

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 2, 2003

TO: Honorable Phil King, Chair, House Committee on Regulated Industries

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.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB730, Committee Report 1st House, Substituted: 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 <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2003
2004	\$1,932,185	(\$1,932,185)	30.5
2005	\$2,228,787	(\$2,228,787)	45.0
2006	\$2,141,287	(\$2,141,287)	45.0
2007	\$2,141,287	(\$2,141,287)	45.0
2008	\$2,141,287	(\$2,141,287)	45.0

Fiscal Analysis

The bill would create the Texas Residential Construction Commission (RCC) to regulate homebuilders, which would meet at least quarterly and employ an executive director and state inspectors. The commission 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.

The provisions of the bill would apply to certain disputes between a builder 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 bill would allow the RCC to assess a late penalty of up to \$500 against a builder who failed to pay the registration fee. The RCC would establish a registration fee of not more than \$125 based on the value of the improvements, and the fee would be charged at the sale of each home. The provisions of the bill

allow conditional registration before June 20, 2005 pending a criminal history background check, which expires January 1, 2006.

It is assumed fee collection and most of the costs would occur beginning March 2004 when builders are required to be registered by the RCC.

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. An estimated 41,000 inspections would be needed in the first year and 61,000 in subsequent years. It is estimated that approximately 36,000 complaints would occur in the first fiscal year and 55,000 in subsequent fiscal years.

While third parties would perform inspections, it is estimated the RCC would need approximately 30.5 full-time equivalent positions (FTEs) in fiscal year 2004 and 45 FTEs in fiscal year 2005. Positions include an Executive Director, a Deputy Executive Director and two Executive Assistants and a General Counsel. It's estimated the RCC would need six 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 half 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 \$56,190 in computer equipment for the additional full-time equivalents in fiscal year 2004 and \$52,635 in fiscal year 2005. Costs above include \$178,100 for networking hardware.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 452 Department of Licensing and Regulation

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