

SF560 - 0 - Building Permit Fees Modification

Chief Author: **Eric Lucero**
 Committee: **Labor**
 Date Completed: **2/4/2025 3:26:50 PM**
 Lead Agency: **Labor and Industry Dept**
 Other Agencies:
 Administrative Hearings

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Labor and Industry Dept					
Construction Code	-	136	-	-	-
State Total					
Administrative Hearings	-	-	-	-	-
Construction Code	-	136	-	-	-
Total	-	136	-	-	-
Biennial Total		136			

Full Time Equivalent Positions (FTE)	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Labor and Industry Dept					
Construction Code	-	-	-	-	-
Total	-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 2/4/2025 3:26:50 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Labor and Industry Dept					
Construction Code	-	136	-	-	-
Total	-	136	-	-	-
Biennial Total		136			
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	14	-	-	-
Labor and Industry Dept					
Construction Code	-	136	-	-	-
Total	-	150	-	-	-
Biennial Total		150			
2 - Revenues, Transfers In*					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	14	-	-	-
Labor and Industry Dept					
Construction Code	-	-	-	-	-
Total	-	14	-	-	-
Biennial Total		14			

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 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings) Dollars in Thousands	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Construction Code	-	136	-	-	-
Total	-	136	-	-	-
Biennial Total			136		-

Full Time Equivalent Positions (FTE)	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Construction Code	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 2/4/2025 3:26:00 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium		
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Construction Code		-	136	-	-	-
	Total	-	136	-	-	-
			Biennial Total		136	-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Construction Code		-	136	-	-	-
	Total	-	136	-	-	-
			Biennial Total		136	-
2 - Revenues, Transfers In*						
Construction Code		-	-	-	-	-
	Total	-	-	-	-	-
			Biennial Total		-	-

Bill Description

This bill requires the Commissioner of Labor and Industry to establish a cost-per-square-foot valuation of residential buildings for the purpose of setting building permit fees by municipalities. Residential buildings include both new and additions to one-and two-family buildings, townhouse buildings, and accessory buildings.

Assumptions

The current State Building Code requires building permit fees to be calculated based upon the valuation of the proposed construction. The valuation is required to be set by each local municipal building official (MR 1300.0160, Subpart 3). Because the method of establishing valuation is not established, each municipal building official may use different criteria to calculate the valuation, therefore producing differences in the resulting permit fees that must be paid by contractors obtaining building permits.

This bill seeks to require the Department to establish by Rule, a uniform method of calculating valuation. Such a uniform or standardized method of setting valuation should not impact municipal revenues because municipalities are authorized by law to establish their fee schedule, (MR 1300.0160, Subpart 1).

The department will need to amend the current State Building Code by opening rulemaking to implement the bill. Due to the expected interest by stakeholders, the Department estimates this will produce a “medium” rulemaking at a cost of \$136,126 according to the MN Rulemaking Manual.

Expenditure and/or Revenue Formula

The department will need to amend the current State Building Code by opening rulemaking to implement the bill. Due to the expected interest by stakeholders, the Department estimates this will produce a “medium” rulemaking at a cost of \$136,126 according to the MN Rulemaking Manual.

Long-Term Fiscal Considerations

Local Fiscal Impact

Minimal expected impact as municipalities may adjust their fee schedule to recoup their costs, if any.

References/Sources

Agency Contact: Gregory Metz (651-284-5884)

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SF560 - 0 - Building Permit Fees Modification

Chief Author: **Eric Lucero**
 Committee: **Labor**
 Date Completed: **2/4/2025 3:26:50 PM**
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings) Dollars in Thousands	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-	-	-

Full Time Equivalent Positions (FTE)	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Shannon Zila **Date:** 2/3/2025 3:44:08 PM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2 Dollars in Thousands	Biennium		Biennium		
	FY2025	FY2026	FY2027	FY2028	FY2029
Administrative Hearings	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total					
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administrative Hearings	-	14	-	-	-
Total	-	14	-	-	-
Biennial Total		14			
2 - Revenues, Transfers In*					
Administrative Hearings	-	14	-	-	-
Total	-	14	-	-	-
Biennial Total		14			

Bill Description

SF560 requires the Department of Labor and Industry (DLI) to establish a cost-per-square-foot valuation of residential buildings for setting building permit fees.

Assumptions

The Office of Administrative Hearings (OAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

OAH has used DLI's assumption that a medium rulemaking will be required to meet the requirements of SF560. Based on past practices, OAH assumes that a medium rulemaking under chapter 14 will require an estimated 50 hours of administrative law judge (ALJ) time for activity related to rulemaking procedures.

OAH currently bills ALJ time for rulemaking at the MMB-approved billable rate of \$270 per hour (see Minn. Stat. § 16A.126, subd. 1 (2023)).

Expenditure and/or Revenue Formula

Estimated 50 hours of ALJ time for rulemaking activities in FY26 related to implementing the requirements of SF560: 50 hours x \$270/hr = \$13,500 charged to DLI in FY2026 pursuant to the requirements of Minn. Stat. § 14.53.

Long-Term Fiscal Considerations

Costs associated with the rulemaking activities are a one-time occurrence.

Local Fiscal Impact

References/Sources

Agency Contact: William Moore

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