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FISCAL IMPACT REPORT

ORIGINAL DATE 02/28/11

SPONSOR Cervantes LAST UPDATED _____ HB 492

SHORT TITLE Repeal Construction Industry Stop Notice Act SB _____

ANALYST Sanchez, C.

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General’s Office (AGO)
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 492 would repeal NMSA 1987, 48-2A-1 through 12, the “Stop Notice Act.” Section 48-2A-4 provides:

The legislature finds there are practices within the industry of constructing residential properties containing not more than four dwelling units resulting in certain financial inequities and, therefore, declares that the purpose of the Stop Notice Act [48-2A-1 to 48-2A-12 NMSA 1978] is to: provide for timely payment by an original contractor to persons contracted with to furnish labor or materials incorporated or to be incorporated in residential construction; define stop notices and their legal usage; encourage construction lenders to assert reasonable supervision, monitoring and control of funds disbursed to the original contractor for the timely payment of labor or materials; restrain and bar diversion of funds for purposes not directly involved with construction of the residential site improvement; and provide for criminal penalties.

FISCAL IMPLICATIONS

No significant fiscal impact is identified.

SIGNIFICANT ISSUES

HB 492 repeals the Stop Notice Act, Sections 48-2A-1 through 48-2A-12 NMSA. The Stop Notice Act provides for the timely payment by original residential contractors to persons providing labor or materials and allows a stop work notice if timely payment is not achieved.

According to the Attorney General's Office (AGO), there is uncertainty whether timely payments to subcontractors or material supplier would be adequately protected without Stop Notice protections.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

CS/bym