



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bills 1011 and 1012 (as introduced 6-1-16)
Sponsor: Senator Margaret E. O'Brien
Committee: Regulatory Reform

Date Completed: 11-30-16

CONTENT

Senate Bill 1011 would amend the State License Fee Act to require half of the money appropriated from the Builder Enforcement Fund to be used for grants for workforce development and outreach programs related to the residential building industry.

Senate Bill 1012 would amend the Occupational Code to do the following:

- **Raise from \$600 to \$4,000 the maximum price of a contract under which a person may work without being licensed as a residential builder or residential maintenance and alteration contractor.**
- **Require an applicant for initial licensure as a residential maintenance and alteration contractor to complete five hours of courses pertinent to his or her craft or trade in order to obtain the license, subject to certain exceptions.**

The bills are tie-barred. Each bill would take effect 90 days after enactment.

Senate Bill 1011

The State License Fee Act establishes fees for a person licensed or seeking licensure as a residential builder or residential maintenance and alteration contractor, or a salesperson or branch office of such a builder or contractor, under Article 24 of the Occupational Code (which regulates the residential building industry).

The Department of Licensing and Regulatory Affairs (LARA) must allocate a portion of each annual license fee to the Builder Enforcement Fund. The Department must use the Fund money only to enforce Article 24 regarding unlicensed activity, and to reimburse the Attorney General for the reasonable cost of services provided to LARA and for expenses incurred in prosecutions of unlicensed activity or the prosecuting attorney for expenses incurred in conducting prosecutions of unlicensed practice.

Under the bill, LARA would have to use 50% of the amount appropriated from the Fund for the purposes described above. The Department would have to use the other 50% to issue grants to a statewide residential building and trade association for workforce development and outreach programs related to the residential building industry.

Senate Bill 1012

Threshold for Licensure

Article 24 of the Occupational Code contains a number of exceptions to the license requirement applicable to a person engaged in the business of or acting in the capacity of a

residential builder, residential maintenance and alteration contractor, or salesperson of a builder or contractor. One of the exceptions applies to a person working on a single undertaking or project by one or more contracts, if the aggregate contract price for the labor, material, and any other item is less than \$600. Under the bill, this exception would apply if the aggregate contract price were \$4,000 or less.

Prelicensure Courses

Under the Code, an applicant for initial licensure as a residential builder or a residential maintenance and alteration contractor must successfully complete prescribed prelicensure course of study requirements in order to obtain a license. The following individuals are exempt from this requirement:

- An individual who held a builder or contractor license, or a license as a qualifying officer of a licensed builder or contractor, on June 1, 2008, and is renewing the license.
- An individual who submitted an application for licensure or relicensure before March 16, 2016; or held an individual license as a builder, contractor, or qualifying officer of a licensed building or contractor at any time within the previous nine years.

Under the bill, unless he or she met one of the criteria for an exemption, an applicant for an initial license as a residential maintenance and alteration contractor that was applicable to one or more crafts or trades could not receive an initial license unless he or she successfully completed five hours of prelicensure courses that were pertinent to each craft or trade.

MCL 338.2239 (S.B. 1011)
339.2403 & 339.2404b (S.B. 1012)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would have a negative fiscal impact on the Builder Enforcement Fund within the Department of Licensing and Regulatory Affairs, and no fiscal impact on local units of government. Senate Bill 1011 would require that 50% of appropriations from the Builder Enforcement Fund be used for grants. During the last two three-year license cycles, LARA collected an average of about \$370,000 per year, and spent about \$350,000 per year, and the Fund had an estimated balance at the end of fiscal year 2015-16 of approximately \$2.4 million. Assuming baseline expenditures from the Fund remain largely the same in future years, any additional appropriations from the Fund for grants under the bill would draw down the balance of the Fund.

Fiscal Analyst: Josh Sefton

S1516\S1011sa

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.