



**House
Legislative
Analysis
Section**

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INCREASE CONTRACTORS' LICENSE FEES

House Bill 4747 (Substitute H-2)
House Bills 4748 and 4749 with committee
amendments
First Analysis (6-1-89)

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JUL 11 1989

Sponsor: Rep. Juanita Watkins
Committee: Labor

Mich. State Law Library

THE APPARENT PROBLEM:

In 1980, the Bureau of Construction Codes in the Department of Labor assumed primary responsibility for the enforcement of construction regulations, and the Construction Code Fund was created to deposit fees received by the department. At present, the department says that more revenues are needed to provide funding for 20 additional employees — 13 inspectors and 7 permanent clerical workers — and to pay for hand-held computers for inspectors. The additional inspectors are needed due to the increase in the bureau's licensing activities, and the clerical staff would replace rotating temporary personnel. The department proposes that legislation be enacted to increase license fees for electricians, plumbers, and contractors to provide part of this revenue. In addition, the Construction Code Commission also proposes to increase by administrative action plumbing permits, from \$90 to \$97; electrical permits, from \$84 to \$90; mechanical permits, from \$80 to \$86; building permits, from \$750 to \$805; and barrier free design exceptions, from \$80 to \$200.

THE CONTENT OF THE BILL:

House Bills 4747 - 4749 would amend the Electrical Administrative Act, the Forbes Mechanical Contractors Act, and the act which regulates the licensing of plumbers, respectively, to provide for an increase in certain license fees and requirements, effective October 1, 1989. By January 1, 1991, the Department of Labor would be required to report to the House Labor Committee on the increase in the number of inspectors employed as a result of the increased fees.

Under House Bill 4747, initial license and license renewal fees would be as follows:

	INITIAL/RENEWAL FEE
(A) Electrical Contractor (currently, Class 1)	\$75.00
(B) Master Electrician (currently, Class 2)	25.00
(C) Journeyman Electrician (currently, Class 3)	20.00

The above fees reflect an increase, from \$15.00 to \$20.00, for journeyman electrician licenses, and the establishment of a new examination fee of \$25.00 for licensure as a master electrician or a journeyman electrician.

Under the bill, licenses would expire on December 31 of each year and would be renewable within 60 days upon

application and payment of the above fees. Licenses not renewed after March 1 of each year would be considered void and could be reinstated only upon application for reinstatement and payment of the license fees for the appropriate class. The bill would also amend the act to require that an electrical contractor with a dual license as a master electrician pay fees for both licenses.

MCL 338.883

Under House Bill 4748, the initial fee and the renewal fee for a mechanical contractor's license would be raised from \$25.00 to \$75.00.

MCL 338.980

Under House Bill 4749, the application fee for examination for a journeyman plumber's license would be increased from \$15.00 to \$25.00. Initial license fees for a master plumber license would be raised from \$50.00 to 75.00, and initial license fees for a journeyman plumber would be raised from \$15.00 to \$20.00. Reinstatement application fees for a master plumber would be raised from \$60.00 to \$75.00, and from \$20.00 to \$25.00 for a journeyman plumber.

MCL 338.908

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the fee increases proposed in the bills (combined with the proposed increases in permit fees) would result in an increase of \$1,039,500 in revenues to the Construction Code Fund. This amount is assumed in the 1989-90 Department of Labor budget bill as it passed the Senate. (5-5-89)

ARGUMENTS:

For:

There is a general consensus among electrical, plumbing and mechanical contractors that more Bureau of Construction Codes inspectors are needed to enforce compliance with the state's construction codes, to respond to applicants' requests for licensing and examination, and to inspect job sites. Additional staff is needed to resolve consumer complaints, to take disciplinary action against licensees who violate construction rules and who work without appropriate permits, and to detect and prosecute those who work without the required licenses. The increase in fees proposed in the bills would provide revenues to allow the bureau to hire additional staff to keep up with these increasing demands.

Against:

Many in the construction industry agree that more bureau inspectors are needed, but feel that an improvement in the quality of services provided by the bureau is of equal

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importance. Many have expressed dissatisfaction with the quality of inspections, the inability to get prompt decisions, and the fact that the bureau operates under codes that are considered outdated. They contend that the bureau's top priority should be policing the nonlicensed contractors who operate without permits and ignore applicable codes, and who jeopardize the health and safety of the public. Bureau inspectors, it is alleged, pay no attention to these problems. Some industry spokespersons also contend that the spirit, if not the letter, of the law is violated by large utility companies who keep one licensee on their staff and on that basis dispatch furnace repairpersons all over the state.

POSITIONS:

The Department of Labor supports the bills. (5-3-89)

The Michigan Heating, Ventilation and Air Conditioning Contractors Association supports House Bill 4748. (5-4-89)

The Michigan State Building and Construction Trades Council supports the bills. (5-4-89)

The Michigan State AFL-CIO supports the bills. (5-4-89)

The Air Conditioning Contractors of America, Michigan Chapter, supports the bills. (5-4-89)

Pipefitters Local 636 supports the bills. (5-4-89)

The National Electrical Contractors Association, Michigan Chapter, supports the bills. (5-4-89)

The Electrical Workers State Conference supports the bills. (5-4-89)

The Plumbers U. A., Local 370, Lapeer, Genessee, and Shiawassee Counties, supports the bills. (5-4-89)

The Lansing Mechanical Contractors Association supports the bills. (5-4-89)

The following organizations support the bills as amended to provide for a January 1, 1991, reporting date, since they are concerned that an increase in fees will simply provide for higher salaries and not a higher quality of inspection. If, at the end of this two-year period, their concerns prove valid, they suggest that the increase in fees be rescinded. (5-4-89)

Detroit Chapter, Sheet Metal and Air Conditioning Contractors National Association.

Metropolitan Detroit Plumbing and Mechanical Contractors Association.

The Plumbing, Heating, Cooling Contractors Association of Southeastern Michigan.

Michigan Plumbing and Mechanical Contractors Association.

The Michigan Association of Home Builders supports the bills, but also expresses reservations about the quality of inspection, and feels that more than 13 additional inspectors are needed. (5-4-89)

Associated Builders and Contractors, Inc. opposes the bills. (5-4-89)