

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 11, 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 standards, and dispute resolution.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB730, As Introduced: 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	\$2,704,222	(\$2,704,222)	45.5
2005	\$3,370,597	(\$3,370,597)	70.5
2006	\$3,195,597	(\$3,195,597)	70.5
2007	\$3,195,597	(\$3,195,597)	70.5
2008	\$3,195,597	(\$3,195,597)	70.5

Fiscal Analysis

The bill would create the Texas Residential Construction Commission (RCC) 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 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 bill would allow the RCC to assess a late penalty of \$500 against a builder who failed to pay the registration fee.

It is estimated the transactions that do not include a closing will be remodeling jobs and additions to existing residences, for jobs valued at \$5,000 and above, and the prorated fees will be for this type of construction.

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

It is assumed fee collection would begin in March 2004.

Methodology

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 number of statewide permits per year was estimated by extrapolating an estimate from the City of Austin, but did not exclude the permits for values under \$5,000. It is assumed that 70 percent of remodeling jobs would cost \$5,000 or more, for an Austin rate of 0.01 permits per person, or 6,743 permits in a population base of 668,731 in 2002. Based on the 2001 Texas population, 21,325,018 times a rate of 0.01 permits per person equals an estimated 213,250 permits per year.

An estimated 41,000 inspections would be needed in the first year and 61,000 in subsequent years. Approximately 36,000 complaints would be received in the first fiscal year and 55,000 in subsequent fiscal years.

While inspections would be made by third parties, it is estimated that the RCC would need approximately 45.5 full-time equivalents positions (FTEs) in fiscal year 2004 and 70.5 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. The new agency would need 5 FTEs in fiscal year 2004 and 10 in fiscal year 2005 related to customer service, 5.5 FTEs in 2004 and 13 FTEs in fiscal year 2005 for code review and inspections including a supervisor inspector. RCC would need 3 FTEs in 2004 and 6 FTEs in 2005 for licensing and would need one Human Resource Specialist with an additional Human Resource 1/2 FTE position in fiscal year 2005. Administration for the RCC would include 2 FTEs in 2004 and 4 FTEs in 2005 with an additional 5 FTEs and 6 FTEs in those same years for information services, respectively. The agency would need 4 FTEs in 2004 and 8 FTEs in 2005 for Legal Assistants in enforcement and one Information Specialist in those same years, respectively. Other positions include an accountant, purchaser and a position for program administration.

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.

The bill establishes a Sunset Provision that abolishes the RCC on September 1, 2015.

Technology

It is estimated that RRC would need \$88,900 in computer equipment for the additional full-time equivalents in fiscal year 2004 and \$47,500 in fiscal year 2005. Costs above include \$156,200 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