



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5819 (Substitute H-1 as reported without amendment)
House Bill 5820 (Substitute H-1 as reported without amendment)
House Bill 5821 (Substitute H-1 as reported without amendment)
House Bill 5822 (Substitute H-1 as reported without amendment)
House Bill 5823 (Substitute H-1 as reported without amendment)
House Bill 5824 (Substitute H-2 as reported without amendment)
House Bill 5893 (Substitute H-1 as reported without amendment)

Sponsor: Representative Al Pscholka

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

The bills would delay for three years certain sunset dates for licensing and regulatory fees collected by the Department of Licensing and Regulatory Affairs (LARA). Under current law, these fees will be reduced by varying amounts on October 1, 2012. The fiscal year 2012-13 LARA budget was passed using fee revenue that was anticipated to be generated by the delay or elimination of these sunsets. The bills also would exempt the following from paying any fees under any of the sections that would be amended by the bills:

- Honorably discharged veterans.
- Nonprofit corporations organized on a membership or directorship basis where a majority of members or directors are honorably discharged veterans.
- Persons that are not individuals or nonprofit corporations where the majority of shares are owned by one or more veterans.

Details for each of the fees are in the sections below; the fee revenue estimates provided in end section do not take in account fee revenue that would be lost due to the exemptions for veterans.

House Bill 5819 (H-1) would delay for three years the fee sunset for nonprofit corporation annual report filing as established by the Nonprofit Corporation Act. The fee is currently \$20, and under current law will be reduced to \$10 on October 1, 2012. Extension of the fee would prevent this reduction and generate approximately \$506,100 annually.

House Bill 5820 (H-1) would delay for three years the fee sunset for limited liability corporation annual statements of resident agents as established by the Michigan Limited Liability Company Act. The fee is currently \$30, and under current law will be reduced to \$15 on October 1, 2012. Extension of the fee would prevent this reduction and generate approximately \$3,340,000 annually.

House Bill 5821 (H-1) would delay for three years the sunsets as established by the State Plumbing Act for the following fees:

Fee	Current Fee Level (pre-sunset)	Fee Level After 9-30-12 (post-sunset)	Revenue Generated by Delay of Sunset
Journey plumber annual license	\$40	\$20	\$99,500
Journey plumber license reinstatement	\$50	\$25	
Apprentice plumber annual license	\$15	\$5	\$21,000
Apprentice plumber license reinstatement	\$20	\$10	
Journey or master plumber, or plumbing contractor exam fee	\$100	\$50	\$39,500
Master plumber or plumbing contractor annual license	\$300	\$200	\$494,700
Replacement of lost/destroyed plumbing license	\$30	\$20	
Master plumber or plumbing contractor license reinstatement	\$100	\$85	
TOTAL – HB 5821 (H-1)	---	---	\$654,700

House Bill 5822 (H-1) would delay for three years the sunsets as established by the Forbes Mechanical Contractors Act for the following fees:

Fee	Current Fee Level (pre-sunset)	Fee Level After 9-30-12 (post-sunset)	Revenue Generated by Delay of Sunset
Mechanical contractor exam fee	\$100	\$25	\$43,900
Mechanical contractor annual license	\$100	\$75	\$703,800
TOTAL – HB 5822 (H-1)	---	---	\$747,700

House Bill 5823 (H-1) would delay for three years the sunsets as established by the Electrical Administrative Act for the following fees:

Fee	Current Fee Level (pre-sunset)	Fee Level After 9-30-12 (post-sunset)	Revenue Generated by Delay of Sunset
Exam fees	\$100	\$25	\$112,500
Master electrician annual license	\$50	\$25	\$278,000
Electrical journeyman annual license	\$40	\$20	\$279,500
Apprentice/specialty apprentice electrician annual license or registration	\$15	\$5	\$35,000
Fire alarm specialty technician annual license	\$50	\$25	\$17,000
Fire alarm specialty apprentice technician annual license	\$15	\$5	
Sign specialist annual license	\$40	\$20	\$7,500
Electrical, fire alarm, and sign specialty contractor annual license	\$200	\$100	\$609,100
TOTAL – HB 5823 (H-1)	---	---	\$1,338,600

House Bill 5824 (H-2) would delay for three years the fee sunset for building official annual registrations and building inspector annual registrations as established by the Building Officials and Inspectors Registration Act. The fees are currently \$25, and under current law will be reduced to \$10 on October 1, 2012. Extension of the fees would prevent this reduction and generate approximately \$2,300 annually.

House Bill 5893 (H-1) would delay for three years the fee sunset for business corporation annual report filing as established by the Business Corporation Act. The fees are currently \$25, and under current law will be reduced to \$15 on October 1, 2012. Extension of the fees would prevent this reduction and generate approximately \$1,320,000 annually.

MCL 450.3060 (H.B. 5819)
450.5101 (H.B. 5820)
338.3541 & 338.3545 (H.B. 5821)
338.980 (H.B. 5822)
338.883 (H.B. 5823)
338.2313 (H.B. 5824)
450.2060 (H.B. 5893)

FISCAL IMPACT

The bills would have a significant and positive fiscal impact on the Department of Licensing and Regulatory Affairs. In total, the bills would prevent the loss of approximately \$7,909,400 by delaying statutory reductions in fees that otherwise will go into effect on October 1, 2012. The fiscal year 2012-13 LARA budget included revenue from these fees at levels consistent with that received in previous fiscal years; that is, the budget was passed assuming the sunsets on these fees would be delayed or eliminated.

However, the dollar amount of revenue saved by the bills would be less than the amount cited in the previous paragraph, as this number does not take into account the veterans who would no longer be paying fees under the sections of statute amended by the bills. Currently, it is estimated that there are 780,000 veterans living in Michigan, or about 10.8% of Michigan's adult population. If it is assumed that the same percentage of people licensed or registered and paying fees under the sections amended by the bills are veterans, it is reasonable to assume that LARA would lose 10.8% of the total revenue generated under these sections. In total, the fees collected under these sections generate about \$42.0 million annually. If 10.8% of that revenue were lost, the FY 2012-13 LARA budget would be short by about \$4.5 million. Most of this revenue loss would affect the Bureau of Commercial Services, and the Bureau of Construction Codes, but the fees are also used to support a number of administrative lines throughout the LARA budget.

Additionally, there would be some upfront costs to changing licensing and registration databases, updating forms, and creating verification protocols. Estimates for those costs are not available at this time.

In total, given that delaying the fee sunsets merely would keep the Department at an even level with respect to the fees collected under the bills, the creation of exemptions and additional costs would lead to an indeterminate, but likely large, gap between the amount of revenue that likely would be collected by the Department and the appropriations contained in the fiscal year 2012-13 LARA budget.

Date Completed: 9-21-12

Fiscal Analyst: Josh Sefton

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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.