



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 198/Senate Bill 187: Commercial Building Plan Review Changes

2023 Assembly Bill 198 and Senate Bill 187, hereafter referred to as "the bill," would expand the scope of commercial building plans reviewable by delegated municipalities on behalf of the Department of Safety and Professional Services (DSPS). The bill also would eliminate certain fees remitted by municipalities to DSPS. The bill was developed by the Legislative Council Study Committee on the Commercial Building Permitting Process, which convened in 2022 and recommended several bills for the 2023-24 session of the Legislature.

Assembly Bill 198 was introduced by the Joint Legislative Council on April 20, 2023, and referred to the Committee on Housing and Real Estate. A public hearing was held on January 9, 2024, and on January 24, 2024, the Committee on Housing and Real Estate recommended passage of the bill by a vote of 10 to 5. On January 30, 2024, the bill was referred to the Joint Committee on Finance.

Senate Bill 187 was introduced on April 3, 2023, and referred to the Committee on Government Operations, Elections and Consumer Protection. A public hearing was held on December 19, 2023. The Committee on Government Operations, Elections and Consumer Protection recommended passage of the bill on January 11, 2024, by a vote of 3 to 2. The bill was passed by the Senate on January 16, 2024, by a voice vote.

BACKGROUND

Chapter 101 of the statutes directs DSPS to regulate and enforce safe standards for constructing, altering, or adding to public buildings or buildings that are places of employment. Part of this work includes reviewing building plans, which convey detailed blueprints of building dimensions, layouts, and adherence to the commercial building code. The Bureau of Technical Services in the DSPS Division of Industry Services reviews plans for public buildings and places of employment. Administrative code Chapter SPS 302 specifies fees for various reviews and approvals

DSPS may provide for buildings and component systems. Additionally, DSPS may delegate to municipalities the authority to conduct certain plan reviews, permitting, and inspection activities. These municipalities, which are known generally as "delegated agents," perform regulatory responsibilities on behalf of the state and in certain cases forward a portion of their review fees to the Department. DSPS fees generally are intended to reflect the Department's costs of certifying local reviewers and overseeing their competency in administering specified building standards.

A substantial number of municipalities currently carry some type of delegation. As of January 10, 2024, the most recent DSPS publication of municipal delegation lists, 361 towns, villages, and cities carried a delegation for plan review for commercial building structural plan and heating/ventilation/air conditioning (HVAC) plan reviews. Most municipalities are authorized for reviews of small commercial buildings, which by statute are those: (a) containing less than 50,000 cubic feet of volume, including additions that do not result in volume exceeding 50,000 cubic feet; and (b) alterations of spaces involving less than 100,000 cubic feet of volume. First-class and second-class cities, as well as municipalities of lesser population, generally may be delegated plan review authority for buildings of any size, subject to DSPS rules.

In the five fiscal years from 2018-19 through 2022-23, fees for building plan reviews averaged \$6.2 million in program revenue (PR) for DSPS. These revenues are deposited to the general program operations annual appropriation of the Division of Industry Services to support building safety regulatory and inspection activities and credentialing of persons in the building trades. (The condition of the account under 2023 Wisconsin Act 19 is shown in an attachment in a bill summary for 2023 Assembly Bill 197/Senate Bill 186.)

SUMMARY OF BILL

Under the bill, DSPS would be required to accept the following commercial building plan reviews performed by municipalities: (a) new building construction, variances, and additions to buildings wherein the total volume of the structure does not exceed 100,000 cubic feet (current law caps this at 50,000 cubic feet); and (b) alterations of spaces, regardless of volume (current law caps alterations at 100,000 cubic feet). The bill would also require DSPS to submit a plan to the Legislature for encouraging, and increasing support for, cities, villages, towns, and counties to conduct plan reviews and inspections. (The bill would require the report be submitted no later than January 1, 2024; it is not clear in what timeframe the report would be submitted with the date having passed.)

Additionally, the bill would remove various statutory and administrative code requirements that second-class cities and other local units of government with delegated authority for larger commercial building plan reviews must forward certain collected fees from plan review activities to DSPS. Plan review fees and remittances currently under Chapter SPS 302 vary based on building area, with those less than 2,500 square feet incurring the smallest levels and areas over 500,000 square feet incurring the highest. Fees that would be repealed by the bill include: (a) for building plan reviews, fees from \$30 to \$2,000; (b) for HVAC plans, fees from \$18 to \$1,350; and (c) for fire alarm system plans or fire suppression system plans, fees from \$5 to \$710.

FISCAL EFFECT

It is assumed that the bill provisions would lead to more building plans being reviewed at the local level. It is also assumed DSPS would collect less from plan review fees, both as a result of relatively larger buildings being reviewable by municipalities rather than the Department, and DSPS no longer receiving portions of plan review fees remitted by second-class cities or delegated agents. The Department's fiscal note finds the state revenue reduction to be indeterminate.

DSPS reports tracking of revenues to the commercial building program area in 2023-24, and attributable to delegated municipalities, represented 2.5% of the totals for the program. As such, it could be expected that the fee remittances eliminated under the bill could reduce DSPS program revenues by perhaps \$150,000 on an average annual basis. DSPS staff had previously reported to the Study Committee on the Commercial Building Permitting Process that such revenues were not a significant source for the program.

Under the bill, DSPS would remain responsible for regularly reviewing municipal administration of the commercial building code requirements, and costs of these activities would be supported by existing appropriations to the Division of Industry Services. The DSPS fiscal estimate contends additional administrative activities regarding municipal plan reviews under the bill would require the Department to allocate staffing equivalent to four full-time positions and \$493,800 annually.

Prepared by: Moriah Rapp