



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4843 (Substitute H-5 as passed by the House)
House Bill 4844 (Substitute H-3 as passed by the House)
House Bill 4846 (Substitute H-3 as passed by the House)
House Bill 4848 (Substitute H-3 as passed by the House)

Sponsor: Representative Kathleen Law (H.B. 4843)
Representative Mark Meadows (H.B. 4844)
Representative Gabe Leland (H.B. 4846)
Representative Bert Johnson (H.B. 4848)

House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 12-9-08

CONTENT

The bills would increase the fees paid for licensing, registration, and examinations by various contractors and apprentices regulated under the State Plumbing Act, the Electrical Administrative Act, the Forbes Mechanical Contractors Act, and the Building Officials and Inspectors Registration Act. The current and proposed fees are shown in Table 1 (attached).

The bills would establish a mechanism to allow the Department of Labor and Economic Growth to implement future fee increases while also authorizing the Legislature to reject any increases by adopting a resolution within 90 days of notification. The fee adjustment process would require the Department annually, by July 1, to calculate the average percentage increase in wage and salary compensation awarded to civil service employees for the subsequent fiscal year. When the cumulative increase in average wage and salary compensation amounted to 10.0% or more from the most recent fee increase, the Department would be able to increase the fees by that percentage. If the increase totaled less than 10.0%, then fees would remain the same. Annually, by July 1, the Department would be required to report the schedule of fees determined under the procedure and the amount of increase to the State Budget Office, the Senate and House of Representatives, and the Senate and House Fiscal Agencies. The Legislature could reject the fee increase by approving a resolution to that effect within 90 days after receiving the report.

MCL 338.3541 & 338.3545 (H.B. 4843)

MCL 338.883 (H.B. 4844)

MCL 338.980 (H.B. 4846)

MCL 338.2313 (H.B. 4848)

FISCAL IMPACT

The bills would increase revenue to the Construction Code Fund established in the Department of Labor and Economic Growth (DLEG). The Construction Code Fund receives revenue from various contractor licenses and permits issued by DLEG. The Fund supports the operations of the Bureau of Construction Codes, which administers licensure of contractors and the application of building codes.

Most licensees renew on a staggered three-year cycle; thus, revenue to the Construction Code Fund varies considerably from year to year depending on the profession renewing. The amount of revenue from permit activity also varies annually. Estimated revenue to the Construction Code Fund is shown in [Table 2](#). The revenue influx every three years is typically carried forward to support the work of the Bureau of Construction Codes in the off years when license renewal revenue is lower.

Table 2

Estimated Revenue to Construction Code Fund Under House Bills 4843, 4844, 4846, and 4848			
	Estimated Revenue with Current Fees	Estimated Revenue with Proposed Fees	Difference
FY 2006-07	\$12,702,100		N/A
FY 2007-08	\$7,279,500		N/A
FY 2008-09	\$7,810,100	\$7,965,000	\$154,900
FY 2009-10	\$12,714,600	\$15,649,900	\$2,935,300

Source: Department of Labor and Economic Growth

In recent years, fee revenue to the Construction Code Fund has been insufficient to support expenditures. Revenue to the Fund has been constrained by economic conditions that have reduced permitting for construction projects. There also have been increased demands on the Construction Code Fund. For FY 2003-04 to FY 2005-06, approximately \$3.7 million from the Fund was spent to support the operations of the fire safety program, which was then part of the Bureau of Construction Codes. The fire safety program has since been established as a separate bureau funded with GF/GP revenue.

In response to revenue constraints, the Bureau of Construction Codes reduced staffing, eliminating 17.0 FTEs and 4.0 student assistant positions in FY 2006-07. To prevent a deficit in the Fund in FY 2008-09, the DLEG budget (Public Act 251 of 2008) includes a one-time transfer of \$3.0 million to the Construction Code Fund from Corporation Fees-Certification and Copy Fees Fund revenue. This transfer will allow the Department to maintain current staff and services in FY 2008-09, but will not address the ongoing imbalance in revenue and expenditures.

Assuming that the bills would be effective as of January 1, 2009, the proposed fee increases would provide additional revenue to the Construction Code Fund of an estimated \$154,900 in FY 2008-09 and \$2.9 million in FY 2009-10. It is projected that this additional revenue would bring the Construction Code Fund back into balance.

The bills would permit adjustments in the level of fees based on the increase in the average wage and salary compensation of State classified civil service employees. The mechanism proposed by the bills would require computation of the cumulative increase in the average wage and salary compensation of classified civil service employees as of July 1 annually. When that cumulative change reached at least 10.0%, the fee could be increased by the same cumulative percentage. The Department then would notify the Legislature of the proposed increase in fees. The adjusted fees would take effect the following October 1, unless rejected by the Legislature. [Table 3](#) shows an example of how the increase mechanism would be applied to a \$100 fee.

Table 3

Example of Proposed Cumulative Fee Increase Mechanism			
	Classified Salary & Wage Increase	Cumulative Increase	Applicable Fee After Adjustment
Year 1	3.0%	3.0%	\$100
Year 2	3.0%	6.0%	\$100
Year 3	3.0%	9.0%	\$100
Year 4	3.0%	12.0%	\$112

The wage increases for classified civil service employees under the current civil service contract are zero for the current fiscal year, 1.0% for FY 2009-10, and 3.0% for FY 2010-11. Based on these scheduled increases, the 10.0% trigger for increasing the level of contractor fees would not be met for several years.

The Leadership Target Agreement on the FY 2008-09 budget included an increase of the Construction Code Fund fees to bring the Fund into balance.

Fiscal Analyst: Elizabeth Pratt, Maria Tyszkiewicz

Table 1

Current and Proposed Contractor Fees Under House Bills 4843, 4844, 4846, and 4848			
	Year of Last Fee Increase	Current Fee	Proposed Fee
<u>HB 4843 (H-5)</u>			
Apprentice plumber, licensee fee	2003	\$5	\$15
Apprentice plumber, reinstatement fee	2003	\$10	\$20
Journey plumber, license fee	1989	\$20	\$40
Journey plumber, reinstatement fee	2003	\$25	\$50
Journey plumber, examination fee	2003	\$50	\$100
Master plumber, examination fee	1989	\$50	\$100
Master plumber, license and renewal fee	1989	\$200	\$300
Master plumber/Plumbing contractor reinstatement fee	2003	\$85	\$100
Plumbing contractor, examination fee	2003	\$50	\$100
Plumbing contractor, license and renewal fee	2003	\$20	\$300
Replacement license	--	\$20	\$30
<u>HB 4844 (H-3)</u>			
Apprentice electrician, initial registration fee	1991	\$5	\$15
Apprentice electrician/specialty apprentice registration renewal	1990 & 1992	\$10	\$15
Electrical contractor (three-year fee) Examination fee	1989 1989 & 1992	\$200 \$25	\$300 \$100
Electrical journeyman, license fee	1989	\$20	\$40
Fire alarm contractor (three-year fee)	1992	\$200	\$300
Fire alarm specialty technician	1992	\$25	\$50
Fire alarm specialty apprentice technician	1992	\$5	\$15
Master electrician, license fee	1989	\$25	\$50
Sign specialist	1992	\$20	\$40
Sign specialty contractor (three-year fee)	1992	\$120	\$200
<u>HB 4846 (H-3)</u>			
Mechanical contractor examination fee	1984	\$25	\$100
Mechanical contractor license	1989	\$75	\$100
<u>HB 4848 (H-3)</u>			
Building officials, inspectors, plan reviewers registration	1986	\$10	\$25

Source: Department of Labor and Economic Growth

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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.