



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #264

### **Safety and Buildings Division Licenses and Registrations (Commerce – Housing, Buildings, and Environmental Regulation)**

[LFB 2009-11 Budget Summary: Page 199, #6]

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#### **CURRENT LAW**

The Commerce Safety and Buildings Division establishes fees by administrative rule, subject to a statutory maximum fee amount, for several licenses, examinations and registrations the Department issues to plumbers, contractors who install or maintain fire sprinklers, utility contractors, and pipelayers. The current fee under administrative rule is at the statutory maximum for most of these credentials, except for some of the examinations. The statutory term for these credentials is four years.

#### **GOVERNOR**

Repeal the statutory maximum fee that Commerce may establish by administrative rule for several licenses, examinations and registrations the Department issues to plumbers, contractors who install or maintain fire sprinklers, utility contractors, and pipelayers. Retain the current authority for the Department to establish the fees in administrative rules, and the current four-year statutory term of the credentials. Require the fees to equal, as closely as possible, the cost of providing services.

#### **DISCUSSION POINTS**

1. The statutory maximum fee amounts for plumbing and fire sprinkler-related credentials are specified in section 145.08 of the statutes. When 2005 Act 25 (the 2005-07 biennial budget) doubled the term of the credentials from two to four years, the maximum fees were doubled at the same time, but the fee amount remained the same on an annual basis. When 1993 Act 16

doubled the term of the credentials from one to two years, the maximum fees were doubled, but the fee amount per year remained the same. The last time the statutory maximum fee amount per year was changed was in 1975 (Chapter 39, 1975 Laws of Wisconsin).

2. Section 101.19 of the statutes authorizes the Department to establish fees for all other Safety and Buildings Division credentials under administrative rule, with no statutory maximum fee amount, and requires that Commerce set the amounts as closely as possible, equal to the cost of providing the services. Examples of these licenses or registrations are those for dwelling contractors, electricians, plumbers, elevator mechanics, and inspectors of buildings, electrical work, plumbing, or boilers.

3. Commerce indicates that the Governor's recommendation is intended to provide administrative consistency in the administration of Chapters 101 and 145 of the statutes, and to provide equitable distribution of all fees associated with a program. The fees assessed under both chapters are deposited in the Safety and Buildings Division program revenue operations appropriation, and fund the administrative activities of the Division.

4. Most of the fees affected by the bill are currently set at the statutory maximum amount under administrative rules. Commerce officials indicate that, when the Department promulgated rule changes that increased several Division fees effective December 1, 2008, the Department compared revenues with the costs of administering various programs, in order to set revised fee amounts. Plumbing plan review fees were increased 27% and plumbing product review fees were increased 25%. The total combined plumbing program fee revenues, which include plan review, product review, and credentials (which were not increased because they were already at the statutory maximum amount), increased by 15.8%. However, since the plumbing and fire sprinkler credentials fees were already at the maximum, the Department did not analyze how the revenue collected under those programs compared with the costs of administering the programs. Thus, it is uncertain whether the costs of administering the plumbing and fire sprinkler credentials exceed the revenue collected under the programs.

5. Commerce officials indicate that the Department does not have specific plans to promulgate rules with higher fees if the statutory maximum fee amounts are repealed. However, as discussed in a prior paper, under the safety and buildings program revenue appropriation where these fees are deposited, revenues are expected to be substantially short of authorized expenditures. Under the bill, it is likely that the next time the fees are changed through the administrative rule process, the fees would increase, since they are already at the current statutory maximums.

6. Approval of the Governor's recommendation would make establishment of fees for the plumbing and fire sprinkler credentials consistent with the establishment of fees for other credentials issued by the Division. It could be argued that it would increase the likelihood that plumbing and fire sprinkler credentials fees would be set at levels equal to the costs of the programs.

7. However, removal of the statutory maximum could decrease legislative oversight of fee amounts (although some level of legislative oversight would be provided during administrative

rule promulgation), and might lead to a fee increase during difficult economic times. An alternative to repealing the statutory maximum fee would be to amend the current statutory maximums to higher amounts. This could be done in a variety of ways. For example, the statutory maximum could be increased by 10% or 25%, or to some other amount. The table shows the current statutory maximum fee amounts, the current amount established by administrative rule, and the amount under a statutory maximum approximately 10% or 25% higher than the current maximum (Alternatives #2 and #3). Commerce would have to promulgate administrative rules, as under current law, to change the actual fee amounts.

### **Commerce Safety and Buildings Division -- Statutory Maximum Fees**

<u>License or Registration</u>	<u>Current Statutory Maximum Fee</u>	<u>Current Fee Under Administrative Rule</u>	<u>Maximum Fee if Increased 10%</u>	<u>Maximum Fee if Increased 25%</u>
Master's plumber examination	\$50	\$30	\$55	\$63
Master plumber's license and renewal	500	500	550	625
Journeyman plumber's examination	30	20	33	38
Journeyman plumber's license and renewal	180	180	198	225
Temporary permit pending examination and issuance of license for master plumber	400	*	440	500
Temporary permit pending examination and issuance of license for journeyman plumber	150	*	165	188
Master plumber's (restricted) examination	50	30	55	63
Master plumber's license (restricted) and renewal	500	500	550	625
Journeyman plumber's (restricted) examination	30	20	33	38
Journeyman plumber's license (restricted) and renewal	180	180	198	225
Automatic fire sprinkler contractor's examination	100	100	110	125
Automatic fire sprinkler contractor's license and renewal	2,000	2,000	2,200	2,500
Automatic fire sprinkler - maintenance only registration and renewal	400	400	440	500
Journeyman automatic fire sprinkler fitter's examination	20	20	22	25
Journeyman automatic fire sprinkler fitter's license and renewal	180	180	198	225
Automatic fire sprinkler fitter - maintenance only registration and renewal	60	60	66	75
Utility contractor's license and renewal	500	500	550	625
Pipelayer's registration and renewal	180	180	198	225
Apprentice registration for plumber, automatic fire sprinkler fitter, and plumber learner	15	15	17	19

\*Commerce does not issue a temporary permit.

8. If the Governor's recommendation is not approved (Alternative #4), it is possible that a comparison of the revenues and costs of the plumbing and fire sprinkler credentials program might show the costs exceed the revenues. This would mean costs allocated to these programs would need to be reduced, or revenues from other programs administered by the Division would need to subsidize a portion of the cost of the plumbing and fire sprinkler credentials program. If this disparity were shown, Commerce could seek authority in future legislation to adjust specific fees

accordingly.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to repeal the statutory maximum fee for several licenses, examinations and registrations for plumbers, contractors who install or maintain fire sprinklers, utility contractors, and pipelayers. Require Commerce to establish fees by administrative rule that equal, as closely as possible, the cost of providing services.

2. Approve a 25% increase in the statutory maximum fee (as shown in the prior table).

3. Approve a 10% increase in the statutory maximum fee, (as shown in the prior table).

4. Delete provision (the current statutory maximums would remain).

Prepared by: Kendra Bonderud