



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 128 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Roegner

Local Impact Statement Procedure Required: No

Subject: Makes several changes to the building inspection process

State Fiscal Highlights

- The bill requires the Department of Commerce to oversee an expedited arbitration process for contested building inspection reports. Specifically, this may increase costs to the Division of Industrial Compliance. The main operating fund for the Division is the Industrial Compliance Fund (Fund 5560).
- The bill permits the Superintendent of Industrial Compliance to contract with various political subdivisions to handle certain duties. These contract costs would be offset through cost reductions associated with handling these duties internally.

Local Fiscal Highlights

- The bill requires building inspections on residential and nonresidential buildings to be conducted within 24 hours of a requested inspection. It is unclear as to whether or not this provision would increase inspection costs to local building departments.
- The bill permits a contractor, owner, or local building department to contract with a third-party inspector or certified building department to conduct these inspections. In such cases, the owner, contractor, or local building department must pay the costs of those inspections to those entities. The building department with jurisdiction over the project is not permitted to charge any additional inspection fees in this circumstance.

Detailed Fiscal Analysis

Overview

The bill makes several changes intended to speed up the building inspection process by requiring that building inspections be conducted by the building department having jurisdiction within 24 hours of the inspection request. The bill further permits general contractors, construction project owners, and local building departments to contract with third-party private inspectors or out-of-jurisdiction certified building departments. The bill also permits the Superintendent of Industrial Compliance to contract with local jurisdictions or health departments to exercise specified areas of enforcement authority. Overall, it is uncertain as to how the provisions of the bill would impact the costs to political subdivisions to conduct building inspections.

Building inspections

Under the bill, a building department having jurisdiction over a residential or nonresidential building construction project must conduct the inspection of the building within 24 hours of being requested to do so. This is in contrast to existing Board of Building Standards rules requiring inspections to be conducted within four business days after the request is made. Additionally, the bill permits a general contractor or owner of the building construction project, or the building department with jurisdiction over the building, to contract with a third-party private inspector or a certified building department to conduct the building inspection. The Board of Building Standards is required to maintain a list of third-party private inspectors and certified building departments it authorizes to conduct inspections for residential and nonresidential buildings. In many cases, certain permits required to begin a construction project have various fees built within the permit to offset the costs to local governments for conducting necessary building expenses. It is unclear as to whether or not the provisions of the bill would necessarily result in additional costs to local governments to meet the timelines established in the bill.

Inspection contracts

If a general contractor or owner contracts with a third-party private inspector or certified building department chosen from the list maintained by the Board of Building Standards, then the owner or contractor is responsible for the payment of any additional fee pursuant to the contract. The building department having jurisdiction is still permitted under the bill to charge any standard fee that is customary for approval, but it cannot charge any fee related to the inspection. Consequently, if any owner or contractor chooses to have a third-party private inspector or certified building department conduct the inspection, the building department would forego a portion of inspection fee revenue. However, those losses would be offset through savings associated with no longer conducting those inspections.

Expedited arbitration and Industrial Compliance contracts

The bill requires the Department of Commerce to establish an expedited arbitration process in which a general contractor or owner of a residential or nonresidential building construction project can appeal inspection results. The bill establishes guidelines for the arbitration process, including that (1) the hearing be conducted within 24 hours of the request, (2) the party making the request has the burden of showing the inspector had malicious purpose behind the inspection results, and (3) the construction delay will cause irreparable harm. If the arbitrator in these matters does not overrule the inspector's decision, then the matter proceeds under the existing appellate system.

The bill also permits the Superintendent of Industrial Compliance to contract with a municipal corporation, township, county, or other political subdivision certified by the Board of Building Standards, or a municipal or county health district, to (1) exercise enforcement authority to accept and approve plans and specifications, and to make inspections, related to construction, heating, ventilation, plumbing, building services, and piping, or (2) for the enforcement authority the Superintendent exercises when a local government does not have a building department certified for nonresidential buildings.

Taken together, these two provisions of the bill would appear to potentially increase both arbitration and contract costs to the Department of Commerce, specifically to the Division of Industrial Compliance. The Division is primarily funded through the Industrial Compliance Fund (Fund 5560), which receives fees assessed to entities regulated by the Division. Overall, the extent of these potential cost increases is uncertain. At the same time, these cost increases would be offset by potential savings since the Division would not be performing plan approvals, conducting inspections, or enforcing code requirements under a contract arrangement.