

# RESIDENCE LIEN RESTRICTION AND LIEN RECOVERY FUND ACT

## Part 1 - General Provisions

### 38-11-101. Title.

This chapter is known as the "Residence Lien Restriction and Lien Recovery Fund Act."

### 38-11-102. Definitions.

- (1) "Board" means the Residence Lien Recovery Fund Advisory Board established under Section 38-11-104.
- (2) "Certificate of compliance" means an order issued by the director to the owner finding that the owner is in compliance with the requirements of Subsections 38-11-204(4) (a) and (4) (b) and is entitled to protection under Section 38-11-107.
- (3) "Construction on an owner-occupied residence" means designing, engineering, constructing, altering, remodeling, improving, repairing, or maintaining a new or existing residence.
- (4) "Department" means the Department of Commerce.
- (5) "Director" means the director of the Division of Occupational and Professional Licensing.
- (6) "Division" means the Division of Occupational and Professional Licensing.
- (7) "Duplex" means a single building having two separate living units.
- (8) "Encumbered fund balance" means the aggregate amount of all outstanding claims against the fund. The remainder of the money in the fund is unencumbered funds.
- (9) "Executive director" means the executive director of the Department of Commerce.
- (10) "Factory built housing" is as defined in Section 15A-1-302.
- (11) "Factory built housing retailer" means a person that sells factory built housing to consumers.
- (12) "Fund" means the Residence Lien Recovery Fund established under Section 38-11-201.
- (13) "Laborer" means a person who provides services at the site of the construction on an owner-occupied residence as an employee of an original contractor, or other qualified beneficiary performing qualified services on the residence.
- (14) "Licensee" means any holder of a license issued under Title 58, Chapters 3a, Architects Licensing Act, 22, Professional Engineers and Professional Land Surveyors Licensing Act, 53, Landscape Architects Licensing Act, and 55, Utah Construction Trades Licensing Act.
- (15) "Nonpaying party" means the original contractor, subcontractor, or real estate developer who has failed to pay the qualified beneficiary making a claim against the fund.
- (16) "Original contractor" means a person who contracts with the owner of real property or the owner's agent to provide services, labor, or material for the construction of an owner-occupied residence.
- (17) "Owner" means a person who:
  - (a) contracts with a person who is licensed as a contractor or is exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, for the construction on an owner-occupied residence upon real property owned by that person;
  - (b) contracts with a real estate developer to buy a residence upon completion of the construction on the owner-occupied residence; or
  - (c) buys a residence from a real estate developer after completion of the construction on the owner-occupied residence.

- (18) "Owner-occupied residence" means a residence that is, or after completion of the construction on the residence will be, occupied by the owner or the owner's tenant or lessee as a primary or secondary residence within 180 days from the date of the completion of the construction on the residence.
- (19) "Qualified beneficiary" means a person who:
- (a) provides qualified services;
  - (b) pays necessary fees or assessments required under this chapter; and
  - (c) registers with the division:
    - (i) as a licensed contractor under Subsection 38-11-301(1) or (2), if that person seeks recovery from the fund as a licensed contractor; or
    - (ii) as a person providing qualified services other than as a licensed contractor under Subsection 38-11-301(3) if the person seeks recovery from the fund in a capacity other than as a licensed contractor.
- (20) (a) "Qualified services" means the following performed in construction on an owner-occupied residence:
- (i) contractor services provided by a contractor licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act;
  - (ii) architectural services provided by an architect licensed under Title 58, Chapter 3a, Architects Licensing Act;
  - (iii) engineering and land surveying services provided by a professional engineer or land surveyor licensed or exempt from licensure under Title 58, Chapter 22, Professional Engineers and Professional Land Surveyors Licensing Act;
  - (iv) landscape architectural services by a landscape architect licensed or exempt from licensure under Title 58, Chapter 53, Landscape Architects Licensing Act;
  - (v) design and specification services of mechanical or other systems;
  - (vi) other services related to the design, drawing, surveying, specification, cost estimation, or other like professional services;
  - (vii) providing materials, supplies, components, or similar products;
  - (viii) renting equipment or materials;
  - (ix) labor at the site of the construction on the owner-occupied residence; and
  - (x) site preparation, set up, and installation of factory built housing.
- (b) "Qualified services" do not include the construction of factory built housing in the factory.
- (21) "Real estate developer" means a person having an ownership interest in real property who:
- (a) contracts with a person who is licensed as a contractor or is exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, for the construction of a residence that is offered for sale to the public; or
  - (b) is a licensed contractor under Title 58, Chapter 55, Utah Construction Trades Licensing Act, who engages in the construction of a residence that is offered for sale to the public.
- (22) (a) "Residence" means an improvement to real property used or occupied, to be used or occupied as, or in conjunction with:
- (i) a primary or secondary detached single family dwelling; or
  - (ii) a multifamily dwelling up to and including duplexes.
- (b) Residence includes factory built housing.
- (23) "Subsequent owner" means a person who purchases a residence from an owner within 180 days from the date the construction on the residence is completed.

**38-11-103. Administration.**

This chapter shall be administered by the Division of Occupational and Professional Licensing pursuant to the provisions of this chapter and consistent with Title 58, Chapter 1.

**38-11-104. Board.**

- (1) There is created the Residence Lien Recovery Fund Advisory Board consisting of:
  - (a) three individuals licensed as a contractor who are actively engaged in construction on owner-occupied residences;
  - (b) three individuals who are employed in responsible management positions with major suppliers of materials or equipment used in the construction on owner-occupied residences;
  - (c) one member from the general public who has no interest in the construction on owner-occupied residences, or supply of materials used in the construction of owner-occupied residences.
- (2) The board shall be appointed and members shall serve their respective terms in accordance with Section 58-1-201.
- (3) The duties and responsibilities of the board shall be to:
  - (a) advise the division with respect to informal adjudication of any claim for payment from the fund and any request for a certificate of compliance received by the division;
  - (b) act as the presiding officer, as defined by rule, in formal adjudicative proceedings held before the division with respect to any claim made for payment from the fund;
  - (c) advise the division with respect to:
    - (i) the general operation of the fund;
    - (ii) the amount and frequency of any assessment under this chapter
    - (iii) the amount of any fees required under this chapter;
    - (iv) the availability and advisability of using funds for purchase surety bonds to guarantee payment to qualified beneficiaries; and
    - (v) the limitation on the fund balance under Section 38-11-206; and
  - (d) review the administrative expenditures made by the division pursuant to Subsection 38-11-201(4) and report its findings regarding those expenditures to the executive director on or before the first Monday of December of each year.
- (4) The attorney general shall render legal assistance as requested by the board.

**38-11-105. Procedures established by rule.**

In compliance with Title 63G, Chapter 4, Administrative Procedures Act, the division shall establish procedures by rule by which claims for compensation from the fund and requests for certificates of compliance shall be adjudicated and by which assessments shall be collected.

**38-11-106. State not liable.**

The state and the state's agencies, instrumentalities, and political subdivisions are not liable for:

- (1) issuance or denial of any certificate of compliance;
- (2) any claims made against the fund; or
- (3) failure of the fund to pay any amounts ordered by the director to be paid from the fund.

**38-11-107. Restrictions upon maintaining a lien against residence or owner's interest in the residence.**

- (1) (a) A person qualified to file a lien upon an owner-occupied residence and the real property associated with that residence under Chapter 1, Mechanics' Liens, who provides qualified services under an agreement, other than directly with the owner, is barred from maintaining a lien upon that residence and real property or recovering a judgment in any civil action against the owner or the owner-occupied residence to recover monies owed for qualified services provided by that person if
  - (i) an owner meets the conditions described in Subsections 38-11-204(4) (a) and (b); or
  - (ii) (A) a subsequent owner purchases a residence from an owner;
    - (B) the subsequent owner who purchased the residence under Subsection (1) (a) (ii) (A) occupies the residence as a primary or secondary residence within 180 days from the date of transfer or the residence is occupied by the subsequent owner's tenant or lessee as a primary or secondary residence within 180 days from the date of transfer; and
    - (C) the owner from whom the subsequent owner purchased the residence met the conditions described in Subsection 38-11-204(4) (a) and (b).
- (b) (i) As used in this Subsection (1) (b):
  - (A) "Contract residence":
    - (I) means the owner-occupied residence for which a subcontractor provides service, labor, or materials; and
    - (II) include the real property associated with that owner-occupied residence.
  - (B) "General contract" means an oral or written contract between an owner and an original contractor for providing service, labor, or materials for construction on an owner-occupied residence.
  - (C) "Subcontractor" means a person who provides service, labor, or materials for construction on an owner-occupied residence under an agreement other than directly with the owner.
- (ii) A subcontractor qualified to file a lien upon a contract residence under Chapter 1, Mechanics' Liens, is barred from maintaining a lien upon that contract residence or from recovering a judgment in a civil action against the owner, the contract residence, or, as provided in Subsection (1) (b) (iii), a subsequent owner to recover for service, labor, or materials provided by the subcontractor:
  - (A) if the amount of the general contract under which the subcontractor provides service, labor, or materials totals no more than \$5,000; and
  - (B) whether or not the original contractor is licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act.
- (iii) A subsequent owner is protected under Subsection (1) (b) (ii) to the same extent as an owner if:
  - (A) the subsequent owner purchases the contract residence from the owner; and
  - (B) (I) the subsequent owner occupies the residence as a primary or secondary residence within 180 days after the date of transfer; or

- (II) the subsequent owner's tenant or lessee occupies the residence as a primary or secondary residence within 180 days after the date of the transfer.
- (2) If a residence is constructed under conditions that do not meet all of the provisions of Subsection (1) (a) or (b), that residence and the real property associated with that residence as provided in Section 38-1-4, shall be subject to any mechanics' lien as provided in Section 38-1-3.
- (3) A lien claimant who files a mechanics' lien under Chapter 1, Mechanics' Lien, or a foreclosure action upon an owner-occupied residence is not liable for costs and attorney fees under Section 38-1-17 and 38-1-18 or for any damages arising from a civil action related to the lien filing or foreclosure action if the lien claimant removes the lien within 15 days from the date the owner obtains a certificate of compliance and mails a copy of the certificate of compliance by certified mail to the lien claimant at the address provided for by Subsection 38-1-7(2) (a) (v). The 15-day period begins accruing from the date postmarked on the certificate of compliance sent to the lien claimant.

**38-11-108. Notification of rights under chapter.**

- (1) Beginning July 1, 1995, the original contractor or real estate developer shall state in the written contract with the owner what actions are necessary for the owner to be protected under Section 38-11-107 from the maintaining of a mechanic's lien or other civil action against the owner or the owner-occupied residence to recover monies owed for qualified services.
- (2) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the division may issue rules provided for the form and content of the information required by Subsection (1).

**38-11-109. Severability clause.**

If any provision of this chapter is held invalid or unconstitutional by a court of competent jurisdiction, the invalidity shall not affect the other provisions of this chapter which can be given effect without the invalid or unconstitutional provision.

**38-11-110. Issuance of certificates of compliance.**

- (1) (a) The director may issue a certificate of compliance only after determining through an informal proceeding, as set forth in Title 63G, Chapter 4, Administrative Procedures Act:
  - (i) that the owner is in compliance with Subsections 38-11-204(4) (a) and (b); or
  - (ii) subject to Subsection (2), that the owner is entitled to protection under Subsection 38-11-107(1) (b).
- (b) If the director determines through an informal proceeding under Subsection (1) (a) that an owner seeking the issuance of a certificate of compliance under Subsection (1) (a) (i) is not in compliance as provided in Subsection (1) (a) (i), the director may not issue a certificate of compliance.
- (2) (a) An owner seeking the issuance of a certificate of compliance under Subsection (1) (a) (ii) shall submit an affidavit, as defined by the division by rule, affirming that the owner is entitled to protection under Subsection 38-11-107(1) (b).
- (b) If an owner's affidavit under Subsection (2) (a) is disputed, the owner may file a complaint in small claims court or district court to resolve the dispute.

- (c) The director may issue a certificate of compliance to an owner seeking issuance of a certificate under Subsection (1)(a)(ii) if:
  - (i) the owner's affidavit under Subsection (2)(a) is undisputed; or
  - (ii) a small claims court or district court resolves any dispute over the owner's affidavit in favor of the owner.

**Part 2 - Residence Lien Recovery Fund**

**38-11-201. Residence Lien Recovery Fund.**

- (1) There is created a restricted special revenue fund to be called the "Residence Lien Recovery Fund".
- (2) (a) The fund consists of all amounts collected by the division in accordance with Section 38-11-202.
  - (b) (i) The division shall deposit the funds in an account with the state treasurer.
  - (ii) The division shall record the funds in the Residence Lien Recovery Fund.
- (c) The fund shall earn interest.
- (3) The division shall employ personnel and resources necessary to administer the fund and shall use fund monies in accordance with Sections 38-11-203 and 38-11-204 and to pay the costs charged to the fund by the attorney general.
- (4) Costs incurred by the division for administering the fund shall be paid out of fund monies.
- (5) The Division of Finance shall report annually to the Legislature, the division, and the board. The report shall state:
  - (a) amounts received by the fund;
  - (b) disbursements from the fund;
  - (c) interest earned and credited to the fund; and
  - (d) the fund balance.
- (6) (a) For purposes of establishing and assessing fees under Section 63J-1-504, the provisions of this chapter are considered a new program for fiscal year 1995-96.
  - (b) The department shall submit its fee schedule to the Legislature for its approval at the 1996 Annual General Session.

**38-11-202. Payments to the fund.**

The Residence Lien Recovery Fund shall be supported solely from:

- (1) initial and special assessments collected by the division from licensed contractors registered as qualified beneficiaries in accordance with Subsections 38-11-301(1) and (2) and Section 38-11-206;
- (2) initial and special assessments collected by the division from other qualified beneficiaries registering with the division in accordance with Subsection 38-11-301(3) and Section 38-11-206;
- (3) fees determined by the division under Section 63J-1-504 collected from laborers under Subsection 38-11-204(7) when the laborers obtain a recovery from the fund;
- (4) amounts collected by subrogation under Section 38-11-205 on behalf of the fund following a payment from the fund;
- (5) application fees determined by the division under Section 63J-1-504 collected from:
  - (a) qualified beneficiaries or laborers under Subsection 38-11-204(1)(b) when qualified beneficiaries or laborers make a claim against the fund; or
  - (b) owners and agents of the owners seeking to obtain a certificate of compliance for the owner;

- (6) registration fees determined by the division under Section 63J-1-504 collected from other qualified beneficiaries registering with the department in accordance with Subsection 38-11-301(3) (a) (iii);
- (7) reinstatement fees determined by the division under Section 63J-1-504 collected from registrants in accordance with Subsection 38-11-302(5) (b);
- (8) civil fines authorized under Subsection 38-11-205(2) collected by the attorney general for failure to reimburse the fund; and
- (9) any interest earned by the fund.

**38-11-203. Disbursements from the fund - Limitations.**

- (1) A payment of any claim upon the fund by a qualified beneficiary shall be made only upon an order issued by the director finding that:
  - (a) the claimant was a qualified beneficiary during the construction on a residence;
  - (b) the claimant complied with the requirements of Section 38-11-204; and
  - (c) there is adequate money in the fund to pay the amount ordered.
- (2) A payment of a claim upon the fund by a laborer shall be made only upon an order issued by the director finding that:
  - (a) the laborer complied with the requirements of Subsection 38-11-204(7); and
  - (b) there is adequate money in the fund to pay the amount ordered.
- (3)
  - (a) An order under this section may be issued only after the division has complied with the procedures established by rule under Section 38-11-105.
  - (b) The director shall order payment of the qualified services as established by evidence, or if the claimant has obtained a judgment, then in the amount awarded for qualified services in the judgment to the extent the qualified services are attributable to the owner-occupied residence at issue in the claim.
  - (c) The director shall order payment of interest on all amounts claimed for qualified services based on the current prime interest rate at the time payment was due to the date the claim is approved for payment except for delays attributable to the claimant but not more than 10% per annum.
  - (d) The rate shall be the Prime Lending Rate as published in the Wall Street Journal on the first business day of each calendar year adjusted annually.
  - (e) The director shall order payment of costs in the amount stated in the judgment. If the judgment does not state a sum certain for costs, or if no judgment has been obtained, the director shall order payment of reasonable costs as supported by evidence. The claim application fee as established by the division pursuant to Subsection 38-11-204(1) (b) is not a reimbursable cost.
  - (f) If a judgment has been obtained with attorney's fees, notwithstanding the amount stated in a judgment, or if no judgment has been obtained but the contract provides for attorneys' fees, the director shall order payment of attorneys' fees not to exceed 15% of qualified services. If the judgment does not state a sum for attorney's fees, no attorney's fees will be paid by the director.
- (4)
  - (a) Payments from the fund may not exceed \$75,000 per construction project to all qualified beneficiaries and laborers who have claim against the fund for that construction project.
  - (b) If claims against the fund for a construction project exceed \$75,000, the \$75,000 shall be awarded proportionately so that each qualified beneficiary and laborer awarded compensation from the fund for qualified services shall receive an identical percentage of the qualified beneficiary's or laborer's award.

- (5) Subject to the limitations of Subsection (4), if on the day the order is issued there is inadequate funds to pay the entire claim and the director determines that the claimant has otherwise met the requirements of Subsection (1) or (2), the director shall order additional payments once the fund meets the balance limitations of Section 38-11-206.

**38-11-204. Claims against the fund - Requirement to make a claim - Qualifications to receive compensation - Qualifications to receive a certificate of compliance.**

- (1) To claim recovery from the fund a person shall
- (a) meet the requirements of Subsection (4) or (6);
  - (b) pay an application fee determined by the division under Section 63J-1-504; and
  - (c) file with the division a completed application on a form provided by the division accompanied by supporting documents establishing:
    - (i) that the person meets the requirements of Subsection (4) or (6);
    - (ii) that the person was a qualified beneficiary or laborer during the construction on the owner-occupied residence; and
    - (iii) the basis for the claim.
- (2) To recover from the fund, the application required by Subsection (1) shall be filed no later than one year:
- (a) from the date the judgment required by Subsection (4)(d) is entered;
  - (b) from the date the nonpaying party filed bankruptcy, if the claimant is precluded from obtaining a judgment or from satisfying the requirements of Subsection (4)(d) because the nonpaying party filed bankruptcy within one year after the entry of judgment; or
  - (c) from the date the laborer, trying to recover from the fund, completed the laborer's qualified services.
- (3) The issuance of a certificate of compliance is governed by Section 38-11-110.
- (4) To recover from the fund, regardless of whether the residence is occupied by the owner, a subsequent owner, or the owner or subsequent owner's tenant or lessee, a qualified beneficiary shall establish that:
- (a)
    - (i) the owner of the owner-occupied residence or the owner's agent entered into a written contract with an original contractor licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act:
      - (A) for the performance of qualified services;
      - (B) to obtain the performance of qualified services by others; or
      - (C) for the supervision of the performance by others of qualified services in construction on that residence;
    - (ii) the owner of the owner-occupied residence or the owner's agent entered into a written contract with a real estate developer for the purchase of an owner-occupied residence; or
    - (iii) the owner of the owner-occupied residence or the owner's agent entered into a written contract with a factory built housing retailer for the purchase of an owner-occupied residence;
  - (b) the owner has paid in full the original contractor licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, real estate developer, or factory built housing retailer under Subsection (4)(a) with whom the owner has a written contract in accordance with the written contract and any amendments to the contract;
  - (c)
    - (i) the original contractor, licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, the real estate developer, or the factory built housing retailer subsequently failed to pay a qualified beneficiary who is entitled to payment under an agreement with that original

- contractor or real estate developer licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, for services performed or materials supplied by the qualified beneficiary;
- (ii) a subcontractor who contracts with the original contractor, licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act, the real estate developer, or the factory built housing retailer failed to pay a qualified beneficiary who is entitled to payment under an agreement with that subcontractor or supplier; or
  - (iii) a subcontractor who contracts with a subcontractor or supplier failed to pay a qualified beneficiary who is entitled to payment under an agreement with that subcontractor or supplier;
- (d) (i) unless precluded from doing so by the nonpaying party's bankruptcy filing within the applicable time, the qualified beneficiary filed an action against the nonpaying party to recover monies owed to the qualified beneficiary within the earlier of:
- (A) 180 days from the date the qualified beneficiary filed a notice of claim under Section 38-1a-502; or
  - (B) 270 days from the completion of the original contract pursuant to Subsection 38-1a-502(1);
- (ii) the qualified beneficiary has obtained a judgment against the nonpaying party who failed to pay the qualified beneficiary under an agreement to provide qualified services for construction of that owner-occupied residence;
- (iii) (A) the qualified beneficiary has:
- (I) obtained from a court of competent jurisdiction the issuance of an order requiring the judgment debtor, or if a corporation any officer of the corporation, to appear before the court at a specified time and place to answer concerning the debtor's or corporation's property;
  - (II) received return of service of the order from a person qualified to serve documents under the Utah Rules of Civil Procedure, Rule 4(b);
  - (III) made reasonable efforts to obtain asset information from the supplemental proceedings; and
- (B) if assets subject to execution are discovered as a result of the order required under Subsection (4) (d) (iii) (A) or for any other reason, to obtain the issuance of a writ of execution from a court of competent jurisdiction; or
- (iv) the qualified beneficiary timely filed a proof of claim where permitted in the bankruptcy action, if the nonpaying party has filed bankruptcy;
- (e) the qualified beneficiary is not entitled to reimbursement from any other person; and
  - (f) the qualified beneficiary provided qualified services to a contractor, licensed or exempt from licensure under Title 58, Chapter 55, Utah Construction Trades Licensing Act.
- (5) The requirements of Subsection (4) (d) (ii) and (iii) need not be met if the qualified beneficiary is prevented from compliance because the nonpaying party files bankruptcy.
- (6) To recover from the fund a laborer shall:
- (a) establish that the laborer has not been paid wages due for the work performed at the site of a construction on an owner-occupied residence; and
  - (b) provide any supporting documents or information required by rule by the division.

- (7) A fee determined by the division under Section 63J-1-504 shall be deducted from any recovery from the fund received by a laborer.
- (8) The requirements of Subsection (4) (a) and (b) may be satisfied if an owner or agent of the owner establishes to the satisfaction of the director that the owner of the owner-occupied residence or the owner's agent entered into a written contract with an original contractor who:
  - (a) was a business entity that was not licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act, but was solely or partly owned by an individual who was licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act; or
  - (b) was a natural person who was not licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act, but who was the sole or partial owner and qualifier of a business entity that was licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act.
- (9) The director shall have equitable power to determine if the requirements of Subsections (4) (a) and (b) have been met, but any decision by the director under this chapter shall not alter or have any effect on any other decision by the division under Title 58, Occupations and Professions.

**38-11-205. Subrogation.**

- (1)
  - (a)
    - (i) The state, on behalf of the fund, has the right of subrogation only to the extent of payments made from the fund.
    - (ii) Upon payment from the fund to a claimant, any payment to the claimant that was the basis of the claimant's claim against the fund shall be assigned to the fund for the enforcement of subrogation rights by the attorney general.
    - (iii) A claimant's judgment or bankruptcy claim against the nonpaying party shall be automatically assigned to the state, to the extent paid by the fund on a particular residence, upon the state's filing of the director's order of payment of claim with the appropriate court.
  - (b) The state's right of subrogation under Subsection (1) (a) has priority over any rights of the qualified beneficiary under the judgment or any civil penalties imposed.
  - (c) The state shall be awarded attorney's fees and court costs incurred in recovering claims paid from the fund.
- (2)
  - (a) The attorney general shall enforce all subrogation claims and may contract with private attorneys as necessary to adequately enforce subrogation claims.
  - (b)
    - (i) In addition to the subrogation claims the attorney general may seek a civil fine of \$5,000 per residence for failure to reimburse the Residence Lien Recovery Fund within 90 days after any disbursement from the fund resulting from the registrant's failure to pay qualified beneficiaries under this chapter.
    - (ii) All claims under the judgment have priority over the civil penalty.
- (3) The attorney general may charge the fund for costs incurred by the attorney general under this chapter.

**38-11-206. Limitations on fund balance - Payment of special assessments.**

- (1)
  - (a) If on June 30 of any year the balance in the fund is less than \$1,500,000, the division shall make a special assessment against all qualified beneficiaries in an amount that will restore the unencumbered fund balance to not less than \$2,000,000 or more than \$2,500,000.
  - (b) The amount of the special assessment shall be determined by the division under Section 63J-1-504 after consultation with the board.

- (2) Special assessments made under this section shall be due and payable on May 1 following assessment.
- (3) The fund balance limitations set forth in Subsection (1)(a) shall be used by the division only for the purpose of determining the amount of any special assessment and do not prohibit the fund balance from exceeding \$2,500,000 or falling below \$2,000,000.

**38-11-207. Reimbursement to the fund.**

- (1) If the director disburses monies from the fund as a result of a person licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act, or a qualified beneficiary failing to pay qualified beneficiaries:
  - (a) the division shall issue a notice of the disbursement from the fund and the obligation to reimburse the fund to the licensee or qualified beneficiary; and
  - (b) the licensee or qualified beneficiary shall reimburse the fund within 20 days from the issuance of the notice required by Subsection (1)(a).
- (2) The notice required by Subsection (1)(a) shall meet the requirements established by rule by the division in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.
- (3)
  - (a) A finding of fact in an administrative action that a payment of any amount has been made from the fund in settlement of a claim arising from the act, representation, transaction, or conduct of a person licensed under Title 58, Chapter 55, Utah Construction Trades Licensing Act, in violation of Section 58-55-603 shall result in the immediate suspension of that person's license without further compliance with Title 63G, Chapter 4, Administrative Procedures Act.
  - (b) The finding of fact for Subsection (3)(a) may be made in the same administrative action as the related claim and may be included in the findings required by Section 38-11-203.
  - (c) The suspension required by Subsection (3)(a) shall remain in effect until the person applies for reinstatement and is issued a license in accordance with Sections 58-1-308 and 58-55-303.

**Part 3 - Registration**

**38-11-301. Registration as a qualified beneficiary - Initial regular assessment - Affidavit.**

- (1) A person licensed as of July 1, 1995, as a contractor under the provisions of Title 58, Chapter 55, Utah Construction Trades Licensing Act, in license classifications that regularly engage in providing qualified services shall be automatically registered as a qualified beneficiary upon payment of the initial assessment.
- (2) A person applying for licensure as a contractor after July 1, 1995, in license classifications that regularly engage in providing qualified services shall be automatically registered as a qualified beneficiary upon issuance of a license and payment of the initial assessment.
- (3)
  - (a) After July 1, 1995, any person providing qualified services as other than a contractor as provided in Subsection (1) or any person exempt from licensure under the provisions of Title 58, Chapter 55, Utah Construction Trades Licensing Act, may register as a qualified beneficiary by:
    - (i) submitting an application in a form prescribed by the division;
    - (ii) demonstrating registration with the Division of Corporations and Commercial Code as required by state law;
    - (iii) paying a registration fee determined by the division under Section 63J-1-504; and

- (iv) paying the initial assessment established under Subsection (4), and any special assessment determined by the division under Subsection 38-11-206(1).
- (b) A person who does not register under Subsection (1), (2), or (3) (a) shall be prohibited from recovering under the fund as a qualified beneficiary for work performed as qualified services while not registered with the fund.
- (4) (a) An applicant shall pay an initial assessment determined by the division under Section 63J-1-504.
- (b) The initial assessment to qualified registrants under Subsection (1) shall be made not later than July 15, 1995, and shall be paid no later than November 1, 1995.
- (c) The initial assessment to qualified registrants under Subsections (2) and (3) shall be paid at the time of application for license or registration, however, beginning on May 1, 1996, only one initial assessment or special assessments thereafter shall be required for persons having multiple licenses under this section.
- (5) A person shall be considered to have been registered as a qualified beneficiary on January 1, 1995, for purposes of meeting the requirements of Subsection 38-11-204(1)(c)(ii) if the person:
  - (a) (i) is licensed on or before July 1, 1995, as a contractor under the provisions of Title 58, Chapter 55, Utah Construction Trades Licensing Act, in license classifications that regularly engage in providing qualified services; or
  - (ii) provides qualified services after July 1, 1995, as other than a contractor as provided in Subsection (5)(a)(i) or is exempt from licensure under the provisions of Title 58, Chapter 55, Utah Construction Trades Licensing Act; and
  - (b) registers as a qualified beneficiary under Subsection (1) or (3) on or before November 1, 1995.

**38-11-302. Effective date and term of registration - Penalty for failure to pay assessments - Reinstatement.**

- (1) (a) A registration as a qualified beneficiary under this chapter is effective on the date the division receives the initial assessment of the qualified beneficiary.
- (b) A registrant shall be required to renew the registrant's registration upon imposition of a special assessment under Subsection 38-11-206(1).
- (2) A registration automatically expires if a registrant fails to renew the registrant's registration as required under Subsection (1).
- (3) The division shall notify a qualified beneficiary in accordance with procedures established by rule when renewal of registration is required in connection with a special assessment.
- (4) The license renewal notice to a contractor shall notify the licensee that failure to renew the license will result in automatic expiration of the licensee's registration as a qualified beneficiary and of the limitations set forth in Subsection (6) on qualified beneficiaries whose registration has expired to make a claim upon the fund.
- (5) Registration may be reinstated by:
  - (a) submitting an application for reinstatement in a form prescribed by the division;
  - (b) paying a reinstatement fee determined by the division under Section 63J-1-504; and
  - (c) paying all unpaid assessments that were assessed during the period of the person's registration and all assessment made upon qualified beneficiaries during the period the applicant's registration was expired.

- (6) (a) A qualified beneficiary whose registration expires loses all rights to make a claim upon the fund or receive compensation from the fund resulting from providing qualified service during the period of expiration.
- (b) Except as provided in Section 58-55-401, a qualified beneficiary whose registration expires may make a claim upon the fund or receive compensation from the fund for qualified services provided during the period the qualified beneficiary was part of the fund.

**RESIDENCE LIEN RESTRICTION AND  
LIEN RECOVERY FUND ACT**

**Title 38, Chapter 11  
Utah Code Annotated 1953  
As Amended by  
Session Laws of Utah 2012  
Issued May 8, 2012**

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