



April 21, 2010

Surcharge fee increase background information

The economic downturn in the construction industry has significantly impacted the Construction Codes fund. The downturn has greatly diminished the annual revenue the Department of Labor and Industry's (DLI) Construction Codes and Licensing Division (CCLD) receives from plan reviews, permits, licenses and surcharges.

CCLD's revenue is also hampered by the ongoing annual transfer of \$1.515 million from its Construction Codes fund. This fund is a State Government Special Revenue fund and not a General fund account. Yet, during the 2007 session, the Legislature required DLI to transfer \$1,627,000 by June 30, 2008; \$3,515,000 by June 30, 2009; and \$1,515,000 each year thereafter from the Construction Codes fund to the General fund (Chapter 135, Article 1, Section 16).

Since 2005, approximately \$12 million of CCLD funds have been transferred to the General Fund. In 2009, \$3.515 million was transferred to the General fund, which forced CCLD to lay off 13 staff, cancel contractor education programs and spring and fall seminars, and reshuffle programs to meet budgets.

During the 2010 session, CCLD attempted to eliminate this year's \$1.515 million transfer. Instead, the first legislative budget proposed an additional \$1 million be transferred from the Construction Codes fund to the General fund.

Minnesota's construction industry then stepped up and asked the legislature to reconsider its budget proposal. In response, the Legislature removed the \$1 million transfer, kept in the \$1.515 million transfer in place and raised the minimum state building permit surcharge fees applicable to fixed fee permits for one year from 50 cents to \$5 (July 1, 2010, until June 30, 2011).

Next session, CCLD will again try to remove the annual \$1.515 million transfer from the Construction Codes fund to the General fund during its budget submittals.

CCLD's preference was to remove the yearly transfer and not raise the surcharge fee. The decision to raise surcharge fees was made by legislative finance committees and was packaged into a large finance and budget bill that was signed by the Governor.

More information about the minimum state building permit surcharge legislative change is online at www.dli.mn.gov/CCLD/SurchargeChange.asp.