



Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 1233 (as reported without amendment)  
Sponsor: Senator Raymond E. Basham  
Committee: Economic Development and Regulatory Reform

*(as passed by the Senate)*

Date Completed: 4-16-08

**RATIONALE**

Public Acts 155 and 157 of 2007 amended the Occupational Code to enhance requirements regarding licensure of residential builders. Under Article 24 (Residential Builders) of the Code, if a corporation, partnership, association, limited liability company, or other entity applies for a license, the applicant must designate one of its officers, partners, or members, or its managing agent as a qualifying officer who, upon taking and passing the examination and meeting all other requirements of Article 24, will be entitled to a license to act for the entity. Under a requirement added by Public Act 157, which will take effect on June 1, 2008, a qualifying officer also must obtain and maintain a license under Article 24 as an individual. Some people believe that implementing the requirement at that time could cause a financial hardship for some residential builder firms, particularly in a time of lagging real estate sales and new home construction. It has been suggested that the requirement for a qualifying officer's individual licensure be delayed for three years.

**CONTENT**

The bill would amend Article 24 of the Occupational Code to specify a deadline of June 1, 2011, on the requirement that a qualifying officer obtain a license as an individual.

MCL 339.2405

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

Public Acts 155 through 158 of 2007 amended the Occupational Code, the Revised Judicature Act, and the State License Fee Act to beef up regulation and oversight of residential builders. That legislation established educational requirements, increased the license fee for residential builders, created the Builder Enforcement Fund for the enforcement of Article 24 and dedicated to the Fund a portion of license fee revenue, and increased penalties, to provide for greater enforcement activity and deter unlicensed home construction. One provision of Public Act 157, scheduled to take effect on June 1, is a requirement that a home construction firm's qualifying officer not only be licensed on behalf of the company but also be licensed as an individual. While many firms' qualifying officers apparently already are licensed individually, and many others have begun the process of applying for individual licensure, this imminent requirement may pose a hardship on some home construction companies and their qualifying officers. With the real estate and residential building markets currently in a slump, securing a second license may be difficult for some to afford at this time. Establishing a deadline of June 1, 2011, for this new requirement would allow home builders and their qualifying officers to delay qualifying and

paying for the individual license until their businesses rebound.

In addition, postponing the individual licensure requirement for qualifying officers would spread out the effective dates, and hence the renewal dates, of those licenses over a three-year period. This could ease the burden and caseload of State regulators.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would delay the acquisition of new licenses, reducing the licensing and regulation fee revenue to the Department of Labor and Economic Growth below the level that is expected under current law by approximately \$900,000 in FY 2007-08, assuming that qualified officers who have not obtained an individual license would not do so until FY 2010-11. These licenses, which are paid for on a three-year cycle, would be required by June 1, 2011, under the bill. Similarly, the bill would reduce revenue collections to the Homeowner Construction Lien Fund by an estimated \$150,000 in FY 2007-08. The State would realize the delayed revenue in FY 2010-11.

Fiscal Analyst: Elizabeth Pratt  
Maria Tyszkiewicz

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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.