Building Department Permit Fee Review Checklist

Michigan law requires construction permit fees to be reasonable, related to the cost of providing services and used only for authorized purposes. A regular review of fee structures helps building departments maintain adequate funding and ensure compliance with the law.

1. Fee-Setting Methods

☐ **Cost-Based Fees:** Are permit fees supported by the actual or reasonably estimated cost of providing permitting, plan review, inspection and related services?

☐ **Calculation Methods:** If fees are based on construction value, square footage, ICC valuation tables or neighboring jurisdictions' rates, can the department demonstrate how those charges relate to its own service costs?

☐ **Permit Categories:** Does the fee structure account for differences in the services and staff time required for various permit types?

2. Direct Costs and Service Workload

☐ **Personnel Costs:** Are wages, benefits, payroll taxes and other direct personnel expenses associated with code enforcement properly included?

☐ **Service Time:** Has the department evaluated the time required for permit processing, plan reviews, inspections and other authorized activities?

☐ **Permit Activity:** Have historical permit volumes and inspection workloads been reviewed to help establish reasonable fees by permit category?

☐ **Cost Methodology:** Is there a documented method for calculating the cost of services and establishing corresponding fees?

3. Overhead and Cost Allocation

☐ **Allowable Overhead:** Are indirect expenses, such as facilities, utilities, supplies, equipment and appropriate administrative support, included where authorized?

☐ **Cost Allocation:** Are shared expenses allocated using a reasonable, consistent and documented methodology?

☐ **Unrelated Expenses:** Have costs unrelated to construction code enforcement, including expenses attributable to other municipal departments, been excluded except for properly allocated allowable overhead?

4. Revenue, Expenditures and Accounting

☐ **Revenue Tracking:** Can the municipality separately identify construction permit fee revenues and the direct and indirect costs of providing services?

☐ **Restricted Use:** Are fees collected under the Construction Code Act used only for the operation of the enforcing agency, construction board of appeals or both?

☐ **Fund Accounting:** Are revenues, expenditures and fund balances tracked in accordance with Michigan Department of Treasury Numbered Letter 2000-02 (Revised)?

☐ **Surpluses and Deficits:** Have recurring surpluses, accumulated balances and historical deficits been reviewed to identify potential concerns with fee calculations or fund usage?

5. Ongoing Review and Transparency

☐ **Fee Schedule Review:** Is the fee schedule periodically evaluated against actual service costs, revenues and department workloads?

☐ **Financial Documentation:** Are records maintained to support fee calculations, cost allocations, expenditures and any proposed adjustments?

☐ **Public Transparency:** Can the department provide a clear explanation of how fees are established and make its supporting methodology available for review?

☐ **Local Oversight:** Are findings and recommended adjustments shared with municipal administrators, finance staff and the local legislative body responsible for establishing fees?

Recommended Next Steps

After completing this review:

1. **Identify potential concerns** with fee calculations, cost allocations, accounting practices or accumulated balances.
2. **Document the findings** and gather supporting financial records, workload data and fee schedules.
3. **Meet with municipal administrators, finance staff and elected officials** to discuss findings and determine whether changes are needed.
4. **Establish a regular review process** to ensure fees remain reasonable, properly documented and consistent with Michigan law.

This checklist is intended as an educational and administrative review tool. It is not a substitute for legal advice. Municipalities should consult their legal counsel and applicable state guidance when evaluating compliance.