regulations.
11. The Bureau should recruit retired independent furniture sales people as inspectors.

**Recommendations Proposed by the Electronic and Appliance Industry**

12. The Bureau should change its focus from registration to licensing and certification to provide a higher level of protection and greater consumer awareness. Licensee requirements should be similar to the Contractor's State Licensing Board and other in-home service industries.
13. The Bureau should also develop a customer satisfaction assessment method such as a survey mobile device application.
14. The Bureau should standardize its approach to outreach and enforcement for all industries licensed/registered. Increase media time and a social media approach to create awareness.

**Recommendations Proposed by the Service Contract Industry**

15. The Bureau should eliminate the prescriptive requirement for consumers to file a service contract claim.

# Introduction

The following presents background information on the establishment of the Bureau, the industries and licensees/registrants it regulates, the Bureau's Advisory Council, Bureau organizational structure, the requirement for the independent market study, and the study scope and methodology.

## Background

The Bureau is a combination of the California Bureau of Home Furnishings and Thermal Insulation (BHFTI) established in 1911 and the California Bureau of Electronic and Appliance Repair (BEAR) formed in 1963. In an effort to share resources and provide cost savings, the two bureaus were co-located in the 1990s and were officially merged into one bureau in 2009.

The Bureau licenses and regulates about 40,000 businesses serving California consumers in the following industries: appliance, electronic and computer repair, and service contracts; manufacturers, importers, retailers, upholsterers, sanitizers and supply dealers providing home furnishings and bedding products; and thermal insulation manufacturers. Table 1 displays the number of licenses/registrations by company type for FY 2012-13.

**Table 1**
**BEARHFTI Licenses/Registrations – FY 2012-13**

| Company Type | Total Licenses/ Registrations | % Total | Renewal Frequency |
|---|---|---|---|
| **BHFTI** | | | |
| Furniture & Bedding retailer | 11,313 | 28.6% | 2 yrs. |
| Furniture & Bedding importer | 3,765 | 9.5% | 2 yrs. |
| Furniture retailer | 2,445 | 6.2% | 2 yrs. |
| Bedding retailer | 1,846 | 4.7% | 2 yrs. |
| Furniture & Bedding manufacturer | 1,420 | 3.6% | 2 yrs. |
| Custom upholsterer | 494 | 1.2% | 2 yrs. |
| Furniture & Bedding wholesaler | 176 | 0.4% | 2 yrs. |
| Supply dealer | 133 | 0.3% | 2 yrs. |
| Thermal insulation | 122 | 0.3% | 1 yr. |
| Sanitizer | 15 | 0.0% | 2 yrs. |
| **Subtotal** | ***21,729*** | ***54.9%*** | |
| **BEAR** | | | |
| Service contract seller | 9,606 | 24.3% | 1 yr. |
| Electronic service dealer | 5,298 | 13.4% | 1 yr. |
| Appliance service dealer | 2,399 | 6.1% | 1 yr. |
| Combination service dealer | 493 | 1.2% | 1 yr. |
| Service contract administrator | 42 | 0.1% | 1 yr. |
| **Subtotal** | ***17,838*** | ***45.1%*** | |
| **Total** | **39,567** | **100.0%** | |

Source: DCA 2012/13 Annual Report

Table 1 shows the BHFTI licensees comprise almost 55% of the total entities the Bureau regulates. The furniture & bedding companies represent 99% of the BHFTI licensees/registrants. The most common renewal frequency for these companies is two years.

The BEAR registrants comprise 45% of the entities regulated. Service contract sellers and administrators represent 25% of total licensee/registrants and electronic and appliance service dealers comprise about 20% of the total. These companies must renew their license annually.

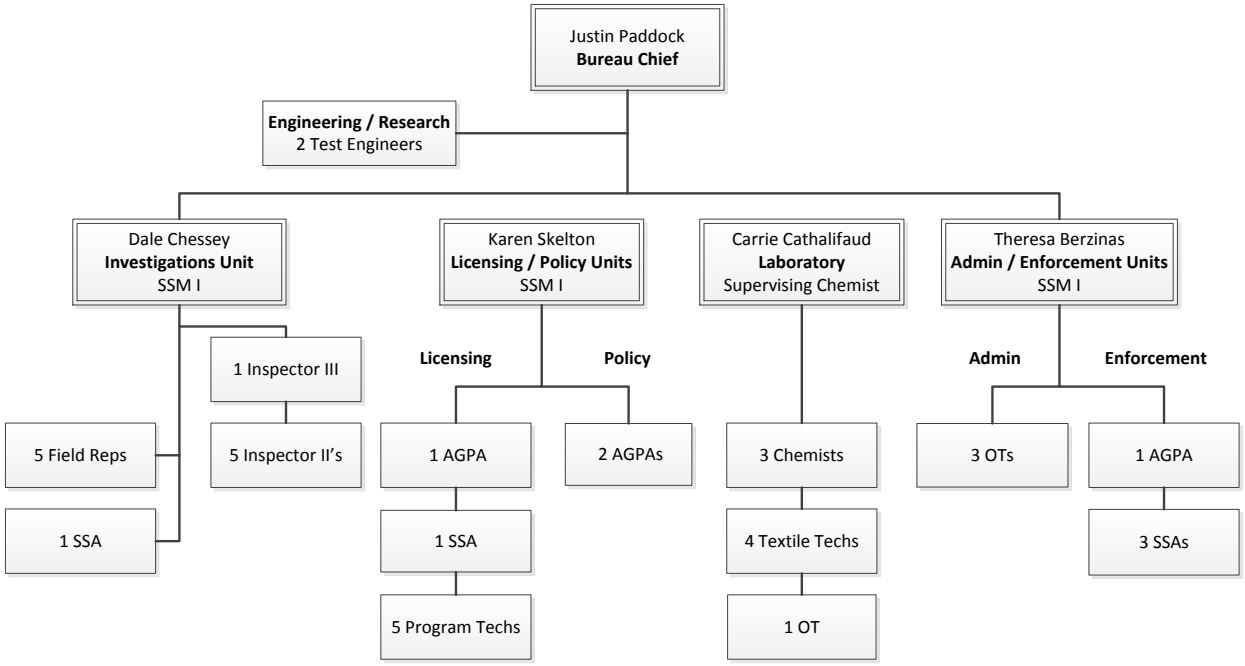
The electronic and appliance repair industry and service contract industry are regulated under California Business and Professions (B&P) Code Section 9800 et. seq. The home furnishings and thermal insulation industries are regulated under California B&P Code Section 19000 et. seq.

## Bureau Organizational Structure

Figure 1 shows the Bureau has 41 authorized civil service positions and one exempt position. The Bureau Chief reports to the DCA Chief Deputy Director. The five units that report to the Bureau Chief are:

- **Licensing / Policy Units** are responsible for licensing/registering business and policy matters. Reporting to the Unit Manager is the Licensing Unit with 1 AGPA, 1 SSA and 5 Program Technicians, and the Policy Unit with 2 AGPAs.
- **Investigation Unit** is responsible for investigating complaints filed against licensed/ registered companies as well as those who operate unlicensed. Reporting to the Unit Manager are 6 Field Representatives, 1 SSA and 1 Inspector III. Five inspectors report to the Inspector III.
- **Enforcement and Administration Units** are responsible for responding to consumer complaints, meting out discipline, and providing administrative support for the Bureau. Reporting to the Unit Manager is the Enforcement Unit with 1 AGPA and 3 SSAs and the Administration Unit with 3 Office Technicians.
- **Laboratory Unit** is responsible for flammability testing on furniture & bedding products. There are 3 Chemists, 4 Textile Technicians and 1 Office Technician reporting to the Supervising Chemist.
- **Engineering / Research Unit** is responsible for scheduling, conducting and overseeing full-scale flammability tests, preparing lab reports, reviewing outside lab reports, and conducting research and development on new material and product technologies. The two Test Engineers report to the Bureau Chief.

**Figure 1**
**Bureau Organization Chart as of January 2015**




## Consumer Advisory Council

The Bureau has a nine-member voluntary Consumer Advisory Council consisting of six industry representatives and three public representatives appointed by the DCA Director for two-year terms. There are currently seven council members – including six industry representatives and one public representative - with two public representative vacancies. The purpose of the Council is to:

- Provide perspective and advice on consumer and market issues;
- Research and recommend creative solutions to consumer and industry problems;
- Advise the Bureau Chief on outreach efforts to consumers, the public, licensees and the industry; and
- Provide information and comments to the Bureau Chief on a broad range of policy issues including, but not limited to, consumer education, industry outreach and regulatory compliance.

Meetings are supposed to be held twice a year but that has not been accomplished consistently to date. Due to the state moratorium on non-mission critical travel, Council members are not reimbursed for their travel expenses.

## Independent Market Study Requirement

The Department of Consumer Affairs (DCA) has not conducted a market study since December 1999. The last study covered the service contract industry in California reviewed current California law and regulations, compared regulations in other states, and examined the distinction between service contracts and insurance. Consequently, as part of Assembly Bill 2740 (Bonilla, Ch. 428, Stats. 2014), signed on September 18, 2014, the Bureau was required to conduct an independent assessment of the conditions of the Electronic and Appliance Repair and Home Furnishing and Thermal Insulation markets in California and report the results to the California Legislature in 2015.

## Study Scope and Methodology

This report attempts to assess these respective markets and answer the following seven questions:

1. Should program resources be refocused or expanded?
2. What are the greatest risks to consumers and their impacts?
3. Are current statutes and regulations appropriate and necessary for today's market?
4. Is continued regulation necessary across all segments of these markets?
5. Can certain regulatory market segments be consolidated or deregulated?
6. Do certain market segments need statutory and/or regulatory revisions?
7. What are the potential benefits or consequences of annual versus biennial license renewals?

The CPS HR methodology included the following:

- Reviewed pertinent legislation, regulations, organizational structure, operating statistics and past performance; and
- Interviewed or surveyed the interests of the following critical stakeholders:
  - Bureau management;
  - Bureau Advisory Council members;
  - Industry officials and collected and analyzed secondary market research of the industries under the Bureau's oversight; and
  - Surveyed a representative sample of California consumers.
- Prepared draft and final reports with findings and recommendations.

### Constraints and Data Limitations

CPS HR relied on information received from internal Board management and staff interviews, Advisory Council and industry official interviews, and reviews of unaudited information.

## Acknowledgment

CPS HR wishes to thank all the participants for their invaluable and timely contributions.

# Study Results

In response to the study questions, the following presents the study findings and improvement recommendations based on interviews with Bureau management, Consumer Advisory Council members and industry officials, and supporting market and consumer research.

## Bureau Priorities, Successes and Program Resource Challenges

Based on management interviews and other documentation, the Bureau's highest priorities are licensing all appropriate companies doing business in California, flammability testing, label content review, and enforcement of unlicensed and delinquent businesses.

Bureau successes have been the implementation of the following enforcement tools:

- $0 citation abatement program;
- Posting violators on the Bureau website;
- Disconnecting violator telephones through the California Public Utilities Commission; and
- Using the Franchise Tax Board in the collection process as a deterrent is under review at this time.

The Bureau's greatest challenges in 2015 appear to be:

- The successful implementation of SB 1019 regarding the use of flame resistant chemicals and AB 127 regulatory changes for thermal insulation.
- The success of the $0 citation enforcement abatement program to get unlicensed and delinquent businesses compliant has resulted in additional workload and a significant backlog. The program has increased compliance to 70%. However, the inspectors use outdated NCR paper forms in the field instead of tablet technology and their database is old and deficient. In addition, because of the added paperwork, the Administration & Enforcement Units have insufficient staff to process the large case backlog (200-300).
- Program resources need to be increased to expand outreach and education to the industry and consumers through the Bureau website, improved technology and additional staff. The long-term state moratorium on non-mission-critical travel has curtailed traditional outreach efforts such as attending industry conferences and trade shows. However, the DCA Communications Division offers Bureaus/Boards, etc. assistance in developing and maintaining electronic outreach services. Unfortunately, the Bureau is not scheduled to receive DCA enterprise licensing & enforcement (BreEZE) system automation until the third release, which is estimated to be up to five years away.

## Growth Industries and Consumer Risk

Based on the number of licenses/registrations, interviews and market research, the growth industries within the licensing/registration categories are:

- Furniture & bedding, and home furnishings with fire resistant chemicals (but US furniture manufacturing has moved off-shore)
- Service contracts
- Electronics repair of higher cost devices (phones, tablets, PCs) (but in general, electronics and appliance repair are declining)
- Home automation and security systems, and high-end appliances
- Vehicle interlocking ignition devices

The market research section of this report describes the industry conditions in more detail.

The greatest risks to consumers in the BHFTI markets concern public safety and environmental issues due to the flammability of furniture and bedding materials.

The greatest risks to consumers in the BEAR markets concern the risk of fraud and damage to the home by service contractors.

## Status of Statutes and Regulations, Consolidation or Deregulation

From a Bureau perspective, all market segment regulations need to be reviewed to refresh terms and definitions and eliminate obsolete and outdated statutes regarding particular products and labeling, such as those for televisions. There are also inconsistencies between some statutes and regulations. For example, thermal insulation is covered under statute, but not in the regulations. In addition, all fees regarding licenses, citations and discipline need to be updated and increased to more accurately reflect Bureau operational costs. Bureau management agree revenue should be driven by licensing and not fines.

CPS HR learned each market area is specific and includes its own terms, definitions and rules. As a result, it would be impractical to consolidate or deregulate market segments. However, according to Bureau management, there are more advantages than disadvantages to instituting a single furniture & bedding license than keeping the current three licenses. The advantages are:

- The Bureau would not have to make any adjustments if the licensees decides to diversify their product line to include the other.
- There would be fewer license types and less workload for Bureau licensing and enforcement staff to deal with and they would not have to ascertain if the company has the correct license.
- This practice would be consistent with the other types of licenses that were consolidated in the past (e.g., Manufacturer, Importer and Wholesaler).

The single disadvantage is the fee would double for companies that just do one activity or the other. As a result, the small business expense would increase, which would not be politically popular.

Another possible regulatory improvement concerns the licensing of manufacturers, importers and exporters. The law is not currently structured in a logical manner. For example, under the current law, manufacturers are treated as US-based product builders; importers are either out-of-country

manufacturers, US manufacturers who import, or just pure importers; and wholesalers are treated as US-based wholesalers.

To correct this structural deficiency in the law:

- Manufacturers should include all manufacturers, no matter where they are located and allow manufacturers to import as part of the license.
- Combine importers and wholesalers. This would eliminate registry numbers for importers and prohibit importers from manufacturing unless they obtained a manufacturer license in lieu of an importer license.

According to Bureau management, these corrections would simplify and streamline the law, but would require a major overhaul to the definitions currently in law. Additional benefits include streamlining licensing, and reducing staff workload and customer frustration by not having to constantly explain to foreign companies who manufacture that they must apply as an importer instead of a manufacturer.

To date, the Bureau has proposed language to update two regulation packages currently in process. One package is for Interlock Ignition Devices and the other is for changing citation fees to be consistent with general provisions of the Business and Professions Code for Electronic and Appliance Repairs.

Other regulation packages currently being worked on or being considered and not yet submitted are:

- Fee Increase for Manufacturers/Importers to the top of cap
- Codifying the current fee for Thermal Insulation manufacturers
- Citation Cap Increase for Home Furnishings/Thermal Insulation
- Disciplinary Guidelines for both sides of the Bureau
- Advertising requirements for both sides of the Bureau
- Picture tube grading and other old technological references on the EAR side
- Service Contract Application revisions (Section 100 – non-substantive)
- Labeling updates for Home Furnishings
- Thermal Insulation regulations in conjunction with the Energy Commission
- SB 1019 Labeling
- Remove water bed references
- Changes in Technical Bulletin 133
- Various laboratory terminology sections

## Annual versus Biennial License Renewals

The two major benefits of annual basis license versus biennial basis license renewal are: 1) consistent and predictable operations cash flow, and 2) improved enforcement.

The Bureau licenses/registers approximately 39,500 licenses. About 45% of the licenses are renewed on an annual basis and 55% on a biennial basis. If all the licenses were renewed on an annual basis this would result in a larger and more predictable annual revenue stream to pay for operations. According to Bureau management, an additional benefit to annual license renewal is that it increases enforcement effectiveness by catching unlicensed businesses within a year before noncompliant firms go out of business or otherwise escape enforcement.

## RECOMMENDATIONS

As a result of the previous findings, CPS HR recommends the Bureau:

1. Evaluate technology improvements (tablets, applications and database) for field inspectors to improve efficiency and reduce workload for Enforcement Unit staff.
2. Add additional resources to eliminate backlogs and keep workload current.
3. Continue to update and revise applicable legislation and regulations to streamline licensing and enforcement, reduce confusion with licensees and registrants, and increase fees appropriately to ensure the Bureau's sustainability.
4. Switch all license and registration renewals to an annual basis to improve operational cash flow and enforcement effectiveness.
5. Work with the DCA Communications Division to implement an electronic communications strategy to increase education and outreach to consumers and pertinent licensee/registrant industries.

## Consumer Advisory Council and Industry Interviews

Six of the Bureau's Consumer Advisory Council members represent their respective industries (home furnishings and electronic appliances). The seventh, and only public member at present, has substantial home furnishing regulatory experience as a former Bureau employee.

CPS HR reviewed the websites of the industry associations displayed in attachment 1 and attempted to contact most the relevant (furniture & bedding, electronics and appliance repair, and service contracts) for a telephone interview. Fortunately, the Consumer Advisory Council members that represent these industries graciously offered CPS their time, expertise, and the following summarized comments.

### Home Furnishings Industry

The following summarizes the interview comments and themes expressed.

- **Industry growth or contraction:** The recession decimated the industry. But since 2009, the industry has been growing again and consolidating. The industry now consists of survivors that are finally opening up new stores, buying other competitors, and opening online operations. The average growth rate has been about 3.2% per year.
- **Major factors influencing growth**:
  - Online marketing is fundamentally changing how the industry sells, but also how it will be regulated. At present, there is not a level playing field between in-state brick and mortar retail stores and online companies that are selling into the state and not following California laws. The Bureau may lack visibility of these companies.
  - Lagging home production. As the economy and home sales pick up, so will furniture and upholstery manufacturing.
  - Major foreign manufacturers selling into California and the U.S. in general. Fines for illegal products are minor and difficult to collect. Consequently, they are not a deterrent.
- **Major issues facing this industry**: there isn't a level regulatory playing field across the country. California is overregulated per industry perspective. Its regulations are more rigorous than other states and federal EPA requirements, though this can be perceived as a consumer leadership position versus other states as well. California is running business out of the state because of the cost to comply with all the regulations. In addition, other current laws like Proposition 65 concerning hazardous chemicals have hurt the industry because it allows the potential for frivolous lawsuits. Retailers have to tag every piece of furniture for content. If the tag is missing, lawyers sue the retailer. The intent is good, but the enforcement can be onerous and unfair. The only people making money are lawyers, not retailers.
- **Bureau and legislative effectiveness at protecting consumers and the industry in California:**
  - The limited number of inspectors restricts enforcement effectiveness.

- There is support for the new flammability law, but the law is constantly changing and the labeling law is unclear as to allowable content. Members contend identifying contents by predominance due to weight and volume is more sensible than enforcing to composition percentages and would reduce labeling costs.
- While there are valid positions to be taken that the false advertising law needs to be reformed, this remain a complex issue as to whether this should fall within Bureau or other State purview. BEAR lacks the regulations for false and deceptive advertising like BHTFI has in the Song-Beverly Consumer Warranty Act. For example, if a store advertises X% off it has to include the base price in the advertising. This is a problem with senior discounts because the consumer is not advised of what the base price is that will be discounted. Also, some furniture retailers are constantly advertising they are going out of business as a sale come-on, but do not actually close. Consequently, advertising regulations need to be established for BEAR.

- **Regulations that should be refocused, consolidated, deregulated or expanded:** enforcement of out-of-state online companies selling into the state.
- **Regulatory reforms needed**: advertising, labeling, online selling enforcement.
- **Need for outreach** to promote consumer and industry protections: there is little or no consumer or industry outreach. Except for an occasional mailer, the Bureau fails to keep the industry notified of legislative and regulatory changes. Members understand about the travel moratorium, but at a minimum the Bureau could use GoToMeeting (webinar), social media or some other electronic platform to manage outreach and/or to hold advisory council and industry meetings. In addition, members would like the Bureau's website to be continually updated, including posting violators as a deterrent.
- **Frustrations with the Bureau:** there have been many changes in leadership and cancelled meetings over the last few years. As a result the Bureau has not been able to optimally use the council for industry guidance or as a sounding board. The Bureau needs to establish a regular meeting schedule and be able to adhere to it despite many competing priorities.

**Recommendations Proposed by the Home Furnishings Industry**

6. The Bureau should change its enforcement focus from retailers to furniture and foam manufacturers and importers because they are the source of the problem, not retailers. The focus on retailers should be on advertising and service delivery. Implementing this recommendation would result in better use of limited staff because most time would be spent inspecting manufacturers and large importer warehouses, rather than more numerous small retailers.
7. Bureau focus should be shifted to the importer of record, not foreign manufacturers.
8. When inspectors find unlicensed businesses, they should be charged the license fee plus a late charge for all the delinquent time they were unlicensed.

9. When testing, the Bureau should test cushion samples only, not the entire piece of furniture. This would speed up testing and reduce cost.
10. The Bureau should develop "false and deceptive" advertising regulations for BEAR similar to the BHFTI regulations.
11. The Bureau should consider hiring retired independent furniture sales people as inspectors rather than just state employees, given the sales veterans' deeper industry experience.

## Electronic and Appliance Industry

The following summarizes the interview comments and themes expressed.

- **Industry growth or contraction:** the original equipment manufacturing (OEM) side is growing, but the service and repair business is flat or contracting.
- **Major factors influencing growth or contraction**:
  - The cost of parts and labor have contracted the industry. The question is a value proposition of repairing versus replacement. Consumers are concerned about the high cost of repairs. It's often more cost effective to replace than repair. Moreover, obsolescence due to rapid technology change has reduced product lifespan from 7 years to 3 - 5 years. This reduces the cost of buying and maintaining excess parts.
- **Major issues facing this industry:** the high cost of product parts, rapid technology change, high cost of technically skilled workers, and transportation. Large manufacturers are pushing small repair companies out of business by making it difficult for them to get replacement parts timely, and/or replacement parts are being replaced by entire components which are much more expensive to replace than minor parts. In general, repair service prices have skyrocketed. The repair industry is looking for younger, cheaper, independent labor with appropriate skills and not necessarily computer skills. Many technical schools are missing a huge training opportunity.
- **Bureau and legislative effectiveness at protecting consumers and the industry in California:**
  - The Bureau's limited number of inspectors and lower visibility to consumers has resulted in less effective consumer protection. The Bureau needs to change its focus from registration to licensing and certification to provide a higher level of protection and greater consumer awareness. The requirements should be similar to the Contractor's State Licensing Board which requires validation of technical education and skills, general liability insurance, continuing education, and background screening because of the expansion of in-home services. The Bureau should also develop an on-going customer satisfaction assessment method such as a mobile application.
- **Regulations that should be refocused, consolidated, deregulated or expanded:** BEAR regulations should be similar to regulations that affect other in-home service industries like contractors across all industries.

- **Need for outreach:** the Bureau should standardize its approach to outreach and enforcement for all industries licensed/registered. This means capturing more media time and using a social media approach to create awareness.
- **Frustrations with the Bureau:** the council has been underutilized. Increased enforcement will improve consumer safety, increase Bureau revenue and also increase industry performance and quality, resulting in a win-win for everyone.

**Recommendations Proposed by the Electronic and Appliance Industry**

12. The Bureau should change its focus from registration to licensing and certification to provide a higher level of protection and greater consumer awareness. Licensee requirements should be similar to the Contractor's State Licensing Board and other in-home service industries.
13. The Bureau should also develop a customer satisfaction assessment method such as a mobile application.
14. The Bureau should standardize its approach to outreach and enforcement for all industries licensed/registered. Increase media time and a social media approach to create awareness.

## Service Contract Industry

The information for this industry is limited in scope. The following summarizes the interview comments and themes expressed.

- The most popular, though not only, way to offer a service contract may be as an obligor. The obligor buys a contracted liability insurance policy (CLIP) to ensure against repair or replacement loss. Service contract administrators are obligors and service contract sellers may also be, but don't have to be.
- Nationally, most states regulate service contracting firms as insurance entities or not at all. As a result, California is out of step with the rest of the country. This issue starts with the definition of a service contract. These contracts typically cover personal property or consumer goods, not commercial services. California's definition follows a prescriptive laundry list of products and services that changes often. Other states use a more generalized, stable definition. In most states, auto, home appliance warranties and consumer goods are covered by the state insurance department.
- Except for California and Florida, most states have adopted the National Association of Insurance Commissioners (NAIC) model for service contracts (see attachment 3). Also, only California and Florida license individual locations like retail stores which sell service contracts, such as large electronic appliance store chains, but don't view themselves as service contractors. However, it is recognized these retail licenses generate valuable revenue for the state and probably won't be eliminated.
- A problem for the industry and California consumers is the Bureau's interpretation of the Song-Beverly Act. The Act specifies a clear description of the product is needed to file a

claim. The Bureau currently interprets this to mean serial numbers are needed to approve a claim. This puts a burden on the consumer if they failed to register the serial number with the company. According to the industry official, the obligor does not care and generally will not deny a claim for the lack of serial numbers. In general, there is no claims adjustment, just replacement because it often costs less to replace than repair. However, the industry may decide to repair instead if they reach a cost or size threshold.

- There have been discussions about service vendors undergoing background checks because they provide services in the home.

**Recommendations Proposed by the Service Contract Industry**

15. The Bureau should eliminate the prescriptive requirement for consumers to file a service contract claim.

## Secondary Market Research

The following presents secondary paid and unpaid market research obtained from industry association websites, federal websites and other sources, and interviews with association officials from the furniture and home furnishings industry, home appliance and electronic repair industry, and service contract industry. Depending on the industry, the quantity and quality of information varied substantially.

### Furniture Industry Research

Information from the American Home Furnishings Alliance and the US Departments of Commerce and Labor suggests US furniture manufacturing is declining and imports are increasing. The figures presented vary slightly from the more current information provided by Furniture Today in the Industry and Economic Outlook report. However, they still show demonstrable changes in the industry over time.

Table 2 presents the value of domestic and import factory shipments for wood and upholstered furniture in 2012 and 2013. In both years, the value of imported wood products is almost twice the value of domestic shipments and is growing while domestic wood shipments are declining. The positions are reversed with upholstered products. The value of domestic upholstered products for both years is twice the value of imported shipments, but import value is increasing faster than domestic value. Finally, the table shows imported wood furniture has a dominant (73.8%) share of the US market and imported upholstery furniture has significant (42.1%) market share.

**Table 2**
**Wood and Upholstered Furniture Shipments and Market Share in 2012 and 2013**
**($ millions)**

| Furniture Products | 2012 | 2013 | % Change |
|---|---|---|---|
| **Wood Furniture** | | | |
| Domestic | $5,301 | $5,018 | -5.3% |
| Imports | $9,062 | $9,629 | 6.3% |
| **Subtotal** | **$14,363** | **$14,647** | 2.0% |
| **Upholstered Furniture** | | | |
| Domestic | $8,087 | $8,348 | 3.2% |
| Imports | $4,191 | $4,674 | 11.5% |
| **Subtotal** | **$12,278** | **$13,022** | 6.1% |
| **Total** | **$26,641** | **$27,669** | |
| **Imports (% of US Market)** | | | |
| Wood furniture | | 73.8% | |
| Upholstered furniture | | 42.1% | |

Source: U.S. Department of Commerce

Table 3 reveals the size of the US residential furniture industry in 2010 according to the US Department of Labor. It shows 67% of the 3,895 manufacturing companies produced non-upholstered wood household furniture and most companies had less than 20 employees.

**Table 3**
**2010 US Residential Furniture Industry**

| | | Number of paid employees | | | |
|---|---|---|---|---|---|
| **Type of Manufacturing** | **# of Firms** | **<20** | **20-100** | **100-500** | **500+** |
| Upholstered Household Furniture | 1,050 | 76% | 15% | 6% | 3% |
| Non-upholstered Wood Household Furniture | 2,567 | 89% | 8% | 2% | 1% |
| Metal Household Furniture | 273 | 74% | 18% | 5% | 3% |
| **Total Household Furniture** | **3,895** | | | | |

Source: U.S. Department of Labor

Table 4 displays the significant 21% reduction in the number of US residential furniture manufacturers from 2008 to 2010. Most of the losses were incurred by non-upholstered wood furniture manufacturers.

**Table 4**
**Decline in US Residential Furniture Industry from 2008 to 2010**

| | Total # of Firms | | |
|---|---|---|---|
| **Type of Manufacturing** | **2008** | **2010** | **% change** |
| Upholstered Household Furniture | 1,365 | 1,050 | -23% |
| Non-upholstered Wood Household Furniture | 3,249 | 2,567 | -21% |
| Metal Household Furniture | 325 | 273 | -16% |
| **Total Household Furniture** | **4,939** | **3,895** | **-21%** |

Source: U.S. Department of Labor

Finally, table 5 displays the substantial reduction in the number of US furniture factory workers from 1999 to 2012 and the minor increase from 2012 to 2013.

**Table 5**
**US Furniture Factory Employment from 1999 to 2013**
**(thousands)**

| **Furniture Type** | **1999** | **2012** | **% Change** | **2013** | **% Change** |
|---|---|---|---|---|---|
| Wood furniture | 111.9 | 29.6 | -73.5% | 29.7 | 0.3% |
| Upholstered furniture | 87.1 | 44.8 | -48.6% | 45.9 | 2.5% |
| **Totals** | **199.0** | **74.4** | **-62.6%** | **75.6** | **1.6%** |

The following industry and economic outlook paints a more favorable picture for the near future.

## Five-Year Industry and Economic Outlook

According to Furniture Today's 2015 Retail Planning Guide, furniture & bedding sales are poised to grow 15.5% between 2014 and 2019, reaching $111.3 billion. The expected sales increases will be dependent on the continuation of a healthy housing market and other positive economic gains, including consumer confidence and job growth. The 2008-09 furniture recession resulted in 30.2% decline. As of 2014, furniture revenues have recovered 16.4% from the depths of the recession.

2014 consumer spending for furniture & bedding reached $96.4 billion, 2.0% over 2013's $94.5 billion. That minor increase follows last year's slight 1.7% increase and 2012's more robust 4.4% growth.

The following presents information by distribution channel, furniture and home sales by region and selected states, displays the forecast for major retailers, and describes the various industry segments.

### Furniture & Bedding Distribution Channels

Direct-to-consumer retailers grew furniture & bedding sales 12.1% in 2013, hitting $10.9 billion. That impressive gain raised the channel's market share two percentage points from 10% in 2012 to 12% and made it the fastest-growing channel. Direct retailers include online sellers, catalogs, televisions and home parties. Table 6 displays the growth or contraction by furniture & bedding distribution channels from 2012 to 2013. The biggest winners were direct-to-consumer retailers and lifestyle furniture stores while the biggest losers were traditional furniture stores and specialty stores.

**Table 6**
**Furniture & Bedding Distribution Channel Share**

| # | Distribution Channel Type | 2012 Share | 2013 Share | % Change |
|---|---|---|---|---|
| 1 | Traditional furniture stores | 38.0% | 36.0% | -5.3% |
| 2 | Direct-to-consumer | 10.0% | 12.0% | 20.0% |
| 3 | Specialty stores, garden centers, supermarkets | 8.0% | 7.0% | -12.5% |
| 4 | Manufacturer-branded furniture stores | 7.0% | 7.0% | 0.0% |
| 5 | Lifestyle furniture stores | 7.0% | 8.0% | 14.3% |
| 6 | Designers & decorators | 7.0% | 7.0% | 0.0% |
| 7 | Discount department stores | 7.0% | 7.0% | 0.0% |
| 8 | Rental stores | 4.0% | 4.0% | 0.0% |
| 9 | Used outlets | 4.0% | 4.0% | 0.0% |
| 10 | Warehouse membership clubs | 4.0% | 4.0% | 0.0% |
| 11 | Department stores | 2.0% | 2.0% | 0.0% |
| 12 | Office supply stores | 2.0% | 2.0% | 0.0% |
| | **Totals** | **100.0%** | **100.0%** | |
| | The Top 100's total share | ***32.0%*** | ***34.0%*** | ***6.3%*** |

Source: Furniture Today

Products projected to grow the fastest are motion sofas, outdoor furniture, occasional tables, stationary sofas and mattresses.

### Furniture & Bedding and Home Sales by Region and Selected States

Table 7 shows the percentage of 2014 furniture & bedding sales by region, with the South having the largest share.

**Table 7**
**2014 Furniture & Bedding Sales by Region**

| | |
|---|---|
| Northeast | 18% |
| Midwest | 22% |
| South | 37% |
| West | 23% |
| **Total** | **100%** |

Source: Furniture Today

The states of North Dakota, Utah, Alaska, South Dakota and Texas are expected to grow furniture & bedding sales the fastest over the next five years. These states are all part of the unprecedented oil boom that has resulted in increased jobs and families needing to buy product. California furniture & bedding sales are expected to grow at 15.6% over this time period.

California is not in the top 10 of the fastest growing states or average household income. California also does not have any major metropolitan areas that rank in the top 20 fastest growing markets by population growth or average household income. However, California does have the 2nd and 11th largest furniture & bedding markets in the US in Los Angeles-Long Beach-Anaheim ($3.6 billion) and San Francisco-Oakland-Hayward ($1.4 billion), respectively. The San Diego-Carlsbad market is forecast to top $1 billion in furniture sales by 2019.

While Utah is the rising star in the West, the following table 8 reveals that nine California metropolitan areas had significant furniture & bedding sales in 2014 and are expected to see substantial growth by 2019.

**Table 8**
**Furniture & Bedding Sales in the West**
**($ millions)**

| # | Metropolitan Area | 2014 Est Sales | 2019 Est Sales | % Change |
|---|---|---|---|---|
| 1 | Long Angeles-Long Beach-Anaheim, CA | $3,587.5 | $4,156.2 | 15.9% |
| 2 | San Francisco-Oakland-Hayward, CA | $1,441.4 | $1,681.6 | 16.7% |
| 3 | Phoenix-Mesa-Scottsdale, CA | $1,308.2 | $1,533.4 | 17.2% |
| 4 | Seattle-Tacoma-Bellevue, WA | $1,183.8 | $1,392.7 | 17.6% |
| 5 | Riverside-San Bernardino-Ontario, CA | $1,101.4 | $1,259.5 | 14.4% |
| 6 | San Diego-Carlsbad, CA | $930.9 | $1,083.0 | 16.3% |
| 7 | Denver-Aurora-Lakewood, CO | $879.0 | $1,036.7 | 17.9% |
| 8 | Portland-Vancouver-Hillsboro, OR-WA | $734.2 | $856.4 | 16.6% |
| 9 | Sacramento-Roseville-Arden Arcade, CA | $665.1 | $765.5 | 15.1% |
| 10 | Las Vegas-Henderson-Paradise, NV | $604.1 | $703.5 | 16.5% |
| 11 | San Jose-Sunnyvale-Santa Clara, CA | $563.2 | $664.5 | 18.0% |
| 12 | Tucson, AZ | $313.4 | $358.6 | 14.4% |
| 13 | Salt Lake City, UT | $306.8 | $363.2 | 18.4% |
| 14 | Albuquerque, NM | $284.5 | $326.0 | 14.6% |
| 15 | Honolulu, HI | $268.4 | $313.4 | 16.8% |
| 16 | Fresno, CA | $237.6 | $274.6 | 15.6% |
| 17 | Oxnard-Thousand Oaks-Ventura, CA | $231.5 | $266.1 | 14.9% |
| 18 | Bakersfield, CA | $211.3 | $242.2 | 14.6% |
| 19 | Colorado Springs, CO | $209.9 | $247.0 | 17.7% |
| 20 | Boise, ID | $189.5 | $222.3 | 17.3% |
| **Totals** | | **$15,251.7** | **$17,746.4** | **16.4%** |

Source: Furniture Today

### Median Home Sales Price Gap Increasing

Last year the national median existing home price was $197,100, compared with a median $268,900 for new homes, creating a gap of $71,800. Ten years ago the price gap between existing home sale prices and new home

sale prices was just $25,600. The region with the greatest gap in home prices last year was the Northeast, where the median existing home sale price was $249,100, compared with the median new home sale price of $371,200, resulting in a gap of $122,100. The price gap was the narrowest in the West, with a median existing home sales price of $273,100 and a median new home sales price of $310,500, creating a price gap of $37,400.

All signs point to a steady recovery in 2015. Unemployment is improving, the country is steadily adding jobs, the housing market is improving and consumers are feeling a growing sense of well-being that will increase their appetite for home furnishings.

**Retail Forecast**

Retailer optimism has increased because of the improved economy. According to the US Department of Commerce, the three largest segments of furniture & bedding that comprise 40% of 2014 market sales ($39.9 billion) are stationary sofas/sofa-sleepers (15% and $14.7 billion), bedding (15% and $14.2 billion), and master bedroom (10% and $10 billion). The retail standouts for 2012 and 2013 are displayed in the following table 9. Ashley Furniture is the largest retailer, but Wayfair experienced the greatest increase in sales.

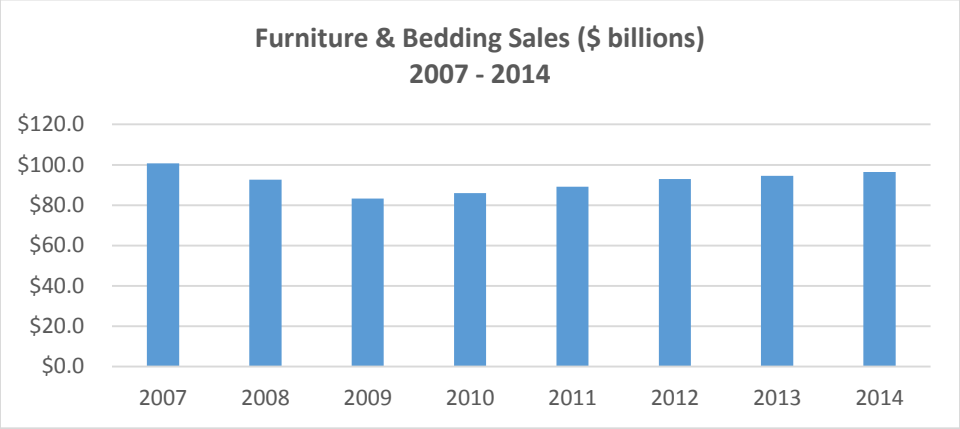
**Table 9**
**Leading Furniture & Bedding Retailers in 2012 and 2013**
**($ millions)**

| # | Retailer | 2012 Est Sales | 2013 Est Sales | % Change |
|---|---|---|---|---|
| 1 | Ashley Furniture | $2,820.0 | $2,990.0 | 6.0% |
| 2 | Walmart | $2,550.0 | $2,600.0 | 2.0% |
| 3 | IKEA | $1,935.0 | $2,055.0 | 6.2% |
| 4 | Rooms To Go | $1,573.0 | $1,739.0 | 10.6% |
| 5 | Mattress Firm | $1,155.0 | $1,373.0 | 18.9% |
| 6 | Williams-Sonoma | $1,205.0 | $1,335.0 | 10.8% |
| 7 | Costco | $1,200.0 | $1,325.0 | 10.4% |
| 8 | La-Z-Boy Furniture Galleries | $870.4 | $990.6 | 13.8% |
| 9 | Restoration Hardware | $628.0 | $869.0 | 38.4% |
| 10 | Wayfair (formerly CSN Stores) | $335.0 | $510.0 | 52.2% |
| | **Totals** | **$14,271.4** | **$15,786.6** | **10.6%** |

Source: Furniture Today and US Department of Commerce

The US Department of Commerce reports consumer spending for furniture & bedding from 2007 through 2014 ranged from $100 billion to $96 billion. Graph 1 indicates that after decreases of 8% and 10.2% in 2008 and 2009, respectively, furniture & bedding experienced growth in the 2% - 4% range in the following years.

**Graph 1**




Source: Furniture Today and US Department of Commerce

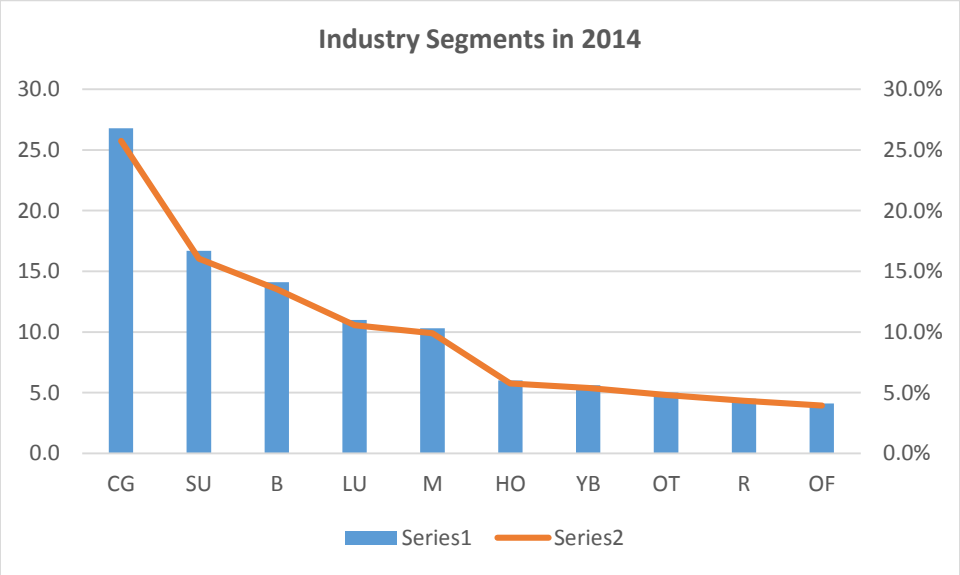
### Industry Segments

The furniture industry is composed of ten key market segments including:

- **Case goods** (CG): master, youth and other adult bedrooms, formal and casual dining
- **Stationary upholstery** (SU): stationary sofas, sectionals, sofa sleepers and stationary chairs
- **Bedding** (B): mattresses, sheets, pillows, bedspreads, covers, blankets, comforters, etc.
- **Leather Upholstery** (LU): leather stationary sofas, chairs, reclining chairs, swivel and glider rockers, motion sofas, futons and sofa sleepers
- **Motion Upholstery** (MU): reclining chairs, swivel and glider rockers and motion sofas
- **Home Office** (HO): desks, lamps, file cabinets, etc.
- **Youth Bedroom** (YB): youth and other adult bedroom furniture
- **Occasional Tables** (OT): tables, shelves, cabinets
- **Rugs** (R): rugs
- **Outdoor Furniture** (OF): outdoor dining sets, conversation/chat groups and other outdoor furniture

Graph 2 displays these key furniture industry segments representing more than $104 billion of sales in 2014. At $26.8 billion in sales, case goods is the largest furniture segment, while outdoor furniture at $4.1 billion is the smallest segment.

**Graph 2**




Source: Furniture Today and US Department of Commerce

**Pressing Furniture Industry Issues and Recommendations**

A review of industry association websites and interviews with industry officials revealed the following about effects of the recent recession on the furniture industry, significant factors affecting the industry, regulatory matters/issues, and improvement recommendations:

Effects of the Recent Recession on the Industry

- The 2008 recession decimated the US furniture industry. But since 2009, the industry is growing again and consolidating. The average growth rate has been about 3.2% per year. The industry now consists of survivors that are finally opening up new stores, buying other competitors, and opening online operations.

Significant Factors Affecting the Industry

- Significant factors limiting domestic industry growth are lagging home production and major Chinese manufacturers selling into the US and California.
- The growth of online marketing is fundamentally changing how the industry sells and will also change how the industry is regulated through virtual enforcement.
- The officials interviewed support the Bureau and its efforts to regulate the industry, but they believe it needs to take more meaningful and timely action. This means not taking three months to test a product, resulting in counting the fibers in a sofa and not finding anything enforceable.

The playing field is not level for California-based companies and those selling into the state from out-of-state or out-of-the-country. This is because California regulations like TB 117-2013 (flame retardant chemicals) and Proposition 65 (hazardous chemicals) are more rigorous than other states (most states lack similar regulations) and federal EPA requirements. Consequently, it costs more to do business in California. Moreover, the limited number of California enforcement inspectors and insignificant fines don't adequately deter illegal outside activity. As a result, industry officials contend the Bureau is not adequately protecting California manufacturers or consumers.

Regulatory Matters/Issues

- Constantly changing legislation and new regulations regarding flame retardant chemicals (TB 117-2013) and dangerous chemicals (Prop 65) chemicals make it difficult and expensive for manufacturers to ensure compliance.
- The furniture industry associations have been involved with efforts to rewrite Technical Bulletin 117-2013 in California. This revised flammability regulation eliminates open flame testing. This means that flame retardant chemicals will no longer be necessary in upholstered furniture, but the possible liability of eliminating them remains a concern for some manufacturers.
- In 2013, over 200 notices of Proposition 65 violations were filed against furniture companies for failing to notify consumers in California that their products contain TDCPP. Companies receiving notifications included retailers, manufacturers, importers and suppliers.
- The industry has also been under pressure in Illinois where a proposed Toxic Chemical Safety Act – similar to California's Prop 65 – was voted down. In addition, the US EPA released two long-awaited rules designed to ensure composite wood products meet federal formaldehyde emission standards.
- In 2013, Vermont banned the use of two flame retardant chemicals, TCEP and TDCPP, in residential furniture sold or distributed in the state. Several other states were considering similar measures.
- The industry promises to continue to monitor California's Prop 65 activity, which is likely to include listing methyl isobutyl ketone (MIBK) as a chemical "known to the State to cause reproductive toxicity." In the furniture industry, this chemical is a key component in many paints and finishes, as well as in leather finishing.
- The new labeling law is unclear and confuses consumers. Instead of listing contents by dominance (weight and volume), the new law requires all contents be broken down into percentages. Since all products have different composition percentages, this becomes an expensive requirement to implement.
- The Bureau has been responsive to false and misleading advertising in the past, but the advertising law needs to be reformed.

- The Bureau's outreach and education to the industry about changing legislation regarding flammable materials, hazardous chemicals and labeling has been almost non-existent. Except for an occasional mailer, the Bureau fails to keep the industry notified of legislative and regulatory changes.

Improvement Recommendations Offered by the Industry

1. The Bureau should change its enforcement focus from furniture retailers to furniture and foam manufacturers and importers of record because they are the source of the problem, not wholesalers or retailers. The focus on retailers should be on advertising and service delivery. This change would result in better use of limited staff to inspect manufacturers and large importer warehouses, rather than small retailers.
2. When testing, the Bureau should request and test cushion samples only, not an entire piece of furniture. This will speed up testing and reduce cost.
3. The State should consider hiring inspectors with furniture experience rather than just state employees. There are many retired independent furniture sales people that are qualified and would make excellent inspectors. The California Furniture Manufacturers Association offered to provide training classes for inspectors to teach them what to look for in their inspections.
4. The Bureau needs to keep its website updated with the latest legislative changes and the names of violators to encourage compliance.
5. The Bureau needs to improve outreach and industry/consumer education through more direct mail, webinars, teleconferences, podcasts, and workshops in Northern and Southern California.

# Home Appliance and Electronic Retail & Repair Industry Research

## Industry Overview

Industries in the Electronics and Appliance Stores subsector retail new electronics and appliance merchandise from point-of-sale locations. They primarily engage in the retailing of new products such as household-type appliances, consumer-type electronic products, computers and software. Household appliances typically include refrigerators, dishwashers, ovens, irons, coffee makers, hair dryers, electric razors, room air-conditioners, microwave ovens, sewing machines, and vacuum cleaners. Consumer products include radios, televisions, cameras, and other electronic goods. Computer and software stores primarily engage in retailing new computers, computer peripherals, and prepackaged computer software without retailing other consumer-type electronic products or office equipment, office furniture and office supplies; or retailing these new products in combination with repair and support services.

The staff typically include management and administrative support, sales personnel knowledgeable in the characteristics and warranties of the line of goods retailed, and may also include trained installers and repairpersons to handle the maintenance and repair (M&R) of the electronic equipment and appliances.

## Industry Activity and Relevant Trends

Market research from the US Census and Appliance Magazine indicates from 2010 through 2014, the number of shipments of major home appliances (washers, dryers, dishwashers, refrigerators, freezers, ranges and ovens), residential heating and air conditioning units, and residential and commercial water heaters remained relatively stable with minor fluctuations from year to year. This condition is due in part to a drop in new, existing and investment-home sales from 2013 to 2014. However, vacation home sales for 2013 saw almost a 30% increase over 2012 sales and solid double-digit annual growth in home improvement spending. New home features in 2014 included energy-efficient appliances and programmable thermostats.

## The Condition of Appliance Original Equipment Manufacturers, Retailers and Suppliers

The world's three largest global appliance makers, Whirlpool (USA), Electrolux (Sweden) and BSH Bosch Siemens (Germany) experienced growth in the 4% - 7% range in 2014 over 2013. Panasonic (Japan) saw a 10% increase over the same period, while LG Electronics (Korea) experienced a minor drop in North America and a 9% increase in domestic sales. Small appliance OEM Helen of Troy, Ltd. reported a 2% increase and global HVAC company Ingersoll-Rand stated sales were up 3% over the same period. Finally, iRobot Corporation, maker of robotic home appliances, reported 17% growth in sales from 2013 to 2014.

The US Census Bureau's estimated 2014 sales for Electronics & Appliance retailers were up about 6.7% from $8.47 billion to $9.05 billion. Overall, US manufacturing technology orders were slightly down for the year but the North American robotics market had its best-ever year of robot shipments in 2013. The North American robot suppliers saw 11% growth in units and 7% in dollars.

**Electronic & Precision Equipment Repair and Maintenance**

Based on US Census Bureau and other federal statistics, the electronic & precision equipment repair and maintenance (EPERM) industry has seen steady growth from 2010 through 2014. Over this period, industry sales grew 14.3% from $16.8 billion to $19.2 billion while the total number of firms grew 1.8% from 10.7 million to 10.9 million. The number of employees grew 4.6% from 102.5 million in 2010 to 107.2 million in 2014. In 2014, the average revenue per firm was $1.8 million and the average number of employees was 10. The market forecast through 2019 estimates of growth rate of about 4% per year.

Table 10 shows the top ten states represent $11 billion (over 58%) of the total $19.2 billion market for this industry. Texas is the leader closely followed by California.

**Table 10**
**Geographic Market Distribution in the Top 10 States**

| | State | Market Size (millions) | % Total |
|---|---|---|---|
| 1 | Texas | $2,133 | 11.1% |
| 2 | California | $1,935 | 10.1% |
| 3 | Florida | $1,250 | 6.5% |
| 4 | Pennsylvania | $911 | 4.7% |
| 5 | Massachusetts | $911 | 4.7% |
| 6 | Virginia | $904 | 4.7% |
| 7 | New York | $874 | 4.6% |
| 8 | North Carolina | $776 | 4.0% |
| 9 | Tennessee | $678 | 3.5% |
| 10 | New Jersey | $656 | 3.4% |

Source: Appliance Magazine, US Census and other federal statistics

The following table 11 shows the industry service break-down by percent of sales. Maintenance and repair of computer and peripheral equipment (except monitors) has the highest market share at 30.8% followed by non-medical other electronic & precision equipment (18.6%), communications equipment (15.3%), and precision electronic medical equipment.

**Table 11**
**Industry Service Break Down by Percent of Sales**
**($ millions)**

| | Product/Service | Sales | % Total |
|---|---|---|---|
| 1 | Computer & peripherals (except monitors) M&R | $5,917 | 30.8% |
| 2 | Non-medical electronic & precision equipment M&R | $3,573 | 18.6% |
| 3 | Communications equipment M&R | $2,935 | 15.3% |
| 4 | Precision electronic medical equipment M&R | $2,242 | 11.7% |
| 5 | Consumer electronics M&R | $1,792 | 9.3% |
| 6 | Resale of merchandise | $1,192 | 6.2% |
| 7 | Office equipment (except #1) M&R | $673 | 3.5% |
| 8 | IT technical support services | $464 | 2.5% |

| | | | |
|---|---|---|---|
| 9 | Other sales | $382 | 2.0% |
| | **Totals** | **$19,190** | **100.0%** |

Source: Appliance Magazine, US Census and other federal statistics

Key industry financial metrics indicate cost of goods average 51%, gross profit averages 46% and net profits average 7%. The largest expenditures are for labor, rent and parts.

The following Table 12 shows the average median salary for industry occupations. Management positions average $97,830 (highest) and office and administrative support positions average $29,980 (lowest). Sales positions average $44,820 while technical staff (installers and repairers) average from $35,000 to $39,000.

**Table 12**
**Median Salary by Industry Occupation**

| Job Position | Avg. Median Salary |
|---|---|
| Management positions | $97,830 |
| Computer and mathematical positions | $56,470 |
| Sales and related positions | $44,820 |
| Installer, M&R positions | $38,930 |
| Office & administrative support positions | $29,980 |

Source: Appliance Magazine, US Census and other federal statistics

### Industry Association Feedback

CPS HR learned the following through interviews with the National Electronic Service Dealers Association (NESDA) and the Association of Home Appliance Manufacturers (AHAM):

- The industry matches the economy. Last year it started to tick up after falling in 2008. According to Appliance Magazine who tracks industry statistics, the industry was up about 5%.
- Older owners of maintenance and repair (M&R) companies are retiring and phasing out. They often lack the interest to learn the new technologies and can't afford to change. In addition, it's difficult to find qualified workers and getting parts is a problem because of a changing "replace" instead of "fix" mentality.
- Warranty issues and service contracts get most people in the industry excited or agitated. Typically consumers are upset with the performance of repair people and waiting extended periods of time.
- There are no lemon laws for appliances anywhere in the country but legislation is usually initiated on a single personal experience, not an industry systemic problem. Someone, like a legislator, has a bad experience so they try to fix the problem through legislation alone, perhaps without root cause analysis. As product life decreases, the manufacturer's incentive is to reduce the warranty as they would prefer to sell new appliances instead of repairing them. That's why rebates need to be high enough to incentivize buying over repairing. This hurts the repair industry. However, given the high cost of new products it's often less expensive to repair than buy new.

- An important focus of the home appliance industry is on end-of-life recycling. For example, a refrigerator has a useful life of 20-23 years. With the new technologies and the concept of planned obsolescence, many product lifecycles have been declining over the years.

## Service Contract Industry Research

### Service Contracts Defined

Service contracts, also known as extended warranties or extended service plans, are popular among consumers as a cost-effective way to protect electronic devices, consumer goods, appliances and new and used autos beyond the terms provided by the manufacturer's or seller's original warranty. There are approximately 250 million sold annually. Service contracts offer flexible benefits that can include product repairs, replacement, technical support and emergency repairs and service.

Service contracts differ from a manufacturer's warranty. With a service contract, the consumer pays a separate charge while the cost of a manufacturer's warranty in included in the purchase price of the product. Service contracts are designed to provide protection after a manufacturer's warranty expires but they can also overlap by providing additional benefits generally not included in a manufacturer's warranty.

A typical service contract covers repair of a product or the replacement of a product with an equivalent model within a specified time period when the failure of the product is due to an inherent defect or a defect in materials or workmanship. Service contracts also often cover failure due to normal wear-and-tear.

Many retailers and other sellers offer service contracts at the time a consumer purchases a home, auto or consumer product. There are also many after-sales providers of service contracts that allow consumers to take time to decide if he or she wants to have added protection before or after the manufacturer's warranty expires.

Typically, a service contract can be transferred to a new owner of the product by providing the name and address of the new owner to the contract provider or administrator. Your specific contract will detail transfer eligibility and terms, as well as specify any requirements such as time considerations or transfer fees.

Some service contracts may have a deductible. Most service contracts do not. It's important for consumers to carefully read the terms of their contracts and to fully understand what is covered and what is not.

Most laws governing service contracts require a grace period, which allows consumers to get a full refund if they change their mind within the specified period of time. After the grace period, service contracts typically provide a consumer with the right to cancel at any time during the life of the contract.

Consumers can typically initiate claims easily and quickly by calling a toll-free phone number. Claims and repairs may be handled or authorized by the manufacturer, retailer, dealer, an independent company or others.

### Consumer Goods Service Contracts

It is important for consumers to consider the implications of a product failure and their options should that happen. Key considerations, for instance, might include the logistics of arranging quality repair service on short notice, the need to find a temporary replacement product during what can be extended repair downtime, the cost of the actual repair, any potential cost of the temporary replacement and the cost to completely replace the product if it cannot be repaired.

### Auto Service Contracts

Many auto service contracts require a consumer to adhere to all of the manufacturer's recommendations for routine maintenance, such as oil and spark plug changes. Failure to do so could void the contract. It is important for the consumer to keep detailed records, including receipts, to prove that the vehicle was properly maintained.

Approximately 37 states have enacted specific laws governing motor vehicle service contracts. Many service contracts are backed by A+ rated insurers, who provide additional financial solvency on long-term contracts. In many states, service contracts come with a grace period, usually 30 days, during which a consumer can return the contract for a full refund. Service contracts also can be cancelled mid-term.

### Home Service Contracts

Service contracts for the home help homeowners protect their largest investment by providing a flexible array of services. They can cover defects in major structural components of your home and/or the major systems of the home, such as the electrical, plumbing, and heating and air conditioning systems. Home Service Contracts often cover a home's major appliances and can also provide for service or repair due to normal wear and tear. Service contracts for the home are sold by realtors, builders and independent providers. They can be purchased at the time of sale and are typically transferable to a new owner. And service contracts are also available for used homes.

### Service Contracts Act

In 2012, the Service Contract Industry Council (SCIC), a national trade association whose members offer approximately 80% of all service contracts sold in the U.S., played a significant role in the development of the Service Contract Model Act (Act). The service contract model has been adopted by the National Association of Insurance Commissioners. The purpose of the Act is to create a legal framework within which service contracts are defined, may be sold, and are regulated within a state. The Act declares that service contracts, as defined, are not insurance and not subject to the insurance code. The intent of the Act is to add significant consumer protections and eliminate unnecessary administration.

In addition to definitions, the Act covers: requirements for doing business, required disclosures for reimbursement insurance policies and service contracts, prohibited acts, record keeping requirements, termination of the reimbursement insurance policy, obligations of reimbursement insurance policy insurers, enforcement provisions, the authority to develop regulations, and a separability provision. The Act is included as attachment 3 to this report.

An interview with industry officials revealed that nationally, most states regulate service contracting firms as insurance entities or not at all. As a result, California is out of step with the rest of the country. This issue starts with the definition of a service contract. These contracts typically cover personal property or consumer goods, not commercial services. California's definition results in a prescriptive list of products subject to frequent change. Other states use a more general, stable definition. In most states, service contracts for auto, home appliance warranties and consumer goods are covered by the state insurance department.

Except for California and Florida, most states have adopted the National Association of Insurance Commissioners model for service contracts. Also, only California and Florida license individual locations like retail stores which act as a sales representative and sell service contracts but don't view themselves as service contractors.

The most popular way to offer a service contract is as an obligor. The obligor buys a contract liability insurance policy to ensure against repair or replacement loss. Service contract administrators are obligors. Service contract sellers may or may not be obligors.

The officials contend a problem for the industry and California consumers is the Bureau's interpretation of the Song-Beverly Act. The Act specifies a clear description of the product is needed to file a claim. The Bureau interprets this to mean serial numbers are needed to approve a claim. This puts a burden on the consumer if they failed to register the serial number with the company. The official indicated that in most cases the obligor doesn't care about the level of specificity and generally won't deny a claim for the lack of serial numbers. In general, there is no claims adjustment process with service contracts. Products are typically replaced because it often costs less to replace than repair. However, the industry may decide to repair instead based on cost or size thresholds.

# Consumer Survey Results

To provide additional feedback to the Bureau, a survey targeted to a sample audience of at least 650 California consumers (actual responses 682) was designed and implemented. The survey was conducted using a vetted panel of survey respondents who met the predetermined criteria of being:

- California residents
- 18+ years of age
- Established consumer activity pertinent to the Bureau's areas of product and services oversight

The survey panel was provided by an international marketing firm with established survey panels populated by qualified respondents. The survey was delivered as an on-line survey provided to the respondents via an email to a personal email account. The survey includes questions or statements requiring a scaled response from among predetermined responses; additionally, two open-ended questions asked for short written responses to broad questions. The two questions were:

1. *Do you have any questions on areas for improvement for this DCA Bureau's overall outreach and communications to consumers to promote awareness of protections and rights in California?*

2. *Do you have any other feedback to add that will contribute to this DCA Bureau's mission and consumer protection related to:*
    a. *Electronic and appliance repair business registration and regulation and/or*
    b. *Service contact registration and regulation on various consumer products and/or*
    c. *The manufacture and sale of upholstered furniture, bedding and thermal insulation products and/or*
    d. *The testing for sanitization of used and/or rebuilt bedding products offered by a retailer*

The reporting that follows will include the scaled response frequencies; all written responses to the two general questions are included in Attachment 4 completely unedited and un-redacted. A summary of key findings precedes the greater detail in the results tables.

## Summary of Survey Key Findings

The following summarizes selected key findings from the consumer survey.

| Consumer Product Category | Purchased product with or without warranty or service contract (% of responders) | Why did not purchase service contract (Top 2 reasons cited) | Satisfaction with product based on purchase price | Used the service contract (purchased service contract) | Satisfaction with service contract process used | Satisfaction with product repair or replacement |
|---|---|---|---|---|---|---|
| **Home Appliance** | 75.0% | Contract cost and product quality & reliability did not warrant contract | 77.1% somewhat or highly satisfied | 68.8% | 95.1% | 92.7% |
| **Consumer Electronics** | 86.2% | Contract cost and product quality & reliability did not warrant contract | 93.4% somewhat or highly satisfied | 58.5% | 84.7% | 85.4% |
| **Upholstered Home Furniture** | 48.5% (23.5% of above purchase was result of advertised sale) | Contract cost and product quality & reliability did not warrant contract | 91.3% somewhat or highly satisfied | 76.4% | 91.5% | 92.5% |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Bedding, Mattresses, Futons** | 62.3% (28.6% of above purchases were result of advertised sale) | N/A | 66.6% | N/A | N/A | N/A |
| **Note: the product categories below were subject to more limited survey questions** | | | | | | |
| **Jewelry** | 17.7% | N/A | N/A | 73.6% | 89.9% somewhat or very satisfied | N/A |
| **Lawn & Garden Equipment** | 13.9% | N/A | N/A | 75.8% | 94.4% somewhat or very satisfied | N/A |
| **Power Tools** | 18% | N/A | N/A | 64.2% | 88.5% somewhat or very satisfied | N/A |
| **Fitness Equipment** | 14.8% | N/A | N/A | 63.4% | 93.7% somewhat or very satisfied | N/A |
| **Small Kitchen Appliances** | 18.6% | N/A | N/A | 52.8% | 84.8% somewhat or very satisfied | N/A |
| **Eyeglasses** | 17.2% | N/A | N/A | 61.5% | 94.4% somewhat or very satisfied | N/A |

## Consumer Awareness of DCA & Importance of Consumer Protection Provided

Final survey items focused on survey responder awareness, **before this survey**, of DCA/Bureau roles and areas of oversight, in addition to how important the consumer protection is to the consumer.

| **Survey Item**<br>**(awareness before the survey)** | **% of YES responses** | **Importance of the consumer protection in this program**<br>**(% of somewhat and very important responses)** |
|---|---|---|
| Awareness of DCA and its general mission | 47.3% | N/A |
| Awareness of products and services in this survey under DCA jurisdiction | 33.3% | N/A |
| Awareness of service contracts under DCA consumer protection | N/A | 81.0% |
| Awareness of flammability standards for bedding & upholstered furniture under DCA consumer protection | 40% | 79.5% |
| Awareness of used and re-built bedding sanitization under DCA consumer protection | 26.7% | 81.7% |
| Awareness of appliance repair businesses under DCA consumer protection | 32.7% | 81.3% |
| Awareness of electronics repair businesses under DCA consumer protection | 31.9% | 81.3% |

**HOME APPLIANCE PRODUCT:**

| **Have you purchased a home appliance product (examples: clothes washer, dryer, dishwasher, stove/oven, trash compactor, refrigerator, or freezer) in the last 10 years?** | | | | |
|---|---|---|---|---|
| **Yes – with Service Agreement/Warranty:** 240 - 34.9% | **Yes – without Service Agreement/ Warranty:** 261 – 37.9% | **Yes – Don't know if had Service Agreement** 15 – 2.2% | **No:** 171 - 24.9% | **Don't Know:** 1 - 0.01% |

| **What was your level of satisfaction with the product considering its purchase price?** | | | | | | |
|---|---|---|---|---|---|---|
| Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Average (SD) | **N/A** |
| 6 (1.2%) | 16 (3.1%) | 19 (3.7%) | 185 (35.9%) | 290 (41.2%) | 4.43 (.80) | |

| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | | **Why did you <u>not</u> purchase the service contract? (Select all that apply).** N=171 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Yes:** 165 (68.8%) | | | | | | | **No:** 75 (31.3%) | Product value was relatively low not needing a service contract | 48 28.1% | **N/A** |
| **Satisfaction rating with the <u>service process</u> you were directed to follow to get the repair, maintenance or replacement completed?** | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | **N/A** | Cost of the service contract | 144 84.2% | |
| | 1 (0.6%) | 4 (2.4%) | 3 (1.8%) | 74 (44.8%) | 83 (50.3%) | 4.42 (.71) | | Terms and conditions of the service contract | 30 17.5% | |
| | | | | | | | | Was not aware of the option for a service contract | 15 8.8% | |
| **When you received the repaired or** | 1 (0.6%) | 3 (1.8%) | 8 (4.8%) | 57 (34.5%) | 96 (58.2%) | 4.48 (.73) | | The quality or expected reliability of the | 146 85.4% | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **replaced product, what was your satisfaction with the <u>quality of the repair or replacement</u>?** | | | | | | | | product did not indicate to me a need for a service contract | | |
| | | | | | | | | Don't know | 8<br>4.7% | |

**CONSUMER ELECTRONICS PRODUCT:**

| **Have you purchased a consumer electronics product (examples: television, radio, stereo/home theater components, CD/DVD/Blu-ray player, desktop computer, laptop computer, tablet computer, personal media player, cell phone, printer, fax machine, video camera, etc.) in the last 5 years?** | | | | | | |
|---|---|---|---|---|---|---|
| **Yes – with Service Agreement/Warranty:**<br>258 – 37.7% | **Yes – without Service Agreement/ Warranty:**<br>323 – 47.2% | **Yes – Don't know if had Service Agreement**<br>9 – 1.3% | **No:**<br>87 - 12.7% | **Don't Know:**<br>8 - 1.2% | | |

| **What was your level of satisfaction with the product considering its purchase price?** | | | | | | |
|---|---|---|---|---|---|---|
| Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Average (SD) | **N/A** |
| 3 (0.5%) | 10 (1.7%) | 26 (4.4%) | 196 (33.2%) | 355 (60.2%) | 4.51 (.71) | |

| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | | **Why did you <u>not</u> purchase the service contract? (Select all that apply).** N=323 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Yes:**<br>151<br>(58.5%) | | | | | | | **No:**<br>107<br>(41.5%) | Product value was relatively low not needing a service contract | 76<br>23.5% | **N/A** |
| **Satisfaction rating with the <u>service</u>** | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | **N/A** | Cost of the service contract | 163<br>50.5% | |
| | 3<br>(2.0%) | 9<br>(6.0%) | 11<br>(7.3%) | 47<br>(31.1%) | 81<br>(53.6%) | 4.28<br>(.98) | | Terms and conditions of the service contract | 36<br>11.1% | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **process you were directed to follow to get the repair, maintenance or replacement completed?** | | | | | | | | Was not aware of the option for a service contract | 16<br>5.0% | |
| **When you received the repaired or replaced product, what was your satisfaction with the quality of the repair or replacement?** | 2<br>(1.3%) | 9<br>(6.0%) | 11<br>(7.3%) | 44<br>(29.1%) | 85<br>(56.3%) | 4.33<br>(.94) | | The quality or expected reliability of the product did not indicate to me a need for a service contract | 171<br>52.9% | |
| | | | | | | | | Don't know | 20<br>6.2% | |

**HOME FURNITURE PRODUCT:**

| **Have you purchased an upholstered home furniture product in the last 10 years?** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Yes – with Service Agreement/Warranty:**<br>123 – 18.0% | | | | **Yes – without Service Agreement/ Warranty:**<br>206 – 30.1% | **Yes – Don't know if had Svc. Agree.**<br>3 – 0.4% | **No:**<br>345 - 50.4% | **Don't Know:**<br>8 - 1.2% |
| **Yes – Purchase was a result of an advertised sale:**<br>161 – 23.5% | **Yes – purchase was NOT result of an advertised sale:**<br>163 – 23.8% | | **Yes – Don't know if purchase was result of an advertised sale:**<br>8 – 1.2% | | | | |
| **What was your level of satisfaction with the product considering its purchase price?** | | | | | | **N/A** | |
| Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Average (SD) | | |
| 3 (0.9%) | 7 (2.1%) | 19 (5.7%) | 129 (38.9%) | 174 (52.4%) | 4.40 (.77) | | |

| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | **Why did you not purchase the service contract? (Select all that apply).** N=206 | | **N/A** |
|---|---|---|---|---|
| **Yes:**<br>94 | **No:**<br>29 | Product value was relatively low | 44<br>21.4% | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (76.4%) | | | | | | | (4.1%) | not needing a service contract | | |
| **Satisfaction rating with the <u>service process</u> you were directed to follow to get the repair, maintenance or replacement completed?** | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | **N/A** | Cost of the service contract | 68 33.0% | |
| | 3 (3.2%) | 1 (1.1%) | 4 (4.3%) | 37 (39.4%) | 49 (52.1%) | 4.36 (.88) | | Terms and conditions of the service contract | 11 5.3% | |
| | | | | | | | | Was not aware of the option for a service contract | 52 25.2% | |
| **When you received the repaired or replaced product, what was your satisfaction with the <u>quality of the repair or replacement</u>?** | 3 (3.1%) | 1 (1.1%) | 3 (3.2%) | 43 (45.7%) | 44 (46.8%) | 4.32 (.86) | | The quality or expected reliability of the product did not indicate to me a need for a service contract | 98 47.6% | |
| | | | | | | | | Don't know | 14 6.8% | |

**BEDDING/MATTRESSES**

| **Have you purchased any bedding sets including mattresses or futons in the last 10 years?** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Yes – purchased was a result of an advertised sale:** 196 28.6% | | **Yes – purchase was NOT the result of an advertised sale:** 206 30.1% | | **Yes – Don't know if purchase was result of an advertised sale** 25 3.6% | | **No:** 247 36.1% | **Don't Know:** 11 1.6% |
| **What was your level of satisfaction with the product considering its purchase price?** | | | | | | **N/A** | |
| Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Average (SD) | | |
| 2 (0.5%) | 17 (4.0%) | 30 (7.0%) | 140 (32.8%) | 238 (33.8%) | 4.39 (.82) | | |

**JEWELRY:**

| **Have you purchased a service contract (extended warranty) for a JEWELRY product during the last five years?** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Yes:** 121 17.7% | | | | | | | **No:** 554 81.2% | **Don't Know:** 7 1.0% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | | |
| **Yes:** 89 (73.6%) | | | | | | | **No:** 32 (26.4%) | **N/A** |
| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | | |
| **Satisfaction rating with the <u>service process</u> you were directed to follow to get the repair, maintenance or replacement completed?** | 0 (0.0%) | 0 (0.0%) | 9 (10.1%) | 34 (38.2%) | 46 (51.7%) | 4.42 (.67) | **N/A** | |

**LAWN/GARDEN EQUIPMENT:**

| **Have you purchased a service contract (extended warranty) for a LAWN/GARDEN EQUIPMENT product during the last five years?** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Yes:** 95 13.9% | | | | | | | **No:** 580 85.0% | **Don't Know:** 7 1.0% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | | |
| **Yes:** 72 (75.8%) | | | | | | | **No:** 23 (24.2%) | **N/A** |
| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | **N/A** | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Satisfaction rating with the service process you were directed to follow to get the repair, maintenance or replacement completed?** | 1 (1.4%) | 2 (2.8%) | 1 (1.4%) | 35 (49.3%) | 32 (45.1%) | 4.34 (.77) | | |

**POWER TOOLS:**

| **Have you purchased a service contract (extended warranty) for a POWER TOOLS product during the last five years?** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Yes:** 123 18.0% | | | | | | | **No:** 551 80.8% | **Don't Know:** 8 1.1% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | | |
| **Yes:** 79 (64.2%) | | | | | | | **No:** 44 (35.8%) | **N/A** |
| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | | |
| **Satisfaction rating with the service process you were directed to follow to get the repair, maintenance or replacement completed?** | 1 (1.3%) | 3 (3.8%) | 5 (6.4%) | 33 (42.3%) | 36 (46.2%) | 4.28 (.85) | **N/A** | |

**FITNESS EQUIPMENT:**

| **Have you purchased a service contract (extended warranty) for a FITNESS EQUIPMENT product during the last five years?** | | |
|---|---|---|
| **Yes:** 101 14.8% | **No:** 576 84.5% | **Don't Know:** 5 0.7% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | |
| **Yes:** 64 (63.4%) | **No:** 37 (36.6%) | **N/A** |

| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | | |
|---|---|---|---|---|---|---|---|---|
| **Satisfaction rating with the service process you were directed to follow to get the repair, maintenance or replacement completed?** | 0 (0.0%) | 0 (0.0%) | 4 (6.3%) | 18 (28.1%) | 42 (65.6%) | 4.59 (.61) | **N/A** | |

**SMALL KITCHEN APPLIANCE:**

| **Have you purchased a service contract (extended warranty) for a SMALL KITCHEN APPLIANCE product during the last five years?** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Yes:** 127 18.6% | | | | | | | **No:** 546 80.1% | **Don't Know:** 9 1.3% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | | | | | | | **N/A** | |
| **Yes:** 67 (52.8%) | | | | | | | **No:** 60 (47.2%) | |
| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | | |
| **Satisfaction rating with the service process you were directed to follow to get the repair, maintenance or replacement completed?** | 1 (1.5%) | 2 (3.0%) | 7 (10.6%) | 22 (33.3%) | 34 (51.5%) | 4.30 (.89) | **N/A** | |

**EYEGLASSES:**

| **Have you purchased a service contract (extended warranty) for an EYEGLASSES product during the last five years?** | | |
|---|---|---|
| **Yes:** 117 17.2% | **No:** 554 81.2% | **Don't Know:** 11 1.6% |
| **Did you have to use the extended warranty, maintenance agreement, or service contract for the product to obtain repairs or a replacement?** | **N/A** | |
| **Yes:** | **No:** | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 72 (61.5%) | | | | | | | 45 (38.5%) | |
| | Very Dissatisfied (1) | Somewhat Dissatisfied | Neither Satisfied or Dissatisfied | Somewhat Satisfied | Very Satisfied (5) | Avg. (SD) | | |
| **Satisfaction rating with the <u>service process</u> you were directed to follow to get the repair, maintenance or replacement completed?** | 0 (0.0%) | 1 (1.4%) | 3 (4.2%) | 34 (47.2%) | 34 (47.2%) | 4.40 (.64) | **N/A** | |

**GENERAL DCA AWARENESS:**

| Question | Yes | No | Don't Know | Follow Up Question | Rating | | Mean (SD) |
|---|---|---|---|---|---|---|---|
| Before this survey I was aware of the California State Department of Consumer Affairs (DCA) and its general mission. | 321 (47.3%) | 312 (46.0%) | 45 (6.6%) | **(none)** | | | |
| Before this survey I was aware that the consumer products and services in California covered in this survey are included in the safety and consumer protection jurisdiction of the DCA. | 226 (33.3%) | 388 (57.2%) | 64 (9.4%) | How important is it to you that service contracts on consumer products are under the consumer protection roles of the California DCA? | Very unimportant | 12 (1.8%) | **4.23 (.89)** |
| | | | | | Somewhat unimportant | 8 (1.2%) | |
| | | | | | Neither important or unimportant | 109 (16.1%) | |
| | | | | | Somewhat important | 229 (33.8%) | |
| | | | | | Very Important | 320 (47.2%) | |
| Before this survey I was aware that bedding and upholstered | 271 (40.0%) | 354 (52.2%) | 53 (7.8%) | How important is to you that bedding and upholstered furniture fire | Very unimportant | 12 (1.8%) | **4.23 (.90)** |
| | | | | | Somewhat unimportant | 9 | |

| Question | Yes | No | Don't Know | Follow Up Question | Rating | | Mean (SD) |
|---|---|---|---|---|---|---|---|
| furniture products in California are tested by DCA for resistance to fire (flammability) requirements. | | | | resistance standards are under the consumer protection roles of the California DCA? | | (1.3%) | |
| | | | | | Neither important or unimportant | 118 (17.4%) | |
| | | | | | Somewhat important | 213 (31.4%) | |
| | | | | | Very Important | 326 (48.1%) | |
| Before this survey I was aware that used/rebuilt bedding products offered by retailers are tested by DCA for meeting sanitization requirements. | 181 (26.7%) | 438 (64.6%) | 59 (8.7%) | How important is it to you that bedding sanitization standards are under the consumer protection role of the California DCA? | Very unimportant | 14 (2.1%) | **4.31 (.91)** |
| | | | | | Somewhat unimportant | 8 (1.2%) | |
| | | | | | Neither important or unimportant | 102 (15.0%) | |
| | | | | | Somewhat important | 184 (27.1%) | |
| | | | | | Very Important | 370 (54.6%) | |
| Before this survey I was aware that appliance repair businesses in California are registered under the consumer protection roles of the DCA. | 222 (32.7%) | 398 (58.7%) | 58 (8.6%) | How important is it to you that electronic and appliance repair businesses are under the consumer protection role of the California DCA? | Very unimportant | 9 (1.3%) | **4.27 (.86)** |
| | | | | | Somewhat unimportant | 6 (0.9%) | |
| | | | | | Neither important or unimportant | 112 (16.5%) | |
| Before this survey I was aware that electronics repair businesses in California are registered under the consumer protection roles of the DCA. | 216 (31.9%) | 414 (61.1%) | 48 (7.1%) | | Somewhat Important | 216 (31.9%) | |
| | | | | | Very Important | 335 (49.4%) | |

Limited survey respondent demographics were captured at the end of the survey and are reported in the table below.

| Demographic | Sub-group choices | Percentage of total respondents |
|---|---|---|
| **Age (years)** | 18-29 | 11.9% |
| | 30-39 | 21.3% |
| | 40-49 | 17.9% |
| | 50-59 | 18.2% |
| | 60-69 | 19.0% |
| | 70 or greater | 11.6% |
| | Decline to state | 0.1% |
| **Gender** | Female | 53.3% |
| | Male | 46.4% |
| | Decline to state | 0.3% |
| **Housing Situation** | Own home | 66.5% |
| | Renter | 29.6% |
| | Other housing arrangement | 3.4% |
| | Decline to state | 0.4% |
| **Annual Household Income** | >$100K | 20.2% |
| | >$75K--$100K | 19.2% |
| | >$50K--$75K | 18.3% |
| | >25K--$50K | 19.3% |
| | <$25K | 18.3% |
| | Decline to state | 4.6% |

**Responses to open-ended questions**

The two questions at the end of the survey were:

1. *Do you have any questions on areas for improvement for this DCA Bureau's overall outreach and communications to consumers to promote awareness of protections and rights in California?*

2. *Do you have any other feedback to add that will contribute to this DCA Bureau's mission and consumer protection related to:*
    a. *Electronic and appliance repair business registration and regulation and/or*
    b. *Service contact registration and regulation on various consumer products and/or*
    c. *The manufacture and sale of upholstered furniture, bedding and thermal insulation products and/or*
    d. *The testing for sanitization of used and/or rebuilt bedding products offered by a retailer*

All written responses to the two open-ended question follow in Attachment 4. While not all respondents provided written comments, which is typical of a survey of this sort, it is possible to characterize responses generally:

- Most responses are generally positive about the DCA role and consumer protections provided—relatively few responses are negative or dismissive of DCA mission and roles.
- Many responders are not very informed about DCA and specific programs and services outside the limited scope of this consumer survey.
- Many responders believe there is a need for stronger and more varied outreach, visibility, communication, and publicizing of DCA programs and services using a wide variety of media.
- A moderate number of responders expressed the view that they, in retrospect, wished they had more knowledge of DCA when they experienced consumer issues or problems in the past.

## Attachment 1: Industry Research Sources Reviewed

1. **Furniture Today** (www.furnituretoday.com) market research for furniture and bedding retailers, wholesalers and manufacturers.
2. **Association of Home Appliance Manufacturers** (www.aham.org) – national organization of manufacturers that administers voluntary certification program for repair of certain consumer appliances.
3. **National Electronic Service Dealers Association** (www.nesda.com) – national organization of service dealers who provide voluntary certification for technicians, managers and service facilities.
4. **Service Contract Industry Council** (www.go-scic.com) – national organization whose membership consists of most of the service contract administrators registered by BEARHFTI and some major retailers.
5. **California Retailers Association** (www.calretailers.com) – California lobbyists who represent major retailers whose products and/or service contracts are covered by BEARHFTI.
6. **Professional Servicer's Organization of California** (www.psoca.org) – California trade association whose membership is primarily independent repair dealers (electronic and appliance). They also work with manufacturers on providing training, etc.
7. **American Home Furnishings Alliance** (www.ahfa.us) – national association of furniture manufacturers.
8. **International Sleep Products Association** (www.sleepproducts.org) – national organization that seeks uniformity in industry standards and government regulations.
9. **National Council of Textile Organizations** (www.ncto.org) – national association representing the textile sector.
10. **Polyurethane Foam Association** – (www.pfa.org) – trade association of foam manufacturers and suppliers.
11. **Association For Contract Textiles** (www.contractextiles.org) – trade association consisting principally of textile wholesalers and furniture manufacturers.
12. **California Furniture Manufacturers Association** (www.cfma.com) – association whose intent is to bring furniture manufacturer and suppliers together.

## Attachment 2: Furniture Industry Research

*Furniture Today* magazine is the source for the following four furniture and bedding tables.

### Top 100 Furniture Stores
**($ millions)**

| Rank | Company, State | 2013 Est. Sales | # of Stores |
|---|---|---|---|
| 1 | Ashley Furniture HomeStores, WI | $3,114.8 | 493 |
| 2 | IKEA, PA | $2,690.0 | 38 |
| 3 | Williams-Sonoma, CA | $2,185.0 | 554 |
| 4 | Rooms To Go, FL | $1,780.0 | 131 |
| 5 | Mattress Firm, TX | $1,387.0 | 1,361 |
| 6 | Berkshire Hathaway furniture division, NE | $1,372.2 | 33 |
| 7 | Pier 1 Imports, TX | $1,209.2 | 991 |
| 8 | Restoration Hardware, CA | $1,205.0 | 65 |
| 9 | Raymour & Flanigan, NY | $1,150.5 | 102 |
| 10 | La-Z-Boy Furniture Galleries, MI | $1,017.0 | 281 |
| 11 | Sleepy's, NY | $1,000.0 | 939 |
| 12 | American Signature, OH | $960.4 | 126 |
| 13 | Sleep Number, MN | $922.3 | 440 |
| 14 | Bob's Discount Furniture, CT | $758.0 | 47 |
| 15 | Havertys, GA | $746.1 | 119 |
| 16 | Crate and Barrel, IL | $735.0 | 103 |
| 17 | Ethan Allen, CT | $702.2 | 200 |
| 18 | Art Van, MI | $555.0 | 82 |
| 19 | Sleep Train, CA | $471.2 | 299 |
| 20 | Mathis Brothers, OK | $417.9 | 18 |
| 21 | Slumberland, MN | $417.3 | 126 |
| 22 | American Furniture Warehouse, CO | $406.1 | 13 |
| 23 | Cost Plus World Market, CA | $367.0 | 265 |

| | | | |
|---|---|---|---|
| 24 | Room & Board, MN | $344.0 | 13 |
| 25 | America's Mattress, IL | $313.8 | 395 |
| 26 | More Furniture for Less, CA | $302.6 | 27 |
| 27 | Bassett Home Furnishings, VA | $296.2 | 87 |
| 28 | Badcock Home Furniture & more, FL | $291.0 | 305 |
| 29 | Haynes Furniture, VA | $270.0 | 15 |
| 30 | City Furniture, FL | $263.9 | 26 |
| 31 | Arhaus Furniture, OH | $260.0 | 46 |
| 32 | Hill Country Holdings, TX | $258.2 | 24 |
| 33 | Conn's, TX | $243.7 | 79 |
| 34 | Living Spaces, CA | $235.0 | 10 |
| 35 | HOM Furniture, MN | $215.8 | 22 |
| 36 | Macy's Furniture Gallery, NY | $215.0 | 62 |
| 37 | Levin Furniture, PA | $192.4 | 26 |
| 38 | Design Within Reach, CT | $185.0 | 39 |
| 39 | Farmers Home Furniture, GA | $183.0 | 180 |
| 40 | El Dorado Furniture, FL | $165.4 | 12 |
| 41 | Kane's Furniture, FL | $160.0 | 17 |
| 42 | Baer's, FL | $154.5 | 15 |
| 43 | Z Gallerie, CA | $154.2 | 56 |
| 44 | The Room Place, IL | $154.0 | 22 |
| 45 | Regency Furniture, MD | $153.0 | 19 |
| 46 | Furniture Mart USA, SD | $150.1 | 33 |
| 47 | Thomasville Home Furnishings Stores, NC | $150.0 | 68 |
| 48 | Steinhafels, WI | $131.3 | 17 |
| 49 | Dufresne Spencer Group, MS | $130.4 | 35 |
| 50 | ABC Carpet & Home, NY | $130.0 | 4 |
| 51 | Furnitureland South, NC | $129.0 | 1 |

| | | | |
|---|---|---|---|
| 52 | Gallery Furniture, TX | $124.0 | 2 |
| 53 | Jerome's, CA | $123.3 | 10 |
| 54 | Crest Furniture, NJ | $121.3 | 14 |
| 55 | Grand Home Furnishings, VA | $121.3 | 19 |
| 56 | Bernie & Phyl's Furniture, MA | $113.3 | 8 |
| 57 | Back to Bed/Bedding Experts/Mattress Barn, IL | $106.0 | 131 |
| 58 | Stickley, Audi & Co., NY | $104.3 | 13 |
| 59 | Chair King/Fortuneoff Backyard Store, TX | $101.5 | 38 |
| 60 | Gardner-White, MI | $100.0 | 10 |
| 61 | Big Sandy Superstore, OH | $100.0 | 25 |
| 62 | Sit 'n Sleep, CA | $99.3 | 31 |
| 63 | Broad River Furniture, NC | $96.1 | 15 |
| 64 | Innovative Mattress Solutions, WV | $96.0 | 150 |
| 65 | Wolf Furniture, PA | $95.5 | 13 |
| 66 | Mattress Warehouse, MD | $91.0 | 165 |
| 67 | Walter E. Smithe Furniture, IL | $90.0 | 11 |
| 68 | Morris Furniture, OH | $89.3 | 24 |
| 69 | Jennifer Convertibles, NY | $85.0 | 61 |
| 70 | Lacks Valley Stores, TX | $83.6 | 12 |
| 71 | Darvin Furniture, IL | $83.0 | 1 |
| 72 | FAMSA, TX | $81.0 | 25 |
| 73 | The RoomStore, AZ | $79.4 | 11 |
| 74 | Bob Mills Furniture, OK | $79.0 | 7 |
| 75 | Kittle's Furniture, IN | $79.0 | 13 |
| 76 | Hudson's, FL | $78.0 | 16 |
| 77 | Schewel Furniture, VA | $77.0 | 51 |
| 78 | Mitchell Gold + Bob Williams, NC | $75.0 | 18 |
| 79 | Sam Levitz Furniture, AZ | $72.6 | 5 |

| | | | |
|---|---|---|---|
| 80 | C.S. Wo & Sons, HI | $71.0 | 16 |
| 81 | American Mattress, IL | $67.0 | 92 |
| 82 | Kimbrell's, NC | $66.2 | 50 |
| 83 | Roche Bobois, NY | $65.9 | 23 |
| 84 | EBCO, AZ | $65.9 | 10 |
| 85 | Louis Shanks of Texas, TX | $64.0 | 3 |
| 86 | Melaney's Furniture, PA | $61.6 | 7 |
| 87 | FFO Home, OK | $61.6 | 32 |
| 88 | Phillips Home Furnishings, MO | $60.1 | 0 |
| 89 | Home Furniture, LA | $57.9 | 8 |
| 90 | Wellsville Carpet Town, NY | $54.5 | 12 |
| 91 | Walker Furniture, NV | $54.4 | 23 |
| 92 | Weekends Only Furniture Outlet, MO | $54.2 | 5 |
| 93 | LoveSac, CT | $50.0 | 54 |
| 94 | Conlin's Furniture, MT | $50.0 | 18 |
| 95 | Miskelly Furniture, MS | $49.6 | 6 |
| 96 | JCPenney Home Store, TX | $48.0 | 29 |
| 97 | Russell Turner Furniture Holding Corp, GA | $47.5 | 11 |
| 98 | Gardiners Furniture, MD | $46.5 | 5 |
| 99 | Belfort Furniture, VA | $45.5 | 5 |
| 100 | Boston Interiors, MA | $44.5 | 7 |
| | **Total** | **$35,231.4** | |

## Top 25 US Bedding Retailers
**($ millions)**

| Rank | Company, State | 2013 Sales | 2012 Sales | % change |
|---|---|---|---|---|
| 1 | Mattress Firm, TX | $1,264.0 | $1,070.0 | 18.1% |
| 2 | Sleepy's, NY | $949.0 | $910.0 | 4.3% |
| 3 | Sleep Number, MN | $762.7 | $762.3 | 0.1% |

| | | | | |
|---|---|---|---|---|
| 4 | Sleep Train, CA | $416.5 | $403.9 | 3.1% |
| 5 | Ashley Furniture HomeStores, WI | $390.0 | $350.0 | 11.4% |
| 6 | Macy's, NY | $326.0 | $320.0 | 1.9% |
| 7 | Sam's Club, AK | $325.0 | $310.0 | 4.8% |
| 8 | America's Mattress, IL | $282.4 | $269.2 | 4.9% |
| 9 | Berkshire Hathway furniture division, NE | $245.0 | $232.0 | 5.6% |
| 10 | Rooms to Go, FL | $210.0 | $180.0 | 16.7% |
| 11 | Sears, IL | $185.0 | $190.0 | -2.6% |
| 12 | Raymour & Flanigan, NY | $179.3 | $159.3 | 12.6% |
| 13 | Costco, WA | $158.0 | $138.0 | 14.5% |
| 14 | Big Lots, OH | $145.0 | $142.0 | 2.1% |
| 15 | Art Van, MI | $143.0 | $134.0 | 6.7% |
| 16 | Slumberland, MN | $138.0 | $130.0 | 6.2% |
| 17 | Bob's Discount Furniture, CT | $124.6 | $116.1 | 7.3% |
| 18 | American Signature, OH | $106.8 | $106.5 | 0.3% |
| 19 | Badcock Home Furniture & more, FL | $102.8 | $101.5 | 1.2% |
| 20 | Back to Bed/Bedding Experts/Mattress Barn, IL | $102.0 | $100.0 | 2.0% |
| 21 | Innovative Mattress Solutions, VA | $87.0 | $84.0 | 3.6% |
| 22 | Sit 'n Sleep, CA | $84.2 | $83.0 | 1.4% |
| 23 | Mattress Warehouse, CA | $82.0 | $77.0 | 6.5% |
| 24 | Havertys, GA | $80.6 | $77.1 | 4.6% |
| 25 | Mathis Brothers, OK | $77.7 | $65.0 | 19.5% |
| | **Total** | **$6,966.6** | **$6,510.9** | **7.0%** |

## Key Sources for the US Furniture Market
**($ millions)**

| Rank | Company | 2013 | 2012 | % change |
|---|---|---|---|---|
| 1 | Ashley Furniture Inds. | $3,658.3 | $3,515.8 | 4.1% |

| | | | | |
|---|---|---|---|---|
| 2 | La-Z-Boy | $1,404.4 | $1,030.0 | 6.2% |
| 3 | Furniture Brands Internationals | $650.0 | NA | NA |
| 4 | Klaussner Furniture Inds. | $524.3 | $542.3 | 0.0% |
| 5 | Dorel Inds. | $476.4 | $479.6 | -0.7% |
| 6 | Sauder Woodworking | $475.0 | $458.9 | 3.5% |
| 7 | Flexsteel Inds. | $382.0 | $340.9 | 12.0% |
| 8 | Lacquer Craft | $369.7 | $380.0 | -2.7% |
| 9 | Man Wah Holdings | $365.7 | $329.1 | 11.1% |
| 10 | Ethan Allen Interiors | $342.0 | $338.4 | 1.1% |
| 11 | Bernhardt Furniture | $313.5 | $280.0 | 12.0% |
| 12 | Home Meridian International | $275.8 | $267.3 | 3.2% |
| 13 | L & P Consumer Products Unit | $266.4 | $261.7 | 1.8% |
| 14 | Standard Furniture Manufacturing | $220.3 | $180.3 | 22.2% |
| 15 | Hooker Furniture | $219.2 | $209.6 | 4.5% |
| 16 | Best Home Furnishings | $218.6 | $203.0 | 7.7% |
| 17 | Bassett Furniture Inds. | $210.9 | $180.2 | 17.1% |
| 18 | Sherrill Furniture | $208.6 | $181.4 | 15.0% |
| 19 | Natuzzi | $201.5 | $206.8 | -2.5% |
| 20 | Franklin | $171.3 | $184.3 | -7.1% |
| | **Total** | **$10,611.2** | **$10,201.5** | **4.0%** |

## Top 15 US Bedding Producers
**($ millions)**

| Rank | Company | 2013 Sales | 2012 Sales | % change |
|---|---|---|---|---|
| 1 | Serta | $1,552 | $1,473 | 5.4% |
| 2 | Sealy | $1,236 | $1,212 | 2.0% |
| 3 | Simmons | $1,228 | $1,054 | 16.5% |
| 4 | Tempur-Pedic | $864 | $882 | -2.0% |

| | | | | |
|---|---|---|---|---|
| 5 | Select Comfort | $352 | $358 | -1.6% |
| 6 | Corsicana | $320 | $300 | 6.7% |
| 7 | King Koil | $148 | $150 | -1.3% |
| 8 | Therapedic | $125 | $123 | 1.6% |
| 9 | Englander | $100 | $99 | 1.0% |
| 10 | Restonic | $88 | $85 | 3.5% |
| 11 | Kingsdown | $84 | $84 | 0.0% |
| 12 | Symbol | $71 | $70 | 1.4% |
| 13 | Spring Air | $59 | $64 | -7.8% |
| 14 | E.S.Kluft | $55 | $50 | 10.0% |
| 15 | Ashley Furniture Inds. | $51 | $45 | 13.3% |
| | **Total** | **$6,333** | **$6,049** | **4.7%** |

## Attachment 3: Service Contract Industry Model Law

# SERVICE CONTRACTS ACT

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**Section 1. Scope and Purpose**

A. The purposes of this Act is to create a legal framework within which service contracts are defined, may be sold and are regulated in this state. It declares that service contracts, as defined, are not insurance and not otherwise subject to the insurance code. It adds significant consumer protections and eliminates unnecessary administration.

B. The following are exempt from this Act:

(1) Warranties;

(2) Maintenance agreements;

(3) Warranties, service contracts or maintenance agreements offered by public utilities on their transmission devices to the extent they are regulated by [insert name of state agency that regulates public utilities];

(4) Service contracts sold or offered for sale to persons other than consumers; and

(5) Service contracts on tangible property where the tangible property for which the service contract is sold has a purchase price of one hundred dollars ($100) or less, exclusive of sales tax. Motor vehicle manufacturer's service contracts on the motor vehicle manufacturer's products need only comply with sections 3G, 5A, 5D – 5L, 6, and 10, as applicable, of this Act. Motor vehicle manufacturers are exempt from the registration requirement of section 3D.

C. The types of agreements referred to in subsections B and C of this section, and service contracts governed pursuant to this {chapter} are not insurance and do not have to comply with any provision of the insurance law of this state.

**Section 2. Definitions**

A. As used in this Act: "Administrator" means the person who is responsible for the administration of the service contracts or the service contracts plan or who is responsible for any submission required by the Act.

B. "Commissioner" means the commissioner of insurance of this state.

C. "Consumer" means a natural person who buys other than for purposes of resale any tangible personal property that is distributed in commerce and that is normally used for personal, family or household purposes and not for business or research purposes.

D. "Maintenance agreement" means a contract of limited duration that provides for scheduled maintenance only and does not include repair or replacement.

E. "Motor Vehicle Manufacturer" means a person that:

(1) Manufactures or produces motor vehicles and sells motor vehicles under its own name or label;

(2) Is a wholly owned subsidiary of the person who manufactures or produces motor vehicles;

(3) Is a corporation which owns 100 percent of the person who manufactures or produces motor vehicles;

(4) Does not manufacture or produce motor vehicles, but sells motor vehicles under the trade name or label of another person who manufactures or produces motor vehicles;

(5) Manufactures or produces motor vehicles and sells such motor vehicles under the trade name or label of another person who manufactures or produces motor vehicles; or

(6) Does not manufacture or produce motor vehicles but, pursuant to a written contract, licenses the use of its trade name or label to another person who manufactures or produces motor vehicles that sells motor vehicles under the licensor's trade name or label.

F. "Non-original manufacturer's parts" means replacement parts not made for or by the original manufacturer of the property, commonly referred to as "aftermarket parts."

G. "Person" means an individual, partnership, corporation, incorporated or unincorporated association, joint stock company, reciprocal, syndicate or any similar entity or combination of entities acting in concert.

H. "Premium" means the consideration paid to an insurer for a reimbursement insurance policy.

I. "Provider" means a person who is contractually obligated to the service contract holder under the terms of the service contract.

J. "Provider fee" means the consideration paid for a service contract.

K. "Reimbursement insurance policy" means a policy of insurance issued to a provider to either provide reimbursement to the provider under the terms of the insured service contracts issued or sold by the provider or, in the event of the provider's non-performance, to pay on behalf of the provider all covered contractual obligations incurred by the provider under the terms of the insured service contracts issued or sold by the provider.

L. "Service contract" means a contract or agreement for a separately stated consideration for a specific duration to perform the repair, replacement or maintenance of property or indemnification for repair, replacement or maintenance, for the operational or structural failure of any motor vehicle, residential or other property due to a defect in materials, workmanship, accidental damage from handling, or normal wear and tear, with or without additional provisions for incidental payment of indemnity under limited circumstances, including, but not limited to, towing, rental and emergency road service and road hazard protection. Service contracts may provide for the repair, replacement, or maintenance of property for damage resulting from power surges or interruption. Service contract also includes a contract or agreement sold for a separately stated consideration for a specific duration that provides for any of the following:

(1) the repair or replacement or indemnification for the repair or replacement of a motor vehicle

for the operational or structural failure of one or more parts or systems of the motor vehicle brought about by the failure of an additive product to perform as represented;

(2) the repair or replacement of tires and/or wheels on a motor vehicle damaged as a result of coming into contact with road hazards including but not limited to potholes, rocks, wood debris, metal parts, glass, plastic, curbs, or composite scraps;

(3) the removal of dents, dings, or creases on a motor vehicle that can be repaired using the process of paintless dent removal without affecting the existing paint finish and without replacing vehicle body panels, sanding, bonding, or painting;

(4) the repair of chips or cracks in or the replacement of motor vehicle windshields as a result of damage caused by road hazards;

(5) the repair of damage to the interior components of a motor vehicle caused by wear and tear but which expressly excludes the replacement of any part or component of a motor vehicle's interior; or

(6) the replacement of a motor vehicle key or key-fob in the event that the key or key-fob becomes inoperable or is lost or stolen; or

(7) other services or products which may be approved by the Commissioner.

Service contracts are not insurance in this state or otherwise regulated under the insurance code.

M. "Service contract holder" or "contract holder" means a person who is the purchaser or holder of a service contract.

N. "Warranty" means a warranty made solely by the manufacturer, importer or seller of property or services without consideration, that is not negotiated or separated from the sale of the product and is incidental to the sale of the product, that guarantees indemnity for defective parts, mechanical or electrical breakdown, labor or other remedial measures, such as repair or replacement of the property or repetition of services.

**Section 3. Requirements for Doing Business**

A. A provider may, but is not required to, appoint an administrator or other designee to be responsible for any or all of the administration of service contracts and compliance with this Act.

B. Service contracts shall not be issued, sold or offered for sale in this state unless the provider has:

(1) Provided a receipt for, or other written evidence of, the purchase of the service contract to the contract holder; and

(2) Provided a copy of the service contract to the service contract holder within a reasonable period of time from the date of purchase.

C A provider shall provide a consumer with a complete sample copy of the service contract terms and conditions prior to the time of sale upon a request for the same by the consumer. A provider may comply with this provision by providing the consumer with a complete sample copy of the terms and conditions or by directing the consumer to a website containing a complete sample of the terms and conditions of the service contract.

D. Each provider of service contracts sold in this state shall file a registration with the Commissioner consisting of their name, full corporate address, telephone number and contact person and designate a person in this state for service of process. Each provider shall pay to the Commissioner a fee in the amount of two hundred dollars ($200) upon initial registration and every year thereafter. Said registration need only be updated by written notification to the Commissioner if material changes occur in the registration on file.

E. In order to assure the faithful performance of a provider's obligations to its contract holders, each provider shall be responsible for complying with the requirements of one of the following three subdivisions:

(1) Insure all service contracts under a reimbursement insurance policy issued by an insurer licensed, registered, or otherwise authorized to do business in this state, and either:

(a) at the time the policy is filed with the commissioner, and continuously thereafter, (i) maintain surplus as to policyholders and paid-in capital of at least fifteen million dollars ($15,000,000) and (ii) annually file copies of the insurer's financial statements, its NAIC Annual Statement, and the actuarial certification required by and filed in the insurer's state of domicile; or

(b) at the time the policy is filed with the commissioner, and continuously thereafter, (i) maintain surplus as to policyholders and paid-in capital of less than fifteen million dollars ($15,000,000) but at least equal to ten million dollars ($10,000,000), (ii) demonstrate to the satisfaction of the commissioner that the company maintains a ratio of net written premiums, wherever written, to surplus as to policyholders and paid-in capital of not greater than 3 to 1, and (iii) annually files copies of the insurer's audited financial statements, its NAIC Annual Statement, and the actuarial certification required by and filed in the insurer's state of domicile; or

(2) Maintain a funded reserve account for its obligations under its contracts issued and outstanding in this state. The reserves shall not be less than forty percent (40%) of gross consideration received, less claims paid, on the sale of the service contract for all in-force contracts. The reserve account shall be subject to examination and review by the commissioner; and Place in trust with the commissioner a financial security deposit, having a value of not less than five percent (5%) of the gross consideration received, less claims paid, on the sale of the service contract for all service contracts issued and in force, but not less than $25,000.00, consisting of one of the following:

(i) A surety bond issued by an authorized surety;

(ii) Securities of the type eligible for deposit by authorized insurers in this state;

(iii) C a s h ;

(iv) A letter of credit issued by a qualified financial institution; or

(v) Another form of security prescribed by regulations issued by the Commissioner;

(3) Maintain, or together with its parent company maintain, a net worth or stockholders' equity of $100 million; and Upon request, provide the Commissioner with a copy of the provider's or the provider's parent company's most recent Form 10-K or Form 20-F filed with the Securities and Exchange Commission (SEC) within the last calendar year, or if the company does not file with the SEC, a copy of the company's audited financial statements, which shows a net worth of the provider or its parent company of at least $100 million. If the provider's parent company's Form 10-K, Form 20-F, or financial statements are filed to meet the provider's financial stability requirement, then the parent company shall agree to guarantee the obligations of the provider relating to service contracts sold by the provider in this state.

F. Except for the requirements specified in Section 3D and 3E, above, no other financial security requirements shall be required by the commissioner for service contract providers.

G. Service contracts shall require the provider to permit the service contract holder to return the service contract within 20 days of the date the service contract was mailed to the service contract holder or within 10 days of delivery if the service contract is delivered to the service contract holder at the time of sale or within a longer time period

permitted under the service contract. Upon return of the service contract to the provider within the applicable time period, if no claim has been made under the service contract prior to its return to the provider, the service contract is void and the provider shall refund to the service contract holder, or credit the account of the service contract holder, with the full purchase price of the service contract. The right to void the service contract provided in this subsection is not transferable and shall apply only to the original service contract purchaser, and only if no claim has been made prior to its return to the provider. A 10 percent penalty per month shall be added to a refund that is not paid or credited within 45 days after return of the service contract to the provider.

(1) Subsequent to the time period specified in subsection (1) or if a claim has been made under the service contract within that time period, a service contract holder may cancel the service contract and the provider shall refund to the contract holder 100% of the unearned pro rata provider fee, less any claims paid. A reasonable administrative fee may be charged by the provider not to exceed 10% of the gross provider fee paid by the service contract holder.

H. Premium Taxes:

(1) Provider fees collected on service contracts shall not be subject to premium taxes.

(2) Premiums for reimbursement insurance policies shall be subject to applicable taxes.

I Except for the registration requirements in Section 3D, providers and related service contract sellers, administrators, and other persons marketing, selling or offering to sell service contracts are exempt from any licensing requirements of this state.

J. The marketing, sale, offering for sale, issuance, making, proposing to make and administration of service contracts by providers and related service contract sellers, administrators, and other persons shall be exempt from all other provisions of this state's insurance law.

**Section 4. Required Disclosures - Reimbursement Insurance Policy**

A. Reimbursement insurance policies insuring service contracts issued, sold or offered for sale in this state shall state that the insurer that issued the reimbursement insurance policy shall either reimburse or pay on behalf of the provider any covered sums the provider is legally obligated to pay or, in the event of the provider's non-performance, shall provide the service which the provider is legally obligated to perform according to the provider's contractual obligations under the service contracts issued or sold by the provider.

B. In the event covered service is not provided by the service contract provider within 60 days of proof of loss by the service contract holder, the contract holder is entitled to apply directly to the reimbursement insurance company.

**Section 5. Required Disclosure - Service Contracts**

A. Service contracts marketed, sold, offered for sale, issued, made, proposed to be made, or administered in this state shall be written, printed, or typed in clear, understandable language that is easy to read, and shall disclose the requirements set forth in this section, as applicable.

B. Service contracts insured under a reimbursement insurance policy pursuant to Section 3E (1) of this Act shall contain a statement in substantially the following form: "Obligations of the provider under this service contract are insured under a service contract reimbursement insurance policy." The service contract shall also state the name and address of the insurer.

C. Service contracts not insured under a reimbursement insurance policy pursuant to Section 3E (1) of this Act shall contain a statement in substantially the following form: "Obligations of the provider under this service contract are backed by the full faith and credit of the provider."

D. Service contracts shall state the name and address of the provider, and shall identify any administrator if different from the provider, the service contract seller, and the service contract holder to the extent

that the name of the service contract holder has been furnished by the service contract holder. The identities of such parties are not required to be preprinted on the service contract and may be added to the service contract at the time of sale.

E. Service contracts shall state the total purchase price and the terms under which service contract is sold. The purchase price is not required to be pre-printed on the service contract and may be negotiated at the time of sale with the service contract holder.

F. Service contracts shall state the existence of any deductible amount, if applicable.

G. Service contracts shall specify the merchandise and services to be provided and any limitations, exceptions, or exclusions

H. Service contracts covering automobiles shall state whether the use of the non-original manufacturers' parts is allowed.

I. Service contracts shall state any restrictions governing the transferability of the service contract, if applicable.

J. Service contracts shall state the terms, restrictions or conditions governing cancellation of the service contract prior to the termination or expiration date of the service contract by either the provider or the service contract holder. The provider of the service contract shall mail a written notice to the contract holder at the last known address of the service contract holder contained in the records of the provider at least five (5) days prior to cancellation by the provider. Prior notice is not required if the reason for cancellation is nonpayment of the provider fee, a material misrepresentation by the service contract holder to the provider, or a substantial breach of duties by the service contract holder relating to the covered product or its use. The notice shall state the effective date of the cancellation and the reason for the cancellation. If a service contract is cancelled by the provider for a reason other than nonpayment of the provider fee, the provider shall refund to the contract holder 100% of the unearned pro rata provider fee, less any claims paid. A reasonable administrative fee may be charged by the provider not to exceed 10% of the gross provider fee paid by the service contract holder.

K. Service contracts shall set forth all of the obligations and duties of the service contract older, such as the duty to protect against any further damage and any requirement to follow owner's manual.

L. Service contracts shall state whether or not the service contract provides for or excludes consequential damages or pre-existing conditions, if applicable. Service contracts may, but are not required to, cover damage resulting from rust, corrosion or damage caused by a non-covered part or system.

**Section 6. Prohibited Acts**

A. A provider shall not use in its name the words insurance, casualty, surety, mutual or any other words descriptive of the insurance, casualty or surety business; or a name deceptively similar to the name or description of any insurance or surety corporation, or to the name of any other provider. The word "guaranty" or similar word may be used by a provider. This section shall not apply to a company that was using any of the prohibited language in its name prior to the effective date of this Act. However, a company using the prohibited language in its name shall include in its service contracts a statement in substantially the following form: "This agreement is not an insurance contract."

B. A provider or its representative shall not in its service contracts or literature make, permit or cause to be made any false or misleading statement, or deliberately omit any material statement that would be considered misleading if omitted.

C. A person, such as a bank, savings and loan association, lending institution, manufacturer, or seller of any product, shall not require the purchase of a service contract as a condition of a loan or a condition for the sale of any property.

D. A motor vehicle service contract provider or its representative shall not, directly or indirectly, represent

in any manner, whether by written solicitation or telemarketing, a false, deceptive or misleading statement with respect to:

(1) such provider's affiliation with a motor vehicle manufacturer;

(2) such provider's possession of information regarding a motor vehicle owner's current motor vehicle manufacturer's original equipment warranty;

(3) the expiration of a motor vehicle owner's current motor vehicle manufacturer's original equipment warranty; or

(4) a requirement that such motor vehicle owner register for a new motor vehicle service contract with such provider in order to maintain coverage under the motor vehicle owner's current motor vehicle service contract or manufacturer's original equipment warranty.

**Section 7. Record keeping Requirements**

A. Books and Records:

(1) The provider shall keep accurate accounts, books, and records concerning transactions regulated under this Act.

(2) The provider's accounts, books, and records shall include the following:

(a) Copies of each type of service contracts sold;

(b) The name and address of each service contract holder to the extent that the name and address have been furnished by the service contract holder;

(c) A list of the locations where service contracts are marketed, sold, or offered for sale; and

(d) Written claims files which shall contain at least the dates and description of claims related to the service contracts.

(3) Except as provided in Section 7B, the provider shall retain all records required to be maintained by section 7 for at least one (1) year after the specified period of coverage has expired.

(4) The records required under this Act may be, but are not required to be, maintained on a computer disk or other record keeping technology. If the records are maintained in other than hard copy, the records shall be capable of duplication to legible hard copy at the request of the commissioner.

B A provider discontinuing business in this state shall maintain its records until it furnishes the commissioner satisfactory proof that it has discharged all obligations to contract holders in this state.

**Section 8. Cancellation of Reimbursement Insurance Policy**

As applicable, an insurer that issued a reimbursement insurance policy shall not terminate the policy until a notice of termination in accordance with [insert citation to the law that governs the termination of insurance contracts] has been mailed or delivered to the commissioner. The termination of a reimbursement insurance policy shall not reduce the issuer's responsibility for service contracts issued by providers prior to the date of the termination.

**Section 9. Obligation of Reimbursement Insurance Policy Insurers**

A. Insurers issuing reimbursement insurance to providers are deemed to have received the premiums

for such insurance upon the payment of provider fees by consumers for service contracts issued by such insured providers.

B. This Act shall not prevent or limit the right of an insurer which issued a reimbursement insurance policy to seek indemnification or subrogation against a provider if the issuer pays or is obligated to pay the service contract holder sums that the provider was obligated to pay pursuant to the provisions of the service contract.

**Section 10. Enforcement Provisions**

A. The commissioner may conduct examinations of providers, administrators, insurers or other persons to enforce the provisions of this Act and protect service contract holders in this state. Upon request of the commissioner, the provider shall make all accounts, books, and records concerning service contract sold by the provider available to the commissioner which are necessary to enable the commissioner to reasonably determine compliance or noncompliance with this Act.

B. The commissioner may take action which is necessary or appropriate to enforce the provisions of this Act and the commissioner's regulations and orders, and to protect service contract holders in this state.

(1) If a provider has violated this Act or the commissioner's regulations or orders, the commissioner may issue an order directed to that provider to cease and desist from committing violations of this Act or the commissioner's regulations or orders; may issue an order prohibiting a service contract provider from selling or offering for sale service contracts in violation of this Act; or may issue an order imposing a civil penalty on that provider, or any combination of the foregoing, as applicable.

(a) A person aggrieved by an order issued under this paragraph may request a hearing before the commissioner. The hearing request shall be filed with the commissioner within 20 days of the date the commissioner's order is effective:

(b) If a hearing is requested, an order issued by the commissioner under his section shall be suspended from the original effective date of the order until completion of the hearing and final decision of the commissioner; and

(c) At the hearing, the burden shall be on the commissioner to show why the order issued pursuant to this paragraph is justified. The provisions of [insert citation to statutes concerning hearings before the commissioner] shall apply to a hearing requested under this section.

(2) The commissioner may bring an action in any court of competent jurisdiction for an injunction or other appropriate relief to enjoin threatened or existing violations of this Act or of the commissioner's orders or regulations. An action filed under this paragraph may also seek restitution on behalf of persons aggrieved by a violation of this Act or orders or regulations of the commissioner.

(3) A person who is found to have violated this Act or orders or regulation of the commissioner may be assessed a civil penalty in an amount determined by the commissioner of not more than five hundred dollars ($500.00) per violation and no more than ten thousand dollars ($10,000.00) in the aggregate for all violations of a similar nature. For purposes of this section, violations shall be of a similar nature if the violation consists of the same or similar course of conduct, action, or practice, irrespective of the number of times the act, conduct, or practice which is determined to be a violation of this Act occurred.

**Section 11. Separability Provision**

If any provision at this Act, or the application of the provision to any person or circumstances, shall be held invalid, the remainder of tile Act, and the application of the provision to person or circumstances other than those as to which it is held invalid, shall not be affected.

**Section 12. Effective Date**

A. A person engaged in the service contract business, as a provider or otherwise, in this state on or before the effective date of this Act, which submits an application for registration as a provider pursuant to this Act within 30 days after the Commissioner makes the application available, may continue to engage in business as a provider in this state until final agency action is taken by the commissioner regarding the registration application and all rights to administrative judicial review have been exhausted or expired.

B. This Act shall become effective on January 1, .

## Attachment 4: Responses to Open-ended Consumer Survey Questions

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| Yes | A public service announcement (psa) ad would probably do. |
| | advertise and let people know about you |
| | Advertise online |
| | ahh not sure what suggestions i have to offer at this time |
| | Continuously improve product quality, and strengthen management. |
| | cool |
| | Create a complaint review board to oversee repair complaints. |
| | dben mejorar el estilo una nueva imagen y tecnologia |
| | DCA needs to make the public more aware of them and the services that they offer through maybe advertising through tv or the Internet or even ads in the local newspapers as we consumers usually forget that you are there for us. Even myself who had a husband that worked for the DCA in the dental affairs office. |
| | DCA should let the public know that they are here and what they stand for. Let more people be aware of DCA. |
| | Electronic and appliance repair business registration and regulation |
| | Enforce, on a timely basis, those retailers that are not properly registered with the State of CA. |
| | every store must have awareness of the products people buying items to help them aware |
| | Get your information out to the Public. Most people are aware of Consumer Affairs protection, but that's all. |
| | good (x5) |
| | good service (x2) |
| | have a tag, brochure, something that states your purpose on each purchased item--a tag on a mattress, a sticker on a refrigerator, etc. have a statement on every website page that sells items. LIke something on Amazon, or Sears, etc. that spells out your purpose and our rights. Have brochures in the physcial stores--Pacific Sales, Sears, etc.make the businesss pay for them. a few cents for each. |
| | I can' think of any suggestions. To me it seems everything is covered. |
| | I don't know that everyone is aware of your services. I had the opportunity to volunteer for a local consumer advocate of a tv station and learned a lot more about what you do. I suspect that more consumer education in the way of public service messages would be helpful. Personally I have always been able to get consumer satisfaction when I've had issues! |
| | I purchased furniture from easylife and they went out of business, although I did get a warrinty i couldn't use it |
| | I think it's important that we have such a bureau and hopefully they are aggressive in keeping providers of various services in line. It's scary out there and I don't know of one soul who has never been burned. |
| | I think its really good that we have agencies like the DCA to look out for the protection of the consumer. |
| | I think letting people know that they do all this should somehow be brought to consumers |
| | I think that were I to have a problem with any product, I would be sure to try and find a resolution. I think manufacturers provide sufficient information with their products. |
| | I think the DCA needs to expand its communication efforts so that the public is more aware of the scope of their oversight. I was completely unaware of most of the oversight provided with the exception of licensing |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | I think there should be a separate insert with all small appliances indicating the DCA's coverage |
| | I was not aware of the breadth of DCA's coverage. Not sure how to make it more well-known. Maybe Public Service Announcements on TV? Larger labels on products explaining the coverage and benefits? |
| | i would just provide more information so people know what you actually do....for example, tv commercials would be a good way to get that information out to the general public because I believe most people don't understand this bureau's function. |
| | I would suggest more follow up questions. |
| | I wouldn't know how to promote this awareness, but it is needed for other people that don't know about DCA. |
| | IF THEY INCLUDED THEIR INFORMATION ON PRODUCTS THAT ARE COVERED IN CALIFORNIA. |
| | include a notice on roducts telling consumers about their rights and how they can make a complaint about a product |
| | Information about the DCA should be easily available to the public, as to the functions and areas of responsibilities of the agency. That way the public can make educated actions in response to purchase problems. Also the public will be able to know if and/or when the agency oversteps its rules and regulations. |
| | Investigate and enforce existing rules and regulations. Inspect work done |
| | It all depends on the publicity be given to this because it is given to know the people continue ignoring the existence of this, I think it would be good to make more consumer knowledge regarding this area. |
| | it is very important because buyers would have more confidence in buying, and shops, would be more careful when applying the guarantee to stay out of trouble... |
| | it looks good |
| | It would be nice to publicize what the DCA bureau does through a public service announcement. I was never aware of the role that the DCA bureau covers. It's a nice organization that promotes awareness and protection for consumers and should be advertised as such. |
| | It would help if you asked more people about their beliefs and intrests on those subjects. |
| | its powerful |
| | Just more information about the DCA, especially where products are sold |
| | keep stuff fire retarded |
| | Keep the good work going on |
| | Let the consumer get the maximum benefit |
| | Loyalty program |
| | Make more awareness to consumers about DCA Bureau |
| | maybe more psa spots on tv to remind people that there is such a bureau |
| | Maybe some PSAs on television |
| | Maybe to receive a brief letter in home mailbox or email box to inform me of just what the DCD does would be wonderful. |
| | Maybe TV commercial as a psa. |
| | media, flyers, pamphlets |
| | Monthly newsletters about what exactly this branch of state governement does to protect the community. |
| | Mor communication of consumer rights and how to contact the DCA |
| | more comercial, pamphlets when purchasing, an app |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | More commercials or a brochure included with your major purchase, sales people should make consumers aware |
| | More info included when products are pruchased |
| | more information |
| | more PSA's |
| | More publicity on enforcement actions taken |
| | More Publicity, lots dont know your there |
| | Most governmental Bureau's are a complete waste of public money. |
| | N/A (x5) |
| | Nine |
| | ninguna, creo que ya estan haciendo todo lo correcto |
| | no comments |
| | no not really, i suppose mandatory in prices would be nice at some point seeing how were going into the futuristic age lol |
| | No Problem |
| | no suggestions. Seems like most everything is covered. |
| | No. Do you realize that there are persons, like me, who prefer to do their own repairs/maintenance of such things as computers? Can you conceive of my repairing, as I did today, my own thermoelectric refrigerator? |
| | No. I feel California has gone to the dogs. It is the most liberal, litigious, and heavily taxed state in the nation and I recently left it for good. I hope never to return |
| | **No/None/None at this time/no suggestions (x128)** |
| | None everything is great |
| | **not sure (x5)** |
| | Not sure how you would "get the word out" unless you have an attachment to each of these types of items or something in the packaging. |
| | Oak Furniture on Bechelli Lane Redding Ca doesn't stand behind their chairs. My girlfriend bought 6 chairs 3 broke, each chair was $200. He refused to repair them saying that her kids abused them. I won't buy there and will tell others to stay away from that store. kamm6038@yahoo.com |
| | Pay attention to complaints by consumers / Advertise that you are monitoring these industries |
| | People need to know more about what you do.makes me feel good about buying products |
| | Perhaps have sales people let you know when you buy a covered product. Perhaps a sign in the store. |
| | Please advertise |
| | please communicate to consumers more that the agency is there to protect them, so they know to contact the agency in the event of a problem |
| | Please keep the good work going on guys and thanks a lot for being there. |
| | por los momentos no |
| | Prominently displayed language in stores, websites, and advertisements. |
| | Provide product quality, strengthen customer service level of service. |
| | Provides quality service |
| | Que esta muy bien que todo producto sea revisado y respaldado por DCA |
| | Regulate contractors! |
| | Sending emails and/or broadcasting short, interesting television spots to remind consumers of this agency and it's relevance might help. |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | signage in stores including info and a phone #/webpage / a card with the basics attached to each product |
| | Since I was not aware of how many products and services fell under the DCA's authority, I believe more of a public service annoucement or campaign would be helpful to inform the public of everything the DCA encompasses. |
| | SMALL BROCHERE OR STICKER WITH PERPUS STATEMENT AND WEBSITE/PHONE CONTACT INFORMATION |
| | speed up the processing of LVN licenses and stop charging us nurses that fee for schooling of nurses. No one helped us when we needed tuition money. |
| | Stop trying to be a nanny operation and save me money by closing the DCA Bureau. |
| | Suggest a sign at all busunesses stating that products and services are under dca jurisdiction with a contact number. |
| | take out more ads, PSA's, etc |
| | Television promotion / Social media |
| | The average consumer is probably not aware of the DCA Bureau at all, much less what it oversees & how it affects them. There should be periodic announcements in the media, reminding the public of its function. And the media needs to provide more public service announcements (free to the advertisers) of consumer issues that can/should be overseen by the DCA. |
| | The Bureau is doing a good job, nothing specific to suggest. |
| | The DCA web site is a valuable place to promote awareness of protections and rights of consumers in CA. The various pamphlets on various topics are also good sources for communication to consumers. |
| | There should be information on the product or product box about the services available |
| | They need to give more information to consumer on mass media like in television. |
| | They should have public ads regarding their service alerting the public of DCA's mission. |
| | they should try to advise people as to what the cover. I was unaware of the mattress regulation |
| | Think they need to advertise their services more so consumers are aware. |
| | Try to be a little more visable |
| | use plain language as much as possible |
| | use psa's |
| | Used Cars |
| | very good (x2) |
| | We suggest the complaints their solving now you do faster because the too much time to do that |
| | wwwawww gooood |
| | Yea do what I right |
| | Yes, it would be very helpful to have protection awareness website on all purchases under your control. I also think it would be great for website info page. Each different item would have a link so consumers could log in and get l info needed for that item / / Thank you |
| | Yes, you do not have responses that take into account that some people are technicians and do NOT need service contracts. |
| Don't Know | At the point of sale a notice could be provided to the Buyer as simply as providing a web address to obtain more detailed information about the DCA Bureau. |
| | have a notice in the business place |
| | I beleave California is doing great in this area |
| | I didn't know or understand the role that DCA plays part in consumer affairs. My bold suggestion would be to implement product registration be with DCA rather than in individual companies due |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | to the lack of maintenance. I think this way it would offer a more centralized location for product registrations. In addition, due to high volume of non-compliant consumer registration with availability of product repair, replacement, etc. To accommodate this I would prefer a registration of warrantied items be instant upon purchase receipt at store level implementation. Maybe suggested it be a flagged dialog box that comes up upon purchase and information is pre-filled from customer information or can be entered manually and it can be simple (basic info email, name, phone, address or Drivers Lic.) then sent to cloud storage. After information collected it can be sent to DCA for records. It can be by DL and lookup service which can store all purchase on purchasers DL. Therefore no more additional information would be needed. Later information can be accessed per needed incidents of repair, replacement and or other application. |
| | i don't care |
| | I don't know what DCA offers. |
| | I expected there was somewhere to complain to but never have though this would be most useful for high end products and services. Wonder if state standards differ from federal. PSAs, maybe an annual review newsletter of issues and actions for the news. |
| | I THINK THERE SHOULD BE ADVERTISING ON RADIO AND TV. |
| | let people know their responsibility and daily duties |
| | no as I really was unaware of it |
| | No/None/None at this time/no suggestions (x27) |
| | Perhaps there should be more outreach and information or at least have the information out there be more noticeable. |
| | The reason I don't know about various things on the survey is that I have not had to make any claims other than through the purchased item and its warranty. |
| No | 1. ALL of your verbiage appears to have been written by lawyers or other low intelligence creatures. / Write your stuff for humans NOT as if we're bureaucrats ourselves. / 2. Edit everything down. / 3. Assume FIRST that the market and capitalism WILL take care of most problems. Yelp, bulletin / boards, whatever. ONLY then should the DCA do ANYTHING. Don't step in just because it / rationalizes your fat salaries and work longevity. / 4. Eliminate 90% of your rules and specs. Be smart. Don't be comprehensive. / 5. You WILL not do any of these things even though this is what the public wants. Your brains just / don't fit this way of thinking. And yet we don't feel sorry for your limited perspective. |
| | A web url or handout with purchase of merchandise or products protected by the DCA Bureau would be helpful to let consumers know who to contact if necessary. |
| | Advertise so that consumers know the bureau exists / Perhaps require the DCA be listed on some items sold in California |
| | advertise that they exist |
| | All unlicensed dealers should be reported .And fined if they do not follow protocol / |
| | An advertisement program needs to be initiated so that consumers are aware of their rights and who to contact for any disciplinary action. |
| | be efficient and keep costs low so I won't have my taxes raised |
| | Bought a LayzBoy rocker / recliner made fron tan micro fabric. Very comfortable chair, sleeps good. Will never buy anything covered in micro fabric again. Seems it absorbs skin oils and turns very dark and is impossible to get clean. So the arms of the chair look filthy and feel oily. Still servicable, just looks nasty. Bought a Frigidair refrigerator with a cross top freezer that is deeper than the one it replaced. Works fine, only problem is every thing I want to get out of it somehow crawls to the back of it. |
| | Bring more awareness. |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | buying a warranty for your product does not work when your item has an issue the warranty doesnt apply or cover the damage thats not right you pay a lot of money for the warranty when you need it it dont apply or cover the damage .they need to focus on reality they know actually the commen damage for all the products they sell they should warranties cover commen issues |
| | Can't think of anything |
| | continue caring for California consumers |
| | CREO QUE DEBERIAN TENER MAS PUBLICIDAD O INFORMACION, CREO QUE MUCHA GENTE NO TIENE CONOCIMIENTO DE LA OFICINA DCA |
| | DCA needs more publicity. I wasn't aware of its coverage. |
| | Didn't realize you existed |
| | Do education as well as letting the publick know your role in cost effective ways, maybe inserts to utility bills where a nominal fee is required as well as discloser information anytime a service contract is entered into. |
| | Do more advertising.. |
| | do more online advertising about it |
| | easier to understand language |
| | Easy to read and direct to the point with any purchase and not in fine print |
| | educate consumers through better advertising. I am unaware (ignorant) of my rights. |
| | Face book,PSAs. |
| | Find a way to let consumers know of their service |
| | good |
| | Gosh I wish I had known about you before and I wish there were a way to look at shops that have been sanctioned by the DCA. |
| | Have retailers have notices or brochures displayed |
| | how about ads in local papers? |
| | I believe consumers should be told of where there purchase came from |
| | I believe the government can't do the job efficiently , it seems like a big expensive bureaucracy / |
| | I did not know the name of the agency, so sending flyers or e-mails would make the public more aware and how to contact the DCA with any concerns. |
| | I did not know there is such a government structure before this survey, let alone its functions. I would like to see more public education and awareness about this agency. |
| | I didn't know about it so I guess they need to get the information out to the public, but I don't know what would be the best way. |
| | I didn't know it even existed... but I assume taxpayer money is how it's funded, and that money shouldn't be wasted on commercials and other advertisements. |
| | I didn't much about this agency so maybe some public service ads or some kind of communication about themselves |
| | I don't have any comments at all. I have no clue to the outreach or communcation that would be done. |
| | i dont know |
| | I don't know enough about these rules to comment |
| | I guess they might want to actually get out so people even know that they exist |
| | I had no idea this Bureau existed until today, I thought there was a federal organization that did this job.I guess an add saying the Bureau exists would help it. |
| | I have never heard of them so I think that they should run commercials or something to get people to know more about them. |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | I haven't heard anything about them, so maybe they should advertise more or send flyers to people in the mail about what they do and how to contact them if you have questions. |
| | I haven't heard that the DCA had that far of a reach. The questions about that office provided me information that I hadn't had before this survey. It's my belief that CA is the most over regulated goverment in any that I've ever seen. I also have never heard of people buying used mattresses. |
| | I just think that service & warranties should be more comprehensive. The reason I don't usually purchase them is because whenever I've needed to use them in the past, there's always a reason why my damage/replacement/etc is not covered. It's a waste of money. |
| | I really don't know anything about it . . . so honestly anything that was done to promote outreach and communication would be helpful. I've been in CA for 4 1/2 years, and I don't think I've noticed one thing about the topic. |
| | I really never heard anything about the DCA until this survey. It would be good If the DCA advertised their services more.often. |
| | I think a mailer/direct mail would be important for cunsumers. |
| | I think large newspaper or magazine ads or tv commercials to show what the department of consumer affairs offers to customers. |
| | I think more should be done to make people aware of the DCA and what it can do for them, but I don't have any suggestions as to what should be done. |
| | I think that there should be more information put out to let the public know the DCA Bureau exsists and what it does. |
| | I think the DCA can be advertised on TV or Internet so it can let more people to aware this. |
| | I think the seller of the product should share this information at the time of the sale. Also, this information should be posted in a way to be seen on any website for the product. |
| | i think they just need to have some kind of ad or something that shows how they are taking care of these products we buy and use |
| | I think they need to do a better job of promoting themselves to the public because i was totally unaware that they even existed. I never knew what they could or would do for both the consumer and the retail stores. |
| | I was not aware of all the components of the DCA Bureau. It might be wise to consider PSAs on broadcast media and advertising in print media. Also, links in on-line venues connected with shopping sites. |
| | I wish I would have known more about DCA, I bought a refrigerator from sears and 13 months later, one month after the warranty ran out it crashed, and Sears would do NOTHING to help, they refused to do anything for a brand new refrigerator, so now I boycott Sears and tell everyone NOT to shop there |
| | I would like to see a series of ublic service announcements that would let the public know more about they do. |
| | I would suggest more marketing efforts to get your mission out there. |
| | I would suggest that the labels on the products like furnature and matresses be larger and more direct to customers. |
| | If there was a website where I could see what products had the most issues would be helpful. |
| | I'm confident that the DCA is doing everything they can and should under their current mandate. |
| | include a flier for your agency in the DMV renewal letter. |
| | Include brief descriptions of the testing that the DCA required for the product on the product's packaging |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | Include brief printed materials to be provided with the products for consumers to read, maybe along with product manuals etc. Website where consumers can learn more about consumer rights can also be integrated into product packaging. |
| | Include tags on all "bigger ticket" items (say, retailing for more than $400) describing the item's compliance with the DCA and a consumer hotling to report non-compliance. |
| | Instead of spending money on surveys, you might consider a public relations campaign to introduce citizens to your services and explain how your policies protect the public. I've lived in California for over 25 years and have never heard of DCA Bureau. |
| | is very good for me i like it so much is good |
| | It would. Be nice to have a writen notice attached to the item large enough For customers to notice. |
| | Just let us know about you. |
| | less regulation would be a nice change |
| | Let people know what you do. |
| | lower price |
| | Mail campaign to inform residents of the department's role. |
| | mail to every address |
| | make consumers aware of this |
| | Make more people aware of it. |
| | make people more aware of your business |
| | Make this bureau and it's important benefits known to the public, even if it means some type of "advertising"! |
| | Making people aware of the DCA's function and how they can help consumers. Provide a toll free number for people to make complaints or comments. More control over service companies like American Home Shield. |
| | Material provided by retailers outlining the DCA Bureau's mission |
| | Maybe a newsletter or something in the mail. |
| | Maybe an ad or flyer to get to know this department. |
| | maybe just to be more visible -- to let consumers know you exist in the first place, in case they ever have problems or complaints and want to pro-actively contact you. before this survey, i didn't even realize this agency existed or at least not for all of these products and services. |
| | maybe sending out flyers in the mail with a overall view of what consumers should expect from the dca bureau, and what our rights as coonsumers are |
| | Maybe social media |
| | more advertising about the bureau would be very helpful. |
| | More awareness |
| | More commercials and advertisements to educate people. |
| | More grassroots approach. |
| | More prominent notice included in paperwork for products covered by the DCA. |
| | More public awareness. Maybe with some advertising |
| | more visable presence at point of sale |
| | need more details on how it provides protections for consumers and any recourse consumers have |
| | Need to let people know |
| | no good idea, but general mailings about the bureau might at least raise awareness of its existence |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | no im good |
| | no suggestions but I am pleased to know that there is such a bureau |
| | no suggestions. Consumer Reports recommends against buying warranties! |
| | No, because I have no idea what the DCA entails. |
| | no, but a good idea |
| | No, I had never heard of this department before today |
| | No, since this is the first time I've heard of DCA I have to read more about you and what you do before giving suggestions |
| | No, sorry, never gave it much thought. Buyer beware still remains prominent regardless of how many government agencies, rules, etc., apply. |
| | No/None/None at this time/no suggestions (x123) |
| | None at all everything is great. |
| | none, I've never heard of it until today |
| | Not allow products to be sold in California |
| | not sure. it's ok |
| | Notice more noticeable or prevalent on packaging. |
| | O thonk the public needs to be made more aware of ths Bureau |
| | only idea that occurs to me would be to include written documentation of the pertinent info with the items at time of purchase |
| | Only that you somehow make yourself more well know. Commercials, etc. |
| | Perhaps a posting on social media sites explaing the DCA and its mission would be helpful. Perhaps an insert in ballots would be educational to the public at large. |
| | place the statement by the item being sold, have the customer sign that he/she read and understands it, have the seller break down the most important parts to the customer, send a copy home with customer |
| | Price control for all items in the state. |
| | Print flyers or notes and have them placed near checkout stands or cash registers. |
| | promote your awareness better. perhaps signage in stores where warranties are offered. |
| | public service announcement ads |
| | Put it on the product on the box so people know who they can report any problems to. |
| | Reach out with social media so people can be informed |
| | send notifications to purchasers of these products to make them aware |
| | Should have more tv advertisements to bring awareness to this organization or mail out information to residents |
| | Since I did not really know this bureau existed, I cannot think of any suggestions, etc. |
| | Since I wasn't aware of the DCA Bureau's role until today, I would suggest that they require merchant to at most issue a slip with some of these rights or have it posted in view the same way employee's rights are to be in sight at workplaces. |
| | Stores should provide DCA information to customers |
| | Stores subject to DCA should display a placard saying so. |
| | Televison shows that explain what a consumer should do if they can't get help from the retailer. |
| | The internet is always a great place to get information to a vast majority / of people. I think a banner that automatically pops would be a great idea.. / Perhaps mailing the information...Now that I think about it when I bought this / PC my rights were different in California, they had to do so many repairs and / start the warranty over again until they were completely fixed...I was so grateful.. |

| Aware of DCA & General Mission? | Do you have any suggestions on areas for improvement for this DCA Bureau's overall outreach and communication to consumers to promote awareness of protections and rights in California? (Responses are completely unedited, not corrected or redacted.) |
|---|---|
| | Through internet campaigns, billboards or TV ads. |
| | TO PUT ADDS IN TV,RADIOS NEWS PAPERS EVERYWHERE SO PEOPLE LIKE ME AND KNOW ABOUT THIS SERVICE / |
| | TV Commerical |
| | Until this survey I was unaware of the DCA Bureau. I'm not sure how to out reach your services. Perhaps TV service announcements? |
| | use social media |
| | Wow - I didn't even know there was a place that I could go if I had issues. This is the first I heard about it. It should be listed with contacted information on receipts for all purchases that they cover so we are aware. The information should also give us information on the mission of the DCA and what we can contact them regarding. |
| | Yes |
| | YES ADVERTISE BETTER DID NOT KNOW ANYTHING ABOUT YOU |
| | yes to make all new products warranty cost free |
| | Yes Use the full name of the Bureau, and not the initials ( put the initials in parentheses) to establish the name of the bureau more clearly: I do not at this moment remember what DCA stands for. I think that would raise the visibility of the Bureau. / Maybe some a few dramatized public service commercials would help. / Also, a small decal to be used in the windows or other materials of repair businesses might help. |
| | yes, if there was commercials on the radio or TV to let people know about this. |
| | Yes. I would have the DCA mail info, on what they do, to all residents in the US. |
| | Yes. Tags on all items you cover with general instructions to the consumer of your role in the process and the address, ph, fax, and website contact information. |
| | You need a press agent. What about point of sale informational posters in the stores where these items are sold? |

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# APPENDIX B – BUREAU BREEZE COSTS, FUNDING, AND GRAPHIC FUND CONDITIONS

**Department of Consumer Affairs**
**BreEZe Costs and Funding**
**FY 2009-10 through FY 2016-17**
(amounts in whole $s)

| | FY 2009-10 | | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 | | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Proposed* | Proposed* | Proposed* |
| **BreEZe Costs** | | | | | | | | | | | | | |
| Solution Vendor - Accenture LLP | | - | | - | 1,200,000 | 869,926 | 4,081,649 | 387,607 | 5,029,513 | 4,478,770 | 5,375,928 | 9,732,344 | 11,750,441 |
| DCA Staff and OE&E | 2,080,000 | 372,732 | 2,080,000 | 1,096,247 | 3,280,829 | 3,199,363 | 3,636,888 | 4,655,450 | 6,742,294 | 7,979,320 | 8,026,062 | 13,111,845 | 7,046,014 |
| Data Center Services | | - | | - | 1,101,843 | 147,645 | 1,667,899 | 138,410 | 136,072 | 137,472 | 155,376 | 156,096 | 156,096 |
| Other Contracts | | 44,151 | | 53,169 | 860,120 | 645,011 | 899,600 | 1,178,588 | 2,357,360 | 1,751,269 | 2,814,819 | 4,428,850 | 4,543,800 |
| Oversight | | 10,168 | | 345,993 | 537,276 | 488,034 | 537,276 | 393,232 | 559,920 | 478,328 | 563,234 | 643,512 | |
| **Total Costs** | **2,080,000** | **427,051** | **2,080,000** | **1,495,409** | **6,980,068** | **5,349,979** | **10,823,312** | **6,753,287** | **14,825,159** | **14,825,159** | **16,935,419** | **28,072,647** | **23,496,351** |
| | | | | | | | | | | | | | |
| **BreEZe Funding Needs** | | | | | | | | | | - | | | |
| Total Costs | 2,080,000 | 427,051 | 2,080,000 | 1,495,409 | 6,980,068 | 5,349,979 | 10,823,312 | 6,753,287 | 14,825,159 | 14,825,159 | 16,935,419 | 28,072,647 | 23,496,351 |
| Redirected Resources | 2,080,000 | 427,051 | 2,080,000 | 1,495,409 | 4,169,882 | 3,198,486 | 4,448,886 | 4,818,002 | 5,806,881 | 5,806,881 | 7,405,427 | 7,426,449 | 2,080,000 |
| **Total BreEZe BCP** | **-** | **-** | **-** | **-** | **2,810,186** | **2,151,493** | **6,374,426** | **1,935,285** | **9,018,278** | **9,018,278** | **9,529,992** | **20,646,198** | **21,416,351** |

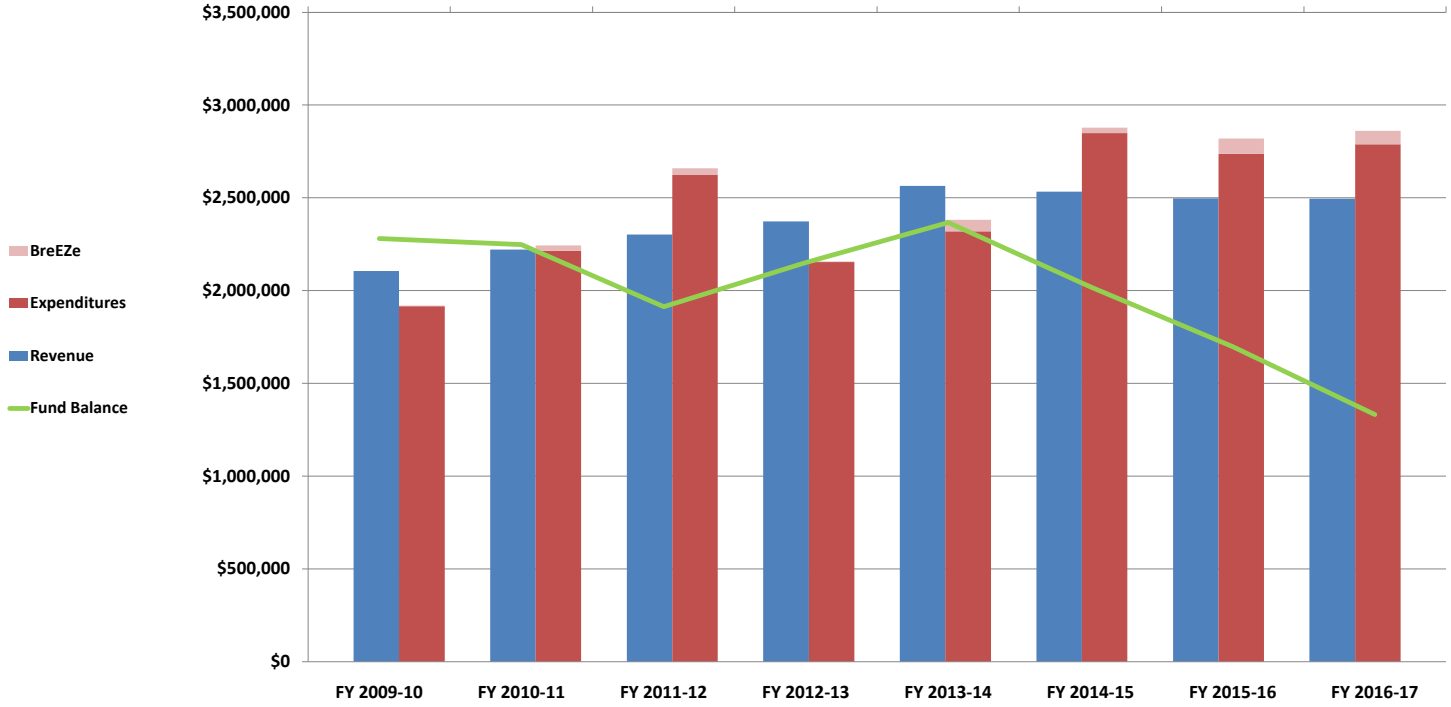
| | FY 2009-10 | | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 | | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Board / Bureau Name** | **Budget** | **Actual** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Proposed** | **Proposed** | **Proposed** |
| Bureau of Electronic and Appliance Repair | 10,955 | 4,202 | 10,955 | 29,480 | 42,275 | 36,875 | 10,955 | 2,739 | 60,955 | 60,955 | 29,305 | 82,397 | 72,560 |

* Figures identified in FY 2014-15 through FY 2016-17 are still pending approval

February 24, 2015

## Bureau of Electronic and Appliance Repair
## Fund Analysis: Governor's Budget w/BreEZe SPR 3.1
## Release 3

| | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|
| | Actual | | | | | Projected* | | |
| **Beginning Fund Balance (Incl. Prior Year Adj.)** | $ 2,095,000 | $ 2,270,000 | $ 2,270,000 | $ 1,935,000 | $ 2,183,000 | $ 2,366,000 | $ 2,021,000 | $ 1,698,000 |
| **Total Revenue** | $ 2,106,000 | $ 2,222,000 | $ 2,303,000 | $ 2,373,000 | $ 2,564,000 | $ 2,533,000 | $ 2,497,000 | $ 2,496,000 |
| **Transfers/General Fund Loans** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Expenditures** | $ 1,920,000 | $ 2,244,000 | $ 2,660,000 | $ 2,157,000 | $ 2,381,000 | $ 2,878,000 | $ 2,820,000 | $ 2,861,000 |
| **BreEZe Cost** | $ 4,202 | $ 29,480 | $ 36,875 | $ 2,739 | $ 60,955 | $ 29,305 | $ 82,397 | $ 72,560 |
| **Expenditures (less BreEZe)** | $ 1,915,798 | $ 2,214,520 | $ 2,623,125 | $ 2,154,261 | $ 2,320,045 | $ 2,848,695 | $ 2,737,603 | $ 2,788,440 |
| **Ending Fund Balance** | $ 2,281,000 | $ 2,248,000 | $ 1,913,000 | $ 2,151,000 | $ 2,367,000 | $ 2,020,000 | $ 1,698,000 | $ 1,333,000 |
| **Months in Reserve** | 12.2 | 10.1 | 10.6 | 10.8 | 9.9 | 8.6 | 7.1 | 5.6 |




* Projected years assume full budget appropriation is expended

**Department of Consumer Affairs**
**BreEZe Costs and Funding**
**FY 2009-10 through FY 2016-17**
(amounts in whole $s)

| | FY 2009-10 | | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 | | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Proposed* | Proposed* | Proposed* |
| **BreEZe Costs** | | | | | | | | | | | | | |
| Solution Vendor - Accenture LLP | | - | | - | 1,200,000 | 869,926 | 4,081,649 | 387,607 | 5,029,513 | 4,478,770 | 5,375,928 | 9,732,344 | 11,750,441 |
| DCA Staff and OE&E | 2,080,000 | 372,732 | 2,080,000 | 1,096,247 | 3,280,829 | 3,199,363 | 3,636,888 | 4,655,450 | 6,742,294 | 7,979,320 | 8,026,062 | 13,111,845 | 7,046,014 |
| Data Center Services | | - | | - | 1,101,843 | 147,645 | 1,667,899 | 138,410 | 136,072 | 137,472 | 155,376 | 156,096 | 156,096 |
| Other Contracts | | 44,151 | | 53,169 | 860,120 | 645,011 | 899,600 | 1,178,588 | 2,357,360 | 1,751,269 | 2,814,819 | 4,428,850 | 4,543,800 |
| Oversight | | 10,168 | | 345,993 | 537,276 | 488,034 | 537,276 | 393,232 | 559,920 | 478,328 | 563,234 | 643,512 | |
| **Total Costs** | **2,080,000** | **427,051** | **2,080,000** | **1,495,409** | **6,980,068** | **5,349,979** | **10,823,312** | **6,753,287** | **14,825,159** | **14,825,159** | **16,935,419** | **28,072,647** | **23,496,351** |
| | | | | | | | | | | | | | |
| **BreEZe Funding Needs** | | | | | | | | | | - | | | |
| Total Costs | 2,080,000 | 427,051 | 2,080,000 | 1,495,409 | 6,980,068 | 5,349,979 | 10,823,312 | 6,753,287 | 14,825,159 | 14,825,159 | 16,935,419 | 28,072,647 | 23,496,351 |
| Redirected Resources | 2,080,000 | 427,051 | 2,080,000 | 1,495,409 | 4,169,882 | 3,198,486 | 4,448,886 | 4,818,002 | 5,806,881 | 5,806,881 | 7,405,427 | 7,426,449 | 2,080,000 |
| **Total BreEZe BCP** | **-** | **-** | **-** | **-** | **2,810,186** | **2,151,493** | **6,374,426** | **1,935,285** | **9,018,278** | **9,018,278** | **9,529,992** | **20,646,198** | **21,416,351** |

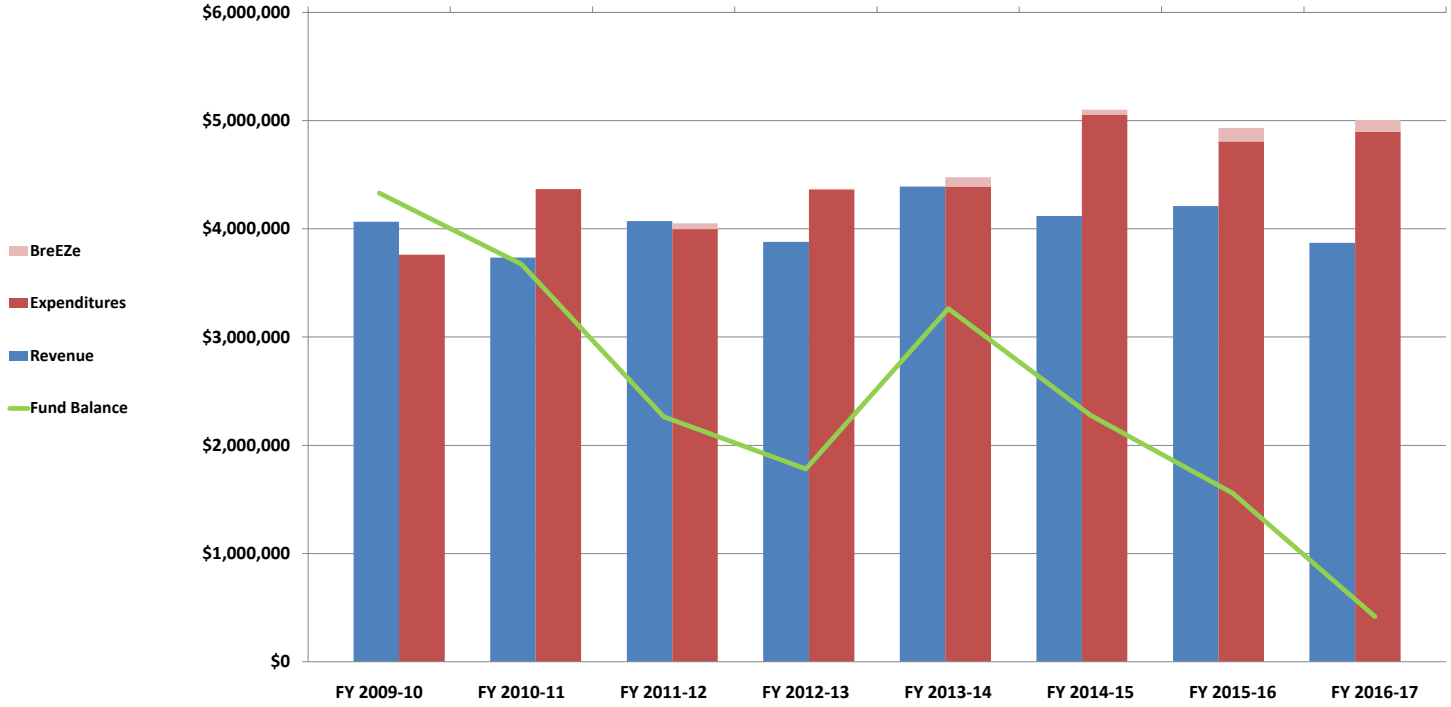
| | FY 2009-10 | | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | | FY 2013-14 | | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Board / Bureau Name** | **Budget** | **Actual** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Budget** | **Actuals** | **Proposed** | **Proposed** | **Proposed** |
| Home Furnishings and Thermal Insulation | 18,479 | 3,019 | 18,479 | - | 58,140 | 50,746 | 18,479 | 4,620 | 86,479 | 86,479 | 46,073 | 125,910 | 111,117 |

* Figures identified in FY 2014-15 through FY 2016-17 are still pending approval

February 24, 2015

## Home Furnishings and Thermal Insulation
## Fund Analysis: Governor's Budget w/BreEZe SPR 3.1
## Release 3

| | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 |
|---|---|---|---|---|---|---|---|---|
| | Actual | | | | | Projected* | | |
| **Beginning Fund Balance (Incl. Prior Year Adj.)** | $ 4,029,000 | $ 4,306,000 | $ 3,741,000 | $ 2,271,000 | $ 1,847,000 | $ 3,261,000 | $ 2,277,000 | $ 1,555,000 |
| **Total Revenue** | $ 4,066,000 | $ 3,734,000 | $ 4,071,000 | $ 3,879,000 | $ 4,390,000 | $ 4,118,000 | $ 4,211,000 | $ 3,869,000 |
| **Transfers/General Fund Loans** | $ - | $ - | $ -1,500,000 | $ - | $ 1,500,000 | $ - | $ - | $ - |
| **Total Expenditures** | $ 3,764,000 | $ 4,367,000 | $ 4,049,000 | $ 4,369,000 | $ 4,476,000 | $ 5,101,000 | $ 4,932,000 | $ 5,006,000 |
| **BreEZe Cost** | $ 3,019 | $ - | $ 50,746 | $ 4,620 | $ 86,479 | $ 46,073 | $ 125,910 | $ 111,117 |
| **Expenditures (less BreEZe)** | $ 3,760,981 | $ 4,367,000 | $ 3,998,254 | $ 4,364,380 | $ 4,389,521 | $ 5,054,927 | $ 4,806,090 | $ 4,894,883 |
| **Ending Fund Balance** | $ 4,331,000 | $ 3,673,000 | $ 2,263,000 | $ 1,781,000 | $ 3,262,000 | $ 2,277,000 | $ 1,556,000 | $ 418,000 |
| **Months in Reserve** | 11.9 | 10.9 | 6.2 | 4.8 | 7.7 | 5.5 | 3.7 | 1.0 |




* Projected years assume full budget appropriation is expended

**Highlights**

o Historical expenditure savings maintain fund balance/solvency

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# APPENDIX C – BUREAU ORGANIZATION CHART, APRIL 2015

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Department of Consumer Affairs
# Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation

April 1, 2015

CURRENT

Authorized Positions:
EAR (110)-15.5, HFTI (200)-27.9

BL 12-03 (999 BLANKET):
EAR-0.4, HFTI-1.2

Awet P. Kidane
DCA Director

Tracy Rhine
Chief Deputy Director

Justin Paddock
Bureau Chief
609-200-8806-002

ENGINEERING / RESEARCH
Sue Xu
Test Engineer
609-200-3404-001

Said Nurbaksh
Test Engineer
609-200-3404-002

INVESTIGATIONS UNIT
Dale Chessey
Staff Services Manager I
609-200-4800-001

Rick Diamond
Field Representative
609-110-8836-001

Levi Jacobe
Field Representative
609-110-8836-002

Raleigh Jacobe
Field Representative
609-110-8836-003

VACANT
Field Representative
609-110-8836-005

Lynn Fullmer
Field Representative
609-110-8836-006

Lawrence Perlman
Field Representative
609-110-8836-008

Nicholas Parra
Staff Services Analyst
609-200-5157-003

Leo Virata
Inspector III
609-200-8832-001

Zenaida Mercado
Inspector II
609-200-8833-003

Theresa Baeza
Inspector II
609-200-8833-004

Susan Florentine
Inspector II
609-200-8833-006

Lorrain Coones
Inspector I
609-200-8834-002

Nancy Torres-Mancia
Inspector I
609-200-8834-003

LICENSING / POLICY
Karen Skelton
Staff Services Manager I
609-110-4800-001

Licensing
Michelle Linton-Shedd
AGPA
609-110-5393-002

Donald Watts
Staff Services Analyst
609-110-5157-005

VACANT
Program Technician II
609-110-9928-001

Kristin Fuller
Program Technician II (0.5)
609-110-9928-003

Michael Weiss
Program Technician II (0.9)
609-200-9928-001

Nicole Giguere
Program Technician II
609-200-9928-002

Avra Wallace-Schoell
Program Technician II
609-200-9928-003

Policy Unit
Diana Godines
AGPA
609-200-5393-800

Terri Rice
AGPA
609-200-5393-001

LABORATORY
Carrie Cathalifaud
Supervising Chemist
609-200-8070-001

Rosemarie Pecota
Chemist
609-200-8060-001

Rajinder Sandhu
Chemist
609-200-8060-002

Steve Fischer
Chemist
609-200-8060-003

Karen Sawyer
Textile Technician II
609-200-8082-003

Daniel Aguilera
Textile Technician II
609-200-8082-006

Horfa Aguilera
Textile Technician II
609-200-8082-004

Wayne Lowi-Teng
Textile Technician II
609-200-8082-005

Crystal Hernandez
Office Technician (T)
609-110-1139-004

ADMIN / ENFORCEMENT
Theresa Berzinas
Staff Services Manager I
609-200-4800-002

Admin.
Virginia McQueen
Office Technician (T)
609-200-1139-002

Victoria Hernandez
Office Technician (G)
609-110-1138-001

Eric Saldivar
Office Technician (G)
609-110-1138-002

Enforcement Unit
Marjorie McGavin
AGPA
609-200-5393-804

Alisa Driscoll
Staff Services Analyst
609-200-5157-001

Shalom Rojas
Staff Services Analyst
609-110-5157-002

Arthur Wautier
Staff Services Analyst
609-110-5157-003

Awet P. Kidane, Director _____

Justin Paddock, Chief _____

Vanessa Haynes, C&P Analyst _____