

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 28, 2003

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB730 by Ritter (Relating to residential construction, including certain warranties, building and performance standards, and dispute resolution; providing an administrative penalty.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB730, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2003
2004	\$1,495,260	(\$1,495,260)	26.0
2005	\$1,855,782	(\$1,855,782)	39.0
2006	\$1,855,782	(\$1,855,782)	39.0
2007	\$1,855,782	(\$1,855,782)	39.0
2008	\$1,855,782	(\$1,855,782)	39.0

Fiscal Analysis

The provisions of the bill would create the Texas Residential Construction Commission (RCC) to regulate homebuilders and inspectors. The RCC would meet at least quarterly and employ an executive director and state inspectors. The RCC would adopt rules, but only after a ruling by the Attorney General as to their validity, and adopt fees to cover the cost of operations. It would also establish a task force on mold reduction and remediation to advise the RCC.

The provisions of the bill would apply to certain disputes between a builder whose work exceeds \$20,000 and a homeowner related to construction defects. The RCC may charge an application filing fee for an original certificate of registration that could not exceed \$500 and a renewal certificate fee of not more than \$300. The provisions of the bill allow provisional registration pending a criminal history background check, which expires January 1, 2005. It also allows the RCC to impose a \$5,000

administrative penalty on those violating the provisions or rules established by the RCC.

The RCC would establish eligibility requirements and procedures for a person to be certified as a residential construction arbitrator. The fee could not exceed \$100 for certification as an arbitrator or \$50 for a renewal certification. The RCC will begin certifying arbitrators on or before March 1, 2004.

It is assumed fee collection and most of the costs would occur beginning January 1, 2004 when the RCC is required to collect the registration fees as described.

The effective date of the bill is September 1, 2003.

Methodology

This analysis assumes a total population of 7,500 (3,750 companies and 3,750 individuals) would be regulated. Although the number of builders would change from year to year, this analysis assumes the population of builders would remain the same through fiscal year 2008. According to the Comptroller's Texas Economic Detail, total housing starts (single and multi-family) are projected to be 155,300 in 2004, 154,100 in 2005, 157,900 in 2006, 167,800 in 2007 and 173,500 in 2008. The exclusion of triplexes and quadruplexes from the definition of a home is not anticipated to significantly reduce the number of housing starts.

An estimated 20,000 inspections would be needed in the first year and 30,000 in subsequent years. It is estimated that approximately 18,000 complaints would occur in the first fiscal year and 37,500 in subsequent fiscal years.

While third parties would perform inspections, it is estimated the RCC would need approximately 26 full-time equivalent positions (FTEs) in fiscal year 2004 and 39 FTEs in fiscal year 2005. Positions include an Executive Director, a Deputy Executive Director and two Executive Assistants and a General Counsel. It is estimated the RCC would need division Directors to manage the new agency. Personnel would also include customer service representatives, inspectors, licensing analysts, human resource specialists, and a legal assistant. Other positions include an accountant, purchaser and a position for program administration. In addition, it is anticipated the RCC would need hearing examiners to oversee an estimated 400 hearings annually. This analysis assumes approximately three quarters of the costs would occur in fiscal year 2004.

It is assumed the RCC would set the various fees established by the bill to offset the costs associated with implementing the provisions of the bill.

Technology

It is estimated that RRC would need \$39,000 in computer equipment for the additional full-time equivalents in fiscal year 2004 and \$19,500 in fiscal year 2005. Costs above also include \$156,200 for networking hardware.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 452 Department of Licensing and Regulation, 304 Comptroller of Public Accounts

LBB Staff: JK, JRO, JO, WP, RT, DE