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BILL ANALYSIS

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Senate Bill 459 (Substitute S-5 as reported)

Sponsor: Senator Raymond E. Basham

Committee: Economic Development, Small Business and Regulatory Reform

### **CONTENT**

The bill would amend the Construction Lien Act to do the following:

- Allow a person to bring an action to discharge a lien that had been recorded by an unlicensed person, and provide that that person would be liable to the plaintiff for damages.
- Require licensed contractors to pay a \$10 fee upon initial licensure and a \$10 fee for each year of license renewal, rather than a \$50 fee upon initial licensure, for deposit in the Homeowner Construction Lien Recovery Fund.
- Require laborers and other lien claimants to pay a \$30 fee every three years.
- Provide that, when the Fund balance was more than \$6.0 million, the renewal fee would not be due the following year; and provide that the fee would again be due the year after the Fund balance dropped below \$4.0 million.
- Delete the authority of the Director of the Department of Labor and Economic Growth to require additional assessments when the Fund balance is under \$1.0 million.
- Limit the interest included in a construction lien of a subcontractor or supplier for a home improvement.

The bill is tie-barred to Senate Bill 405 (which would increase the payments that may be made to subcontractors, suppliers, and laborers from the Fund and make other amendments to the Act).

MCL 570.1104 et al.

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would change the revenue stream for the Homeowner Construction Lien Recovery Fund, a restricted revenue fund with the Department of Labor and Economic Growth. Currently, the revenue to the Fund consists of fees and special assessments. Residential builders and contractors pay a \$50 fee to the Fund at the time of applying for their initial licenses. Special assessments may be levied at a rate of \$50 per licensed contractor. The special assessments are levied at the direction of the Director of the Department of Labor and Economic Growth when the balance in the Fund falls below \$1.0 million as of December 1 of any year. The most recent special assessment was levied in FY 2004-05 and, if fully collected, will generate approximately \$4.7 million for the Fund.

Under the bill, the authority for special assessments and the initial license fees would be eliminated. Instead, a fee would be levied with the renewal of residential builder and contractor licenses. The fee would be \$10 for each year the license was in effect. Revenue from these fees is estimated at \$950,000 annually.

It is expected that administrative expenses would be reduced by the bill because collection of fees would be done in conjunction with regular license renewals, instead of requiring separate mailing and processing as with the special assessments.

The bill would have no impact on the State's General Fund revenues or expenditures.

The bill would have no fiscal impact on local government.

Date Completed: 5-24-06

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