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BILL ANALYSIS

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Senate Bill (as introduced 5-17-06)

Sponsor: Senator Alan Sanborn

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 5-17-06

CONTENT

The bill would amend Article 24 (Residential Builders) of the Occupational Code to do the following:

- Require a residential builder and a residential maintenance and alteration contractor performing services valued at \$600 or more to furnish the owner with a written contract or work order.**
- Require the Department of Labor and Economic Growth to make available a pamphlet on how to find reputable builders or remodelers.**
- Require a residential builder or residential maintenance and alteration contractor to give the owner a copy of the pamphlet and, if the work were valued at \$600 or more, to get a written acknowledgement.**
- Prescribe a maximum civil fine of \$100 for failing to supply a homeowner with a contract or work order or a copy of the pamphlet.**

Under the bill, a residential builder and a residential maintenance and alteration contractor performing services within the scope of their license involving alteration, repair, or remodeling of a residential structure, the value of which was more than \$600, including materials and labor, would have to furnish the owner or his or her agent with a written contract or written work order. The contract or work order would have to contain, at minimum, the total cost including materials and labor, any charge for a written estimate, and the business name and street address of the licensee. A licensee who did not have a business address would have to supply his or her residential address.

The Department would have to provide, or make available on its website in a printable form, a pamphlet explaining how to find reputable builders or remodelers. The pamphlet would have to be in at least 12-point type or font and do the following:

- List sources for finding the names of builders or remodelers.
- Contain a statement that contractors offering to do work that totals \$600 or more in labor and materials must be licensed by the State.
- Describe the trades that the holder of a residential builders license or a maintenance and alteration license is qualified to practice.
- State that a license must be displayed at a contractor's place of business, and recommend that homeowners ask to see a contractor's pocket card.
- Suggest that a party check a contractor's references and credit reputation.
- Recommend that a homeowner make sure the contractor has a permanent business location and telephone number.
- Suggest that a buyer get estimates from several different contractors.

- Remind homeowners that the cost and quality of materials will affect a bid and that they should be wary of special prices or discounts.
- State that Michigan law requires a written, signed agreement between builders/remodelers and customers and requires the homeowner to get a copy.
- List items that should be included in the agreement between builders/remodelers and customers.
- Provide guidance for making contractor payments.
- Describe options for resolving problems between the homeowner and contractor.

If the alteration, repair, or remodeling of a residential structure were of a value of \$600 or more, the licensee would have to provide a copy of the pamphlet to the owner before the execution of any contract and the owner would have to sign and date an acknowledgement form. If the alteration, repair, or remodeling were of a value of less than \$600, the licensee would have to give the owner a copy of the pamphlet but would not be required to provide an acknowledgement form.

The acknowledgment form would have to contain a statement that the homeowner had received a copy of the pamphlet. The licensee or his or her agent also would have to sign and date the acknowledgment form, which would have to include the licensee's name and address. The form would have to be in duplicate and incorporated into the pamphlet. The licensee would have to retain the original acknowledgment form and the owner would have to retain the duplicate copy within the pamphlet.

The failure of a licensee to supply an owner with a contract or work order or provide a pamphlet and, as applicable, a signed acknowledgment would be considered a violation of Article 24 and would be punishable only by a civil fine of up to \$100. The penalties of Section 602 (which prescribes administrative penalties, including license sanctions) would not apply to a violation of the bill.

Proposed MCL 339.2408

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would prescribe a \$100 maximum civil fine that could be imposed on a licensee found in violation of the bill. This revenue would be deposited into the General Fund. The amount of revenue that would be generated depends on the number of fines assessed and paid.

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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.