

RESIDENTIAL CONSTRUCTION

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4281 (H-2 substitute, as reported from committee)

House Bill 4282 (H-1 substitute, as reported from committee)

Analysis available at
<http://www.legislature.mi.gov>

Sponsor: Rep. Ray A. Franz

Committee: Regulatory Reform

Complete to 11-16-15

BRIEF SUMMARY: House Bills 4281 and 4282, taken together, would modify requirements relating to the types of work that can be performed without having to obtain a residential builder's or residential maintenance and alteration contractor's license, as well as other changes detailed below. The bills are tie-barred, meaning neither take effect unless both are enacted into law. Both would take effect 90 days after the date they were enacted into law.

FISCAL IMPACT: The bill would have a fiscal impact on the Department of Licensing and Regulatory Affairs (LARA) to the extent that LARA would likely spend down the carryforward balance within the Builder Enforcement Fund over the next several years. From FY 2010 through FY 2015, the average annual expenditures made from the Fund totaled \$300,765; approximately 65.3% of the average annual appropriation from the Fund.

If future expenditures from the Fund for enforcement actions remain similar to past amounts, and the Legislature decided to appropriate sufficient money from the Fund to support those enforcement-related expenditures, the annual appropriation from the Fund would increase from \$460,700 to \$601,500, with half of this amount being granted for workforce development and outreach programs. From FY 2010 through FY 2015, the average annual revenue deposited into the Fund totaled \$358,880, resulting in an average net revenue of \$58,115 per annum, and contributed to a carryforward balance of \$2.1 million at the close of FY 2015. If revenue remains stable into the future, combined annual expenditures from the Fund for both enforcement actions and workforce development grants would exceed revenue by \$242,620 per annum, exhausting the carryforward balance within the Fund by midyear FY 2024.

THE APPARENT PROBLEM:

According to testimony presented by the bill sponsor, the goal of the bills is to increase the dollar amount of work that can be performed by "handymen," individuals who are unlicensed but are otherwise qualified to perform minor repairs around a residence that generally do not result in a major alteration to the structure. By raising the threshold, it is thought that the price of repairs can drop, allowing individuals to make those repairs who otherwise might not be able to afford it, while also allowing individuals who may have formerly been licensed builders or contractors to continue to do part-time work after retiring from full-time employment.

THE CONTENT OF THE BILL:

House Bill 4281

HB 4281 would amend Section 39 of the State License Fee Act by modifying how the monies in the Builders Enforcement Fund could be used. The fund is currently used exclusively for enforcement purposes under the Occupational Code. Under the bill, 50% of the amount allocated from the fund would be used for enforcement purposes, and 50% of the money would be issued as grants to a statewide residential building and trade association for workforce development and outreach programs related to the residential building industry.

House Bill 4282

HB 4282 would amend Sections 2403 and 2404b of the Occupational Code by allowing certain activities to be performed without a license if the amount of work falls under a certain dollar amount.

Currently, a license is not needed by a person working on one undertaking or project by one or more contracts, if the aggregate contract price for labor, material, and any other item is less than \$600. **The bill would raise the dollar amount to \$4,000 from \$600 for the entire undertaking or project.**

(This exemption does not apply if the construction work is only a part of a larger or major operation, whether undertaken by the same or a different residential builder or residential maintenance and alteration contractor, or in which a division of the operation is made in contracts of lower amounts to evade licensing under the act.)

Other current exemptions include:

- An authorized representative of the United States government, Michigan, or a county, township, city, village, or other political subdivision of Michigan.
- An owner of property, with reference to a structure on the property for the owner's own use and occupancy.
- An owner of rental property, with reference to the maintenance and alteration of that rental property.
- An officer of a court acting within the terms of the officer's office.
- A person other than the salesperson who engages solely in the business of performing work and services under contract with a residential builder or a residential maintenance and alteration contractor licensed under this article.
- An electrical contractor who is licensed under the Electrical Administrative Act. This exemption applies only to the electrical installation, electrical maintenance, or electrical repair work performed by the electrical contractor.
- A plumbing contractor licensed under PA 266 of 1929 [NOTE: this law was repealed in 2003 by PA 733 of 2002, the State Plumbing Act. The bill would correct the reference]. This exemption applies only to plumbing installation, plumbing maintenance, or plumbing repair work performed by the plumbing contractor.

- A mechanical contractor who is licensed under the Mechanical Contractors Act. This exemption applies only to mechanical installation, mechanical maintenance, or mechanical repair work performed by the mechanical contractor.

HB 4282 also would add a requirement that an individual applying for an initial license as a residential maintenance and alteration contractor that is applicable to one or more crafts or trades successfully complete five hours of pre-licensure courses that are pertinent to each of those crafts or trades. Individuals would be ineligible to receive an initial license until this is completed, unless they are otherwise exempt.

Further, the bill would add the term, "Michigan Residential Code," which would mean the Michigan Residential Code promulgated by the director of the Department of Licensing and Regulatory Affairs under the Stille-Derossett-Hale Single State Construction Code Act.

ARGUMENTS:

For:

Supporters of the bills say handymen can generally complete minor home repair projects at a lower cost than a licensed contractor, and that updating the threshold to reflect inflation in the cost of labor and cost of materials that has occurred in the time since the current \$600 limit was set over 30 years ago, will allow individuals to save money on needed home repairs. Supporters also claim that this will allow individuals who were formerly licensed while working full-time to continue to do for-hire repair projects on a part-time basis without having to pay for the same license.

Against:

Opponents of the bills say that a \$4,000 threshold is too high, and allows for unlicensed individuals to perform projects that could impact the structural integrity of the home without any recourse through state regulation. Under the current system, opponents say that individuals who have poor quality work done can go through the state for an investigation of that licensed individual. Without licensure, the only recourse would be through the courts, a pathway that critics allege is more difficult to pursue due to time and monetary concerns.

POSITIONS:

The following indicated support for the bills in committee:

Home Builders Association of Michigan (10-21-15)
Department of Licensing and Regulatory Affairs (10-21-15)

Legislative Analyst: Josh Roesner
Fiscal Analyst: Paul B.A. Holland

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.