

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

Addendum to the Final Statement of Reasons

Subject Matter of Proposed Regulation: Home Furnishings and Thermal Insulation License Fees

Sections Affected: Amend Section 1107 of Article 1 of Division 3 of Title 4 of the California Code of Regulation

The Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation (Bureau) is proposing to amend Section 1107 of Article 1 of Division 3 of Title 4 of the California Code of Regulations. The purpose for amending the regulation is to allow the Bureau to raise fees to address structural imbalances in the Bureau's budget.

The Bureau published the Notice of Proposed Changes on June 24, 2016, and concluded the 45-day comment period and public hearing on August 8, 2016. During this period, the Bureau received one comment that resulted in no changes to the proposed regulatory action.

Upon submitting the rulemaking package to the Office of Administrative Law for review, it was determined that a statement of necessity is needed to further document the Bureau's determination to impose and collect the proposed fees and the Bureau's authority to maintain the proposed reserve account.

Statement of Necessity:

Pursuant to Business and Professions Code (BPC) Section 19072, the responsibility for compliance with the Home Furnishings and Thermal Insulation Act rests not only with the manufacturer but also with the importer, wholesaler, retailer, or any person having in his or her possession any article of upholstered furniture or bedding, or filling materials with intent to resell contrary to the provisions of this chapter.

In conjunction with this provision, the Bureau's proposal raises each license fee by approximately 15 percent to address the Bureau's structural imbalance and to protect the Home Furnishings and Thermal Insulation Fund (Fund) from becoming insolvent as projected in Fiscal Year (FY) 2017/18. Therefore, each license type shares the responsibility of the costs to maintain the licensing and oversight functions of the Bureau.

Pursuant to BPC Section 128.5(a), notwithstanding any other provision of law, if at the end of any fiscal year, an agency within the Department of Consumer Affairs, except the agencies referred to in subdivision (b), has unencumbered funds in an amount that equals or is more than the agency's operating budget for the next two fiscal years, the agency shall reduce license or other fees, whether the license or other fees be fixed by statute or may be determined by the agency within limits fixed by statute, during the

following fiscal year in an amount that will reduce any surplus funds of the agency to an amount less than the agency's operating budget for the next two fiscal years.

The proposed fee increase complies with BPC Section 128.5 as it does not create a significant surplus that is equivalent to or more than 24 months in reserve. As demonstrated in the analyses of the fund condition, the Fund is currently expected to have a deficit of 0.7 months in reserve by FY 2017/18. Should the proposed fees be implemented in October 2016, the reserves would increase to merely 1.7 months. The projected amount includes approximately 0.2 months of reserve contributed by the thermal insulation program fees. This allows for a reasonable amount in reserve to cover the programs' general operating expenses and protect the Fund from other economic uncertainties.