

Legislative Analysis



EXTENSION OF LARA FEE SUNSETS AND EXEMPTION OF VETERANS FROM FEES

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House Bills: 5818 (H-1), 5819 (H-1), 5820 (H-1), 5821 (H-1), 5822 (H-1), 5823 (H-1), 5824 (H-2), 5825 (H-2), & 5893 (H-1)

Sponsor: Rep. Pscholka

Committee: Appropriation

Complete to September 20, 2012

A SUMMARY OF HOUSE BILLS 5818 THROUGH 5825 AND 5893 AS PASSED BY HOUSE

These House Bills amend various public acts to maintain FY 2011-12 fee amounts by extending past fee increases which would otherwise expire (a.k.a. "sunset") on September 30, 2012 to September 30, 2015. The State Budget Office (SBO) assumed the elimination or extension of these fee sunsets in the creation of the FY 2012-13 Executive Budget Recommendation as did the Legislature in the drafting of the annual appropriation act for the Department of Licensing and Regulatory Affairs (LARA). The fee sunsets extended by each bill and the estimated revenue assumed in the FY 2012-13 LARA budget based on fee sunsets being extended, thus maintaining the FY 2011-12 fee amounts, are summarized below.

HB 5818 (H-1) extends certain fee sunsets established by the Uniform Securities Act (2002 PA 551) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Securities broker/dealer annual registration fee	\$250.00	\$300.00	\$100,200
Securities agent annual registration and/or change fee	\$30.00	\$65.00	\$5,125,000
Securities investment advisor annual registration fee	\$150.00	\$200.00	\$30,000
Securities investment advisor representative annual registration and/or change fee	\$30.00	\$65.00	\$359,400
Securities federal covered investment advisor annual notice fee	\$150.00	\$200.00	\$188,700

Additionally, HB 5818 (H-1) waives any and all fees (including fees not described above) collected under the section for individuals who are honorably-discharges veterans, nonprofit

entities with a majority of members or directors who are honorably-discharges veterans, and for-profit entities for which a majority of shares or other ownership interests are owned by one or more honorably-discharges veterans.

HB 5819 (H-1) extends certain fee sunsets established by the Nonprofit Corporation Act (1982 PA 162) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Non-profit corporation annual report filing	\$10.00	\$20.00	\$506,100

Additionally, HB 5819 (H-1) waives any and all fees (including fees not described above) collected under the section for nonprofit entities with a majority of members or directors who are honorably-discharges veterans.

HB 5820 (H-1) extends certain fee sunsets established by the Michigan Limited Liability Company Act (1993 PA 23) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
LLC annual statement of resident agent	\$15.00	\$25.00	\$3,340,000

Additionally, HB 5820 (H-1) waives any and all fees (including fees not described above) collected under the section for limited liability companies for which a majority of membership interests are held by one or more honorably-discharges veterans.

HB 5821 (H-1) extends certain fee sunsets established by the State Plumbing Act (2002 PA 733) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Journey plumber annual license	\$20.00	\$40.00	\$99,500
Journey plumber license reinstatement	\$25.00	\$50.00	
Apprentice plumber annual license	\$5.00	\$15.00	\$21,000
Apprentice plumber license reinstatement	\$10.00	\$20.00	
Journey or master plumber, or plumbing contractor exam fee	\$50.00	\$100.00	\$39,500
Master plumber or plumbing contractor annual license	\$200.00	\$300.00	\$494,700

Replacement of lost/destroyed plumbing license	\$20.00	\$30.00	
Master plumber or plumbing contractor license reinstatement	\$85.00	\$100.00	

Additionally, HB 5821 (H-1) waives any and all fees (including fees not described above) collected under the section for individuals who are honorably-discharges veterans, nonprofit entities with a majority of members or directors who are honorably-discharges veterans, and for-profit entities for which a majority of shares or other ownership interests are owned by one or more honorably-discharges veterans.

HB 5822 (H-1) extends certain fee sunsets established by the Forbes Mechanical Contractors Act (1984 PA 192) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Mechanical contractor exam fee	\$25.00	\$100.00	\$43,900
Mechanical contractor annual license	\$75.00	\$100.00	\$703,800

Additionally, HB 5822 (H-1) waives any and all fees (including fees not described above) collected under the section for individuals who are honorably-discharges veterans, nonprofit entities with a majority of members or directors who are honorably-discharges veterans, and for-profit entities for which a majority of shares or other ownership interests are owned by one or more honorably-discharges veterans.

HB 5823 (H-1) extends certain fee sunsets established by the Electrical Administrative Act (1956 PA 217) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Electrician exam fee	\$25.00	\$100.00	\$112,500
Master electrician annual license	\$25.00	\$50.00	\$278,000
Electrical journeyman annual license	\$20.00	\$40.00	\$279,500
Apprentice electrician and specialty apprentice electrician annual license/registration	\$5.00	\$15.00	\$35,000
Fire alarm specialty technician annual license	\$25.00	\$50.00	\$17,000
Fire alarm specialty apprentice technician annual license	\$5.00	\$15.00	

Sign specialist annual license	\$20.00	\$40.00	\$7,500
Electrical, fire alarm, and sign specialty contractor annual license	\$100.00	\$200.00	\$609,100

Additionally, HB 5823 (H-1) waives any and all fees (including fees not described above) collected under the section for individuals who are honorably-discharges veterans, nonprofit entities with a majority of members or directors who are honorably-discharges veterans, and for-profit entities for which a majority of shares or other ownership interests are owned by one or more honorably-discharges veterans.

HB 5824 (H-2) extends certain fee sunsets established by the Building Officials and Inspectors Registration Act (1986 PA 54) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Building official/inspector annual registration	\$10.00	\$25.00	\$2,300

Additionally, HB 5824 (H-2) waives any and all fees (including fees not described above) collected under the section for individuals who are honorably-discharges veterans.

HB 5825 (H-2) extends certain fee sunsets established by the State License Fee Act (1979 PA 152) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Professional engineer application processing fee	\$30.00	\$35.00	\$465,800
Professional engineer annual license	\$20.00	\$40.00	
Land surveyor application processing	\$30.00	\$35.00	\$24,500
Student barber, barber, student instructor, barber instructor application processing fee	\$15.00	\$20.00	\$284,300
Barbershop application processing fee	\$40.00	\$50.00	
Barber college application processing fee	\$50.00	\$75.00	
Student barber, barber, student instructor annual license fee	\$15.00	\$30.00	
Barber instructor annual license fee	\$25.00	\$40.00	
Barbershop annual license fee	\$30.00	\$40.00	

Demonstrator's or demonstration temporary permit	\$10.00	\$15.00	
Collection agency manager license	\$25.00	\$35.00	\$10,500
Community planner application processing fee	\$30.00	\$35.00	\$1,200
Cosmetologist application processing fee	\$10.00	\$15.00	\$1,555,700
Cosmetologist annual license	\$12.00	\$24.00	
Cosmetologist student registration	\$5.00	\$15.00	
Employment or consulting agent annual license	\$30.00	\$40.00	\$2,200
Forester annual registration	\$25.00	\$40.00	\$300
Hearing aid dealer trainee annual license	\$20.00	\$40.00	\$7,000
Real estate brokers and associate brokers application processing fee	\$20.00	\$35.00	\$41,000
Real estate branch office annual license	\$10.00	\$20.00	
Certified general or residential, licensed, or limited real estate appraiser application processing fee	\$25.00	\$35.00	\$20,700
Mortuary science or funeral director annual license	\$30.00	\$40.00	\$104,300
Funeral resident trainee annual license	\$15.00	\$30.00	
Ocularist application processing	\$15.00	\$35.00	\$200
Ocularist annual registration	\$20.00	\$40.00	
Ocularist apprentice annual registration	\$10.00	\$20.00	

Additionally, HB 5825 (H-2) waives any and all fees (including fees not described above) collected under the State License Fee Act for individuals who are honorably-discharges veterans, nonprofit entities with a majority of members or directors who are honorably-discharges veterans, and for-profit entities for which a majority of shares or other ownership interests are owned by one or more honorably-discharges veterans.

HB 5825 (H-2) also formally creates the Licensing and Regulation Fund under the State License Fee Act and stipulates that the money in the Fund at the close of the fiscal year would not lapse into the General Fund. Currently, Section 320 of 2012 PA 200, as well as previous appropriation acts, stipulates that revenue collected by the Bureau of Commercial Services from licensing and regulation fees may be carried forward into subsequent years. HB 5825 (H-2) would enshrine the substance of this boilerplate section into the State License Fee Act. However, HB 5825 (H-2)

stipulates that money in the Fund would be used to offset the costs of operating the Department, that language is not included in Section 320.

HB 5893 (H-1) extends certain fee sunsets established by the Business Corporation Act (1972 PA 284) for three years, specifically:

Fee	Amount under Current Law for FY 2012-13 (if Sunsets are Retained)	Amount if Sunsets are Eliminated (Existing FY 2011-12 Amounts)	SBO Estimated Revenue (if Sunsets are Eliminated)
Business corporation annual report filing	\$15.00	\$25.00	\$1,320,000

Additionally, HB 5893 (H-1) waives any and all fees (including fees not described above) collected under the section for corporations for which a majority of shares are owned by one or more honorably-discharged veterans.

FISCAL IMPACT:

These House Bills would have opposing fiscal impacts on the Bureaus of Commercial Services (BCS) and Construction Codes (BCC) within the Department of Licensing and Regulatory Affairs (LARA).

The State Budget Office (SBO) estimates that the total revenue maintained by the elimination or extension of fee sunsets in these House Bills would be **\$16.2 million** annually. This revenue is not an increase over FY 2011-12, rather the House Bills would maintain the FY 2011-12 level of revenue through September 30, 2015. The SBO and Legislature assumed the collection of this revenue in the drafting of the FY 2012-13 Executive Recommendation and the annual appropriation act for LARA.

However, the exemption of honorably-discharged veterans from any and all fees collected under the applicable sections of these acts (not just the fees for which sunsets would be extended) would have a significant negative impact on the BCS and BCC. Because the BCS and BCC do not currently collect information pertaining to the veteran status of licensure applicants and incorporated entities it not known how many licensed individuals and incorporated entities are honorably-discharged veterans.¹ Therefore, HFA is unable to estimate the precise negative fiscal impact of exempting honorably-discharged veterans from any and all fees collected under the applicable sections of these acts is currently unknown.

In addition to the direct negative fiscal impact of the fee exemptions, the following administrative issues would require additional resources from the BCS and BCC:

- 1) Alteration of licensure application and corporate filing forms to include questions pertaining to the veteran status of applicants
- 2) Establishment of standards specifying what constitutes satisfactory proof of veteran status

¹ According to data provided by the U.S. Census Bureau and the U.S. Department of Veteran Affairs and analyzed by HFA, veterans (regardless of whether honorably discharge) constituted approximately 9.6% of the adult population of Michigan in 2010. It is unknown how many honorably discharged veterans are licensed or otherwise regulated under the amended public acts.

- 3) Development of agency procedures to verify licensure applicants' and incorporated entities' veteran status
- 4) Modification of the electronic application and filing systems and databases soon to be launched

Finally, because the BCS contracts with private third-parties to administer examinations for applicants seeking occupational licensure, it is uncertain how the waiver of fees for honorably-discharged veterans would affect the fees paid to the private third-party administrators. Depending on how interpreted, the fee waiver could potentially result in the BCS directly paying examination fees to private third-party administrators for the examination of honorably-discharged veterans.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.