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Senate Bill 631 (Substitute S-3 as reported by the Committee of the Whole)  
Senate Bill 632 (Substitute S-4 as reported by the Committee of the Whole)  
Sponsor: Senator Nancy Cassis  
Committee: Economic Development, Small Business and Regulatory Reform

### **CONTENT**

Senate Bill 631 (S-3) would amend the State License Fee Act to do the following:

- Increase the per-year license fee for a residential builder or residential maintenance and alteration contractor, salesperson, or branch office from \$40 (through September 30, 2007, or \$30 after that date) to \$60 for the first license cycle following the bill's effective date, and \$50 for each year thereafter.
- Implement a code book fee per license cycle of \$65 or the cost to the Department of Labor and Economic Growth (DLEG) to provide the code book.
- Provide for a one-time-only \$30 allocation from a license fee received during a single three-year license cycle for deposit into the "Builder Enforcement Fund", which the bill would create.

Senate Bill 632 (S-4) would amend the Occupational Code to do the following:

- Provide that a person who operated as a residential builder or a residential maintenance and alteration contractor without a license would be guilty of a misdemeanor punishable by a fine of at least \$5,000 but not more than \$25,000, and/or imprisonment for up to a year, for a first offense; a misdemeanor punishable by a fine of \$5,000 to \$25,000, and/or imprisonment for up to two years, for a second offense; or a felony punishable by a fine of \$5,000 to \$25,000, and/or up to four years' imprisonment, for a third or subsequent offense.
- Provide that restitution would have to be required for any violation of the Code.
- Increase the Residential Builders' and Maintenance and Alteration Contractors' Board from six to nine members.
- Require DLEG to issue three-year residential builder and contractor licenses.
- Require the completion of a precensure course of study by applicants for an initial residential builder or contractor license.
- Establish continuing education requirements for licensed residential builders and contractors.
- Revise the time period to file a complaint against a licensed residential builder or contractor.
- Require DLEG to post on its website final orders of the Board.

The two bills are tie-barred to each other and Senate Bills 826 and 827 (which also would amend the Code's provisions regarding licensing violations).

MCL 338.2203 & 338.2239 (S.B. 631)  
339.601 et al. (S.B. 632)

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

Senate Bill 631 (S-3): According to the Department, there were 80,754 licensed residential builders in Michigan as of March 2006. The amount of restricted revenue that was collected from this occupation for FY 2004-05, which is the last complete fiscal year, was \$3,062,191.

The bill would change the current license fee from \$40 to \$60 for the first year of the license cycle after the bill took effect and then would reduce the fee to \$50 for every other year. The bill also would change the license cycle from two years to three years. This fee increase would generate \$160 for the first license cycle, of which \$30 would be deposited into the proposed Building Enforcement Fund. This would leave \$130 for the operation of the program in the first license cycle and \$150 in all subsequent cycles. Under the current fee structure, only \$120 would be collected over a three-year cycle. These fee increases would increase revenue for the program by \$10 per licensee or \$807,500 for the first license cycle and \$30 per licensee or \$2.4 million for all subsequent cycles assuming the number of licensees remains constant.

Finally, this bill would create a new \$65 fee for the cost of a copy of the code book and mandate that each licensee purchase a code book each fee cycle. This is equal to the amount currently charged by the Department for a copy of this book and could be adjusted to reflect actual costs.

Senate Bill 632 (S-4): The bill would create continuing education requirements for licensed builders and contractors of at least three hours per year up to a total of 21 hours per license cycle (every three years). The Department would be required to approve all courses, instructors, and participating schools. According to the Department, these additional administrative responsibilities would require it to fund and staff approximately 4.0 FTEs at a cost of approximately \$328,000 annually. This estimate reflects staffing costs only and does not include any information technology, or other overhead costs that would be attributed to these activities. These costs would be offset by the revenue generated through \$30 of the licensure fee. This \$30 would generate an additional \$2.4 million every three years, or \$807,500 annually if the number of licensees remains constant.

Revenue from these fees is used to support the costs of the Department, and carryforward authorization is currently provided in Public Act 156 of 2005, the appropriation act for DLEG.

The proposed criminal penalties would have an indeterminate fiscal impact on State and local government. There are no data to indicate how many people would be convicted of practicing as a residential builder or contractor without a license. To the extent that the bill would increase incarceration time for offenders, local governments would incur the costs of incarceration in local facilities, and misdemeanor probation, which vary by county. The State would incur the cost of felony probation at an average annual cost of \$2,000, as well as the cost of incarceration in a State facility at an average annual cost of \$30,000. Additional penal fine revenue would benefit public libraries. To the extent that the bill would increase restitution orders, local governments would incur increased administrative costs. To the extent that the bill would increase probation time for offenders who were unable to complete restitution payments during their sentence, or increase incarceration time for offenders whose probation was revoked for not making a good faith effort to comply with a restitution order, local governments would incur increased corrections costs.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.