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House Bill 5011 (Substitute H-2 as reported without amendment)

Sponsor: Representative Mark Ouimet

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

CONTENT

The bill would amend the Single State Construction Code Act to allow a governmental subdivision to contract with a private entity for certain activities involving the administration of the Construction Code.

Specifically, a governmental subdivision could contract with a private organization to receive building permit applications, receive payments of fees and fines, perform plan reviews and inspections using registered plan reviewers and inspectors, approve temporary service utilities, determine that structures or equipment are unsafe, process and deliver correction notices, or issue orders to connect or disconnect utilities, or to vacate premises, in emergency situations.

A governmental subdivision also could contract with a private organization to process and deliver various other orders as well as building permits, certificates of use and occupancy, and violation notices, after the building official had approved their issuance.

MCL 125.1502a et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would likely have a minimal fiscal impact on the State. Local governments largely handle the administration of the State Construction Code Act as it pertains to issuing individual permits for construction projects. The exceptions are typically small rural communities. To the extent that the State could obtain inspection and permit review services using private organizations for a lower cost than using Department of Licensing and Regulation Affairs personnel, some indeterminate amount of money could be saved. However, the Bureau of Construction Codes, which performs the services, is a self-funded agency. This means that any savings obtained by privatizing services would have no effect on State finances, but to the extent that permit and inspection fees could be lowered, some savings could accrue to individuals and businesses seeking permits.

At the local level, savings could be obtained where local permit and inspection fees generate an insufficient amount of revenue to operate local building permit and inspection programs, assuming a private contractor could perform the services for less than the local government. For local programs that do generate sufficient revenue, a less expensive private contractor could be used to lower the fees regulated individuals and businesses pay. For both State and local programs, it is not known whether a private contractor could provide services less expensively than those government entities can do so.

Date Completed: 1-26-12

Fiscal Analyst: Josh Sefton