



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 152/Senate Bill 167: Building and Plumbing Plan Review Processes

2021 Assembly Bill 152 and Senate Bill 167, hereafter referred to as "the bill," would create an exemption from the requirement that certain building plans and plumbing plans be reviewed by the Department of Safety and Professional Services' (DSPS) Division of Industry Services, and would modify other aspects of the building plan review process.

Assembly Bill 152 was introduced on March 10, 2021, and referred to the Assembly Committee on Regulatory Licensing Reform. A public hearing was held April 27, 2021. Assembly Amendment 1 was offered August 4, 2021, and on September 29, 2021, AA 1 and AB 152 were recommended for adoption by votes of 6 to 3. AB 152 was taken up on the Assembly calendar of October 26, 2021, and subsequently referred to the Joint Committee on Finance prior to its third reading.

Senate Bill 167 was introduced on March 3, 2021, and referred to the Senate Committee on Labor and Regulatory Reform. A public hearing was held on April 20, 2021. Senate Amendment 1 was offered on August 5, 2021, and on October 21, 2021, SA 1 and SB 167 were recommended for adoption by votes of 4 to 1 and 3 to 2, respectively, by the Senate Committee.

BACKGROUND

Chapter 101 of the statutes requires that commercial building plans and plumbing plans be reviewed to ensure compliance with the commercial building code. Drawings, calculations, specifications, additions, and alterations to building and plumbing plans are all subject to examination by DSPS or a municipality approved to administer the commercial building code. The statutes define commercial buildings as "public buildings and buildings that are places of employment."

Fees collected by DSPS for building and plumbing plan reviews are deposited as program

revenue (PR) into the Division of Industry Services safety and buildings appropriation under s. 20.165 (2)(j). The appropriation receives the majority of its revenues from plan reviews, inspections, and credentialing activities related to construction of structures such as commercial buildings, multi-family dwellings, manufactured homes, plumbing, private onsite wastewater treatment systems (POWTS), electrical and heating systems, boilers, elevators, electrical wiring, fire safety, and swimming pools. In 2021-22, the safety and buildings appropriation is authorized \$16.3 million and 116.74 positions for its building trades credentialing, licensing, and building safety plan review responsibilities.

DSPS administrative code provides a progressive plan review fee for commercial buildings, with the cost for plan review increasing with the building's square footage. Fees may range from a minimum of \$250 for building plans of less than 2,500 square feet, to a maximum of \$20,000 for building plans of over 500,000 square feet. In addition to these inspection fees, all building plans are subject to a \$100 application (entry) fee. DSPS reports that it reviewed 7,389 commercial building plans in 2019-20 and 8,437 commercial building plans in 2020-21.

Similarly, plumbing plan reviews aim to ensure code compliance for the various types of plumbing installations in the state, including sanitary sewers, storm sewers, main sewers, water services, private water mains, interior building drains, interior water services, and interior water distributions. Plans are submitted along with an application to DSPS, which outlines the specifications of the plumbing plan in question. Plan review fees depend upon an aggregate of plumbing system specifications, including building details, water type, type and number of interceptors, cross connections between systems, site information, and other administrative factors. DSPS reports that it reviewed 2,977 plumbing plans in 2019-20 and 2,820 plumbing plans in 2020-21.

SUMMARY OF BILL

Under the bill, certain commercial building plans and plumbing plans would be exempt from review (examination) and approval by DSPS and authorized representatives of DSPS, and therefore also exempt from the fees associated with these reviews. Commercial buildings would become exempt from reviews and fees if they met all of the following criteria: (a) were a single-story building of less than 200,000 cubic feet of volume; (b) no portion of the building is classified by DSPS as intended for certain occupancies and uses; and (c) plans had been prepared by a registered architect, registered professional engineer, or designer permit holder, and that person signed, dated, and sealed the design materials. The categories of occupancy groups under (b) to be ineligible for exemption would include: (a) buildings for public assembly, including theaters, halls, galleries, restaurants or athletic facilities [Assembly Group A]; (b) buildings used by six or more people for educational purposes [Educational Group E]; (c) buildings for manufacturing, processing, generation, or storage of materials that constitute a physical or health hazard [High hazard Group H]; (d) buildings for the care of persons who are not capable of self-preservation without physical assistance, or buildings for persons who are detained [Institutional Group I]; and (e) buildings for sleeping purposes [Residential Group R]. DSPS reports that examples of exempt buildings under the bill could include certain factories, office spaces, government and retail buildings, and other mixed-occupancy buildings. The provision would first apply on plans submitted on the day following the bill's publication.

Additionally, the bill would require that 50% of building plan examination fees would be required for submittal as nonrefundable deposits at the time of scheduling the appointment for examination of building plans. Under current law, requestors pay the \$100 application fee and the total examination fee before scheduling. If the requestor cancels the examination before any review has taken place, the requestor is refunded the examination fee, but DSPPS retains the \$100 application fee. The provision would first apply to appointments for examinations of plans scheduled on the day after the bill's publication.

The bill would exempt plumbing plans from review and approval if the plumbing systems: (a) involved no more than 25 plumbing fixtures; (b) no portion of the building was in connection with the categories of buildings or structures previously listed as ineligible; and (c) the plans were prepared by a registered architect, registered professional engineer, designer permit holder for the plumbing field, licensed master plumber, or utility contractor, and that person had signed, dated, and sealed the design materials. DSPPS indicates that examples of exempt plumbing plan reviews under the bill could include certain retail convenience stores, food processing centers, and factories. The provision would first apply to plumbing plans and specifications submitted on the day following the bill's publication.

ASSEMBLY AND SENATE AMENDMENT 1

Assembly Amendment 1 and Senate Amendment 1, which are identical, would make the following changes to the bill: (a) designer permit holders would be eliminated as eligible preparers, signers and sealers of building plan materials; (b) plumbing plan review exemptions would apply to buildings containing at least 16 but not more than 25 plumbing fixtures; and (c) the bill would take effect 45 days after publication, instead of immediately after publication.

FISCAL EFFECT

In fiscal estimates submitted in March of 2021, DSPPS indicated that the bill provisions would reduce commercial building plan review revenues by 70% and reduce plumbing plan reviews by 50%. The Department estimated the total annual revenue reduction of \$5.5 million, including an estimated \$4.5 million associated with commercial building plan reviews and \$1.0 million associated with plumbing plan reviews.

DSPPS has subsequently applied a different method of estimation than that used in the original fiscal estimates provided. The Department estimates that approximately 3,900 commercial building plans might become exempt from examination under the bill, equal to a 46.2% reduction from the number of examinations conducted in 2020-21. DSPPS estimates approximately 460 plumbing plans might become exempt from examination under the bill, equal to a 16.3% reduction from the number of examinations conducted in 2020-21. Further, DSPPS reports that of the revised total estimated revenue reduction of \$1,661,000 under the bill, \$1.47 million would be attributable to a reduction in building plan reviews and \$190,000 would be attributable to a reduction in plumbing plan reviews. From 2016-17 through 2020-21, data from the state accounting system shows the average annual revenue from building plan reviews was \$6.5 million and the average annual revenue from plumbing plan reviews and other related fees was \$2.4 million.

It is not certain whether, or to what extent, the bill's requirement for nonrefundable fee deposits would increase revenues by reducing the amount of refunds DSPS processes for plan withdrawals. Requestors who cancel appointments would still be required to pay the \$100 application fee in addition to the 50% of the total plan review fee. This would make plan review requestors liable for half the total cost of their scheduled review even if they canceled it after scheduling. Further, DSPS indicates that if 50% of fees are required to be paid at the time of the initial review appointment, as proposed under the bill, the Department would handle double the typical number of transactions in order to process the remaining 50% of the fee cost after plan approval. DSPS indicates that this would require allocating additional staffing and costs toward these purposes.

The following table shows the estimated condition of DSPS' safety and buildings appropriation from 2020-21 through 2022-23. The appropriation's available balance on July 1, 2021, was \$14.0 million. Under the bill, it is assumed: (a) that net revenue reductions of approximately \$0.4 million would occur in the remainder of 2021-22, accounting for the bill being in effect for perhaps one quarter of the fiscal year under AA/SA 1; and (b) reductions of \$1.7 million would occur beginning in 2022-23. This would result in a closing available balance of \$8.2 million on June 30, 2023. Under DSPS' original March, 2021, estimates, net revenue reductions would be approximately \$5.5 million annually. Assuming approximately \$1.4 million in reduced revenues in 2021-22 and \$5.5 million beginning in 2022-23, the available June 30, 2023, balance would be \$3.3 million. DSPS would be estimated to have sufficient anticipated revenues and available balances to support authorized safety and buildings expenditures through the biennium.

Safety and Buildings General Operations - Program Revenue and Expenditures

	2020-21 <u>Actual</u>	2021-22 <u>Estimated</u>	2022-23 <u>Estimated</u>
Opening Balance, July 1	\$17,471,300	\$17,014,400	\$13,594,500
Revenue			
Building plan reviews and inspections	\$6,106,800	\$6,005,300	\$6,106,800
Plumbing licenses	510,800	1,309,800	510,800
Plumbing plan reviews	2,372,100	2,370,000	2,370,000
Boiler inspections	531,000	428,700	531,000
Elevator inspections	1,567,700	1,174,100	1,567,700
Private sewage plan reviews	2,534,700	2,000,000	2,000,000
One- and two-family building permit fees	1,181,100	1,098,500	1,181,100
Electrical program fees	2,343,700	892,200	2,343,700
Manufactured home licenses and title fees	285,000	420,500	285,000
Amusement ride and ski tow inspection fees	105,200	104,700	105,200
Mine safety inspection fees	37,000	231,200	37,000
Heating, air conditioning, and ozone refrigerant certifications	326,200	111,300	326,200
Fire prevention and safety fees	77,900	37,300	77,900
Swimming pool plan reviews	162,300	121,200	162,300
Other revenues	<u>316,900</u>	<u>257,100</u>	<u>316,900</u>
Total Revenue	\$18,458,400	\$16,561,900	\$17,921,600
Transfer to POWTS grant program	-\$840,000	-\$1,680,000	
Transfers for DSPS general administration	<u>-2,979,300</u>	<u>-1,900,000</u>	<u>-\$1,900,000</u>
Total Revenue Available	\$32,110,400	\$29,996,300	\$29,616,100
Expenditures			
Actual / authorized expenditures	\$15,096,000	\$16,321,800	\$16,230,000
Compensation Reserves		80,000	160,000
Closing Balance, June 30	17,014,400	13,594,500	13,226,100
Encumbrances	<u>2,965,100</u>	<u>2,965,100</u>	<u>2,965,100</u>
Available Balance	\$14,049,300	\$10,629,400	\$10,261,000
Assembly Bill 152/Senate Bill 167 Estimated Changes to Revenue (Change to Current Law Available Balance)		-\$415,300	-\$1,661,000
Available Balance Under Assembly Bill 152/Senate Bill 167		\$10,214,100	\$8,184,700

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