

STORAGE NAME: s1466s1z.rpp
DATE: June 2, 1998

****FINAL ACTION****
****SEE FINAL ACTION STATUS SECTION****

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
REAL PROPERTY & PROBATE
FINAL BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 3319 (Passed as SB 1466 -- research statement is to the Senate bill)

RELATING TO: Construction Liens

SPONSOR(S): Committee on Governmental Operations and Representative Merchant

COMPANION BILL(S): SB 1466(s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- | | | | |
|-----|-------------------------|--------|--------|
| (1) | REAL PROPERTY & PROBATE | YEAS 7 | NAYS 0 |
| (2) | GOVERNMENTAL OPERATIONS | YEAS 5 | NAYS 0 |

I. FINAL ACTION STATUS:

The House substituted CS/SB 1466 for CS/HB 3319 and passed CS/SB 1466. CS/SB 1466 was ordered enrolled 4/28/98, and became law without the Governor's signature on May 22, 1998. See 98-135, Laws of Florida.

II. SUMMARY:

CS/SB 1466 revises construction lien law as follows:

With regard to construction of public buildings:

- Provides an expedited procedure for the enforcement of a claim against a payment bond, and sets forth the form for "Notice of Contest Of Claim Against Payment Bond".
- Provides for recovery of retainage.
- Provides that a contractor may serve a written demand on any claimant for a written statement of account, and sets forth requirements relating thereto.

With regard to construction in the private sector:

- Allows a solid waste company to use a construction lien to recover losses from a defaulting builder.
- Provides that a contractor's affidavit need only include lienors who have timely served a notice to owner, and that negligent inclusion/omission of information which is not prejudicial to the owner does not constitute a default.
- Establishes an additional manner of serving the notice to owner.
- Provides an expedited procedure for the enforcement of a claim against a payment bond, and sets forth the form for "Notice of Contest Of Claim Against Payment Bond".
- Sets forth the forms for Waiver of Right to Claim Against the Payment Bond, for progress payments and final payment.

- Revises the amount of a payment bond from \$500 to apply to court costs to \$1,000 or 25% of the amount demanded in the claim of lien, whichever is greater; and, authorizes the court, under certain conditions, to increase the amount of the cash deposit or lien transfer bond.

III. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Construction of public buildings

Section 255.05, Florida Statutes, requires all building contractors who contract with the state or a political subdivision for public improvements to provide a performance and payment bond before commencing work on the project. Any person providing materials, labor, or services under the improvement contract who does not receive proper payment has a claim against the bond for the amount due.

This section requires claimants not in privity¹ with the contractor, other than laborers, to give notice to the contractor that he or she intends to look to the bond for protection. The notice must be given within 45 days after beginning to furnish labor, materials, or supplies.

A claimant who is not in privity with the contractor and who has not received payment for his or her labor, materials, or supplies is required to deliver to the contractor and the surety written notice of the performance of the labor or delivery of the materials or supplies and of the nonpayment. This notice must be given between 45 days after the first furnishing of labor, services, or materials, but not later than 90 days after the final performance of the labor or complete delivery of the materials or supplies; with respect to rental equipment, notice must be given within 90 days after the date that the rental equipment was last on the job site available for use. No action for the labor, materials, or supplies may be instituted against the contractor or the surety unless both notices have been given. In addition, no action can be instituted against the contractor or the surety on the payment bond or the payment provisions of a combined payment and performance bond after 1 year from the performance of the labor or completion of delivery of the materials or supplies.

In any action brought to enforce a claim against a payment bond, the prevailing party is entitled to recover a reasonable fee for the services of his or her attorney for trial and appeal or for arbitration, in an amount to be determined by the court. The fee must be taxed as part of the prevailing party costs.

This section provides a form for use when a person is required to execute a waiver of his or her right to make a claim against the payment bond in exchange for, or to induce payment of, a progress payment or final payment.

¹ In this context, parties that are in privity with one another are parties who have a contractual relationship with one another. Parties not in privity do not have a contractual relationship with one another.

Construction of private buildings

Under existing law, a solid waste company does not have access to the construction lien law to recover losses incurred at a construction site as a result of a defaulting builder. Therefore, in the event of a default, a solid waste company must attempt to recover losses without the benefit of a construction lien. Generally, these losses include the lost use of the container for the period it has been at the site, and the cost of disposing of the container's contents upon its recovery.

Section 713.06, Florida Statutes, provides that a materialman or laborer, either of whom is not in privity with the owner, or a subcontractor or sub-subcontractor who complies with the provisions of this part, has a lien on the real property improved for any money that is owed to him or her in accordance with his or her contract and the direct contract and for any unpaid finance charges due under the lienor's contract. All lienors under this section, except laborers, who are not in privity must serve a Notice to Owner on the owner as a prerequisite to perfecting a lien. A Notice to Owner served on a lender must be in writing and delivered to the lender by certified mail, return receipt requested.

According to s. 713.06(2)(a), F.S., a sub-subcontractor or a materialman to a subcontractor must serve a copy of the Notice to Owner on the contractor as a prerequisite to perfecting a lien under ch. 713, F.S., and recording a claim of lien. The Notice to Owner must be served before commencing, or not later than 45 days after commencing, to furnish his or her services or materials, but, in any event, before the date of the owner's disbursement of the final payment after the contractor has furnished the affidavit under s. 713.06(3)(d)1, F.S. (There is no mention of furnishing "labor" as there is in other relevant sections.) The notice must be served regardless of the method of payments by the owner, whether proper or improper, and does not give to the lienor serving the notice any priority over other lienors in the same category; and, the failure to serve the notice, or to timely serve it, is a complete defense to enforcement of a lien by any person.

The Notice to Owner must be substantially in the form provided in s. 713.06(2)(c), F.S.

In Craftsman Contractors v. Brown, 695 So. 2d 750 (Fla. 1st DCA 1997), Craftsman Contractors did not include McElhany Electric in the final affidavit. Craftsman argued that McElhany was not a "lienor" since it had failed to file the Notice to Owner as required in s. 713.06(2)(a), F.S. The court held that a subcontractor's failure to file a Notice to Owner did not remove it from the definition of "lienor" for purposes of s. 713.06(3)(d)1., F.S. The court affirmed the lower court's finding that Craftsman's lien was unenforceable because it failed to properly list all lienors who had not been paid in the final affidavit. Judge Benton, dissenting, stated that the construction lien law excludes non-lienors who have no prospect of a lien and relieves the contractor making an affidavit of any duty to identify in the affidavit any person unable to perfect a lien. According to Judge Benton, "lienors" (other than laborers) who have not yet given notice to an owner are by definition limited to subcontractors or materialmen who are still able to give the required Notice to Owner and meet other prerequisites for liens upon real property.

Section 713.13, Florida Statutes, specifies the criteria and form of the Notice of Commencement. Unless otherwise provided in the Notice of Commencement or in a new or amended Notice of Commencement, a Notice of Commencement is effective for 1 year after the date of recording.

Subsection 2 of section 713.16, Florida Statutes, provides the owner may serve in writing a demand of any lienor for a written statement under oath of his or her account showing: the nature of the labor or services performed and to be performed, if any; the materials furnished; the materials to be furnished, if known; the amount paid on account to date; the amount due; and the amount to become due, if known, as of the date of the statement by the lienor.

The failure or refusal to furnish the properly demanded statement within 30 days after the demand, or the furnishing of a false or fraudulent statement, deprives the person so failing or refusing to furnish such statement of his or her lien. If the owner serves more than one demand for statement of account on a lienor and none of the information regarding the account has changed since the lienor's last response to a demand, the failure or refusal to furnish the statement does not deprive the lienor of his or her lien. The negligent inclusion or omission of any information deprives the person of his or her lien to the extent the owner can demonstrate prejudice from such act or omission by the lienor. The failure to furnish a response to a demand for statement of account does not affect the validity of any claim of lien being enforced through a foreclosure case filed prior to the date the demand for statement is received by the lienor.

Section 713.20, Florida Statutes, relates to the waiver or release of liens. In subsection (1) the acceptance by the lienor of an unsecured note for all or any part of the amount of his or her demand will not constitute a waiver of his or her lien unless expressly so agreed in writing, nor will it in any way affect the period for filing the notice under s. 713.06(2), F.S., or the claim of lien under s. 713.08, F.S. Subsection (2) provides that a right to claim a lien may not be waived in advance. A lien right may be waived only to the extent of labor, services, or materials furnished. Any waiver of a right to claim a lien that is made in advance is unenforceable. In subsection (3) any person may at any time waive, release, or satisfy any part of his or her lien under this part, either as to the amount due for labor, services, or materials furnished or for labor, services, or materials furnished through a certain date subject to exceptions specified at the time of release, or as to any part or parcel of the real property. Lastly, subsection (4) provides that a lienor is required to execute a waiver or release of lien in exchange for, or to induce payment of, a progress payment. The waiver or release may be substantially in the form outlined in this section.

Section 712.23(1)(a), Florida Statutes, provides that the payment bond required to exempt an owner must be furnished by the contractor in at least the amount of the original contract price before commencing the construction of the improvement under the direct contract, and a copy of the bond must be attached to the Notice of Commencement when the Notice of Commencement is recorded. The bond must be executed as surety by a surety insurer authorized to do business in this state and must be conditioned that the contractor must promptly make payments for labor, services, and material to all lienors under the contractor's direct contract.

Section 712.23(1)(c), Florida Statutes, provides that either before beginning or within 45 days after beginning to furnish labor, materials, or supplies, a lienor who is not in privity with the contractor, except a laborer, must serve the contractor with notice in writing that the lienor will look to the contractor's bond for protection on the work. If a Notice of Commencement is not recorded, or a reference to the bond is not given in the Notice of Commencement, and in either case if the lienor not in privity with the contractor is not otherwise notified in writing of the existence of the bond, the lienor not in privity with the contractor shall have 45 days from the date the lienor is notified of the existence of the

bond within which to serve the notice. The notice may be substantially in the form provided in this section.

Section 712.23(1)(d), Florida Statutes, provides that a lienor is required, as a condition precedent to recovery under the bond, to serve a written notice of nonpayment to the contractor and the surety not later than 90 days after the final furnishing of labor, services, or materials by the lienor. This paragraph provides a form for the notice of nonpayment.

Section 712.23(1)(e), Florida Statutes, provides that no action for the labor or materials or supplies may be instituted or prosecuted against the contractor or surety unless both notices have been given. Similarly, no action can be instituted or prosecuted against the contractor or against the surety on the bond after 1 year from the performance of the labor or completion of delivery of the materials and supplies.

Section 712.23(1)(f), Florida Statutes, provides that any lienor has a direct right of action on the bond against the surety. A bond cannot contain any provisions restricting the classes of persons protected thereby or the venue of any proceeding.

Section 713.24(1), Florida Statutes, provides for transfer of liens to security. In Zalay v. Ace Cabinets of Clearwater, Inc., 700 So. 2d 15 (Fla. 2d DCA 1997), the court stated that the critical issue in the case was whether the language of s. 713.06, F.S., permits the attorneys' fees and costs ultimately awarded under s. 713.29, F.S., to become a lien against the property. The court held that the limitation in s. 713.06(3)(h), F.S., is intended to define the extent of the lien for the lienor's materials or services prior to litigation, and is not intended to preclude a lien for costs and attorneys' fees in a lien foreclosure action. The court reasoned that the attorneys' fees awarded under s. 713.29, F.S., are not an element of damages, but are taxed as part of the costs. If a lien is transferred to a security, the deposit or bond must include an amount to cover three years' interest and \$500 to apply to any court costs which may be taxed in a proceeding to enforce the lien. According to the court in Zalay, "[a]lthough the \$500 amount is far less than the costs in this case, the legislature would have made no allowance for costs if it did not intend the costs to create a lien against the property. We note that the \$500 limitation for costs does not preclude the lienor from requesting a higher bond, and costs above the \$500 may be paid from the bond." Id. at 18.

In Mesch v. Berry, 528 So. 2d 1250 (Fla. 1st DCA 1988), the court stated that the subcontractor could obtain an unsecured judgment against the contractor for attorneys' fees if the amount deposited to transfer the lien was insufficient to cover the litigation costs. The court went on to say that if the subcontractor was concerned about the amount of the bond, he could have sought an order pursuant to s. 713.24(3), F.S., to require additional security. In this case, the subcontractor erroneously proceeded against the owners. The court stated the subcontractor had no cause of action against them to enforce his lien, once the transfer bond was posted.

B. EFFECT OF PROPOSED CHANGES:

See "Section-By-Section Research"

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Yes.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The bill permits contractors or a contractor's agent or attorney to file a notice of contest of claim against a payment bond and thereby to shorten the time to enforce a claim. This process provides for specified acts by the clerk of court.

The bill also permits contractors to request statements of account.

(3) any entitlement to a government service or benefit?

No

b. If an agency or program is eliminated or reduced:

An agency or program is not eliminated or reduced.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No

b. Does the bill require or authorize an increase in any fees?

No

c. Does the bill reduce total taxes, both rates and revenues?

No

d. Does the bill reduce total fees, both rates and revenues?

No

e. Does the bill authorize any fee or tax increase by any local government?

No

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

This bill makes changes to the way construction lien law operates. It provides more protection to construction contractors and to providers of solid-waste collection services.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

This bill makes changes to the way construction lien law operates. It provides more protection to construction contractors and to providers of solid-waste collection services.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

This bill does not purport to provide services to families or children.

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

No

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

This bill does not create or change a program providing services to families or children.

- (1) parents and guardians?

N/A

- (2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Amends sections 255.05, 713.01, 713.06, 713.132, 713.18, 713.23, 713.24, and creates section 713.235, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

Section 1.

Amends paragraph (1)(a) of section 255.05, Florida Statutes, to provide that the payment and performance bond must be provided before commencing work, *or before recommencing work after a default or abandonment*. This paragraph is further amended to require that identifying information must be on the front page of the bond, and the identifying information required is expanded to include the telephone number of the contractor, the surety, and the owner of the property, and if different from the owner, the contracting public entity and the contract number, and, if applicable, a legal description and the street address of the property being improved, and a general description of the improvement.

Creates subparagraph 1. in section 255.05(2)(a), Florida Statutes, to provide that a contractor or the contractor's agent or attorney may elect to shorten the time within which an action to enforce any claim against a payment bond may be commenced by recording in the clerk's office a Notice of Contest of Claim Against Payment Bond in substantially the prescribed form set forth in the subparagraph. The notice specifies that the contractor is contesting the notice of nonpayment, and provides that the claimant must file suit to enforce the claim within 60 days from the date of service of the notice.

Subparagraph 1. provides that the claim, of any claimant upon whom a Notice of Contest of Claim Against Payment Bond is served who fails to institute a suit to enforce his or her claim against the payment bond within 60 days after service of the notice, is extinguished automatically. The clerk is required to mail a copy of the Notice of Contest of Claim Against Payment Bond to the claimant at the address shown in the notice of nonpayment or most recent amendment thereto and must certify to such service on the face of the notice and record the notice. Service is deemed complete upon mailing.

Renumbers existing section 255.05(2)(a), Florida Statutes, as subparagraph 2., and amends same to provide that an action, except for an action exclusively for recovery of retainage, must be instituted against the contractor or the surety on a bond within 1 year after the performance of the labor or completion of delivery of the materials or supplies. This paragraph further provides that an action exclusively for recovery of retainage must be instituted against the contractor or the surety within 1 year after the performance of the labor or completion of delivery of the materials or supplies, or within 90 days after the contractor's receipt of final payment by the contractor or surety, whichever comes last.

Paragraphs (b) and (c) of section 255.05(2), Florida Statutes, are amended to make technical changes in dates.

Creates subsection (8) in section 255.05, Florida Statutes, to provide that when a contractor has furnished a payment bond, he or she may, when the governmental entity or other public authority makes any payment to the contractor or to a claimant, serve a written demand on any other claimant for a written statement under oath of his or her account showing: the nature of the labor or services performed and to be performed, if any; the materials furnished; the materials to be furnished, if known; the amount paid on account to date; the amount due; and the amount to become due, as of the date of the statement by the claimant.

Subsection (8) further provides that any such demand to a claimant must be served on the claimant at the address and to the attention of any person who is designated to receive the demand in the notice to contractor served by the claimant. The failure or refusal to furnish the statement does not deprive the claimant of his or her rights under the bond if the demand is not served at the address of the claimant or directed to the attention of the person designated to receive the demand in the notice to contractor. The failure to furnish the statement within 30 days after the demand, or the furnishing of a false or fraudulent statement, deprives the person who fails to furnish the statement, or who furnishes the false or fraudulent statement, of his or her rights under the bond.

Furthermore, if the contractor serves more than one demand for statement of account on a claimant and none of the information regarding the account has changed since the claimant's last response to a demand, the failure or refusal to furnish the statement does not deprive the claimant of his or her rights under the bond.

This provision would appear to permit the contractor to send out demands as often as he or she wishes whether or not there is a change in the claim. This could be problematic for a small claimant in complying with the 30-day response time requirement -- with a penalty of losing the claimant's rights under the bond.

Subsection (8) also provides that the negligent inclusion or omission of any information deprives the person of his or her rights under the bond to the extent that the contractor can demonstrate prejudice from such act or omission by the claimant.

This provision could result in a harsh penalty for a negligent act or omission. It is not clear what kinds of acts or omissions are contemplated in this provision.

The failure to furnish a response to a demand for statement of account does not affect the validity of any claim on the bond being enforced in a lawsuit filed prior to the date the demand for statement of account is received by the claimant.

Section 2.

Amends section 713.01, Florida Statutes -- to include solid-waste collection or disposal on the site of the improvement in the definition of the term "improve". As well, the terms "improvement", "subcontractor" and "sub-subcontractor" are amended to include solid-waste removal.

Section 3.

Section 713.06, Florida Statutes, relates to liens of persons not in privity with the owner, and proper payments.

Amends section 713.06(2)(a), Florida Statutes -- which provides that the notice on the owner must be served before commencing, or not later than 45 days after commencing, to furnish services or materials, but, in no event, before the date of the owner's disbursement of the final payment after the contractor has furnished the affidavit under subparagraph (3)(d)1., -- to add the furnishing of "labor".

Amends subparagraph 1. of section 713.06(3)(d), Florida Statutes -- which provides that when the final payment under a direct contract becomes due the contractor shall give to the owner an affidavit stating, if that be the fact, that all lienors under his or her direct contract have been paid in full or, if the fact be otherwise, showing the name of each lienor who has not been paid in full and the amount due or to become due each for labor, services, or materials furnished -- to provide that only the lienors "who have timely served a notice to owner on the owner and the contractor" need be listed in the affidavit.

Subparagraph 1. is further amended to provide that a mistake or error in the contractor's affidavit which has not prejudiced the owner will not constitute a default that operates to defeat an otherwise valid lien.

Section 4.

Amends paragraph (f) of section 713.132, Florida Statutes -- which provides for a notice of termination -- to add that the owner is not required to serve a copy of the notice of termination on any lienor who has executed a waiver and release of lien upon final payment in accordance with s. 713.20, F.S.

Section 5.

Amends section 713.18, Florida Statutes -- regarding manner of serving notices and other instruments -- to add that if a notice to owner is mailed within 40 days after the date the lienor first furnished labor, services, or materials, service of that notice is effective as of the date of mailing if the person who served the notice maintains a registered or certified mail log that shows the date the notice was served, and the date stamp of the United States Postal Service confirming the date of mailing.

Section 6.

Amends paragraph (e) of section 713.23(1), Florida Statutes -- regarding payment bonds --to provide that a contractor or the contractor's agent or attorney may elect to shorten the prescribed time within which an action to enforce any claim against a payment bond may be commenced by recording in the clerk's office a Notice Of Contest Of Claim Against Payment Bond in substantially the same form as set forth in that paragraph. In addition, the claim, of any lienor upon whom such notice is served who fails to institute a suit to enforce his or her claim against the payment bond within 60 days after service of such notice, shall be extinguished automatically. The clerk must mail a copy of the notice of contest to the lienor at the address shown in the notice of nonpayment or most recent amendment thereto and must certify to such service on the face of such notice and record the notice. Service is complete upon mailing.

Section 7.

Creates section 713.235, Florida Statutes, to provide for waivers of the right to claim against a payment bond and prescribes the form of such waivers. When a person is required to execute a waiver of his or her right to make a claim against a payment bond in exchange for, or to induce payment of, a progress payment or final payment, the waiver form used "may be in substantially" the form set forth in that section.

Section 8.

Amends subsection (1) of section 713.24, Florida Statutes -- regarding transfer of liens to security -- to add language that **attorney's fees** are covered by the bond, and that \$1,000 or **25 percent** of the amount demanded in the claim of lien, **whichever is greater**, applies to attorney's fees and court costs that may be taxed in any proceeding to enforce the lien. The provision originally only provided for \$500 toward court costs. In addition, the amendatory language provides that in the absence of allegations of privity between the lienor and the owner, and subject to any order of the court increasing the amount required for the lien transfer deposit or bond, no other judgment or decree to pay money may be entered by the court against the owner. Finally, subsection (3) is amended to provide that if the court finds that the amount of the deposit or bond in excess of the amount claimed in the claim of lien is insufficient to pay the lienor's attorney's fees and court costs, the court must increase the amount of the cash deposit or lien transfer bond.

Section 9.

Provides that this act shall take effect July 1 of the year in which enacted.

IV. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None

2. Recurring Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None

2. Recurring Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

None

3. Effects on Competition, Private Enterprise and Employment Markets:

None

D. FISCAL COMMENTS:

None

V. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

VI. COMMENTS:

Section 255.05(2)(a)1., Florida Statutes, is added to provide that a contractor or the contractor's agent or attorney may elect to shorten the time prescribed in paragraph (a) within which an action to enforce any claim against a payment bond may be commenced by serving a notice substantially in a prescribed form on the affected claimant. The notice specifies that the contractor is contesting the notice of nonpayment, and provides that the claimant must file suit to enforce the claim within 60 days from the date of service of the notice.

Since the form must be in "substantially" the specified form, it is not clear whether the contractor, contractor's agent, or attorney could shorten the time for bringing an action to something less than 60 days.

VII. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VIII. SIGNATURES:

COMMITTEE ON REAL PROPERTY & PROBATE:

Prepared by:

Legislative Research Director:

P.K. Jameson, J.D.

P.K. Jameson, J.D.

AS REVISED BY THE COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

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J. Marleen Ahearn, Ph.D., J.D.

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FINAL RESEARCH PREPARED BY COMMITTEE ON REAL PROPERTY & PROBATE:

Prepared by:

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STORAGE NAME: s1466s1z.rpp

DATE: June 2, 1998

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