

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: HB1495 by Solomons (Relating to the registration of homebuilders.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1495, 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	\$1,160,015	(\$1,160,015)	15.5
2005	\$1,086,978	(\$1,086,978)	20.0
2006	\$1,086,978	(\$1,086,978)	20.0
2007	\$1,086,978	(\$1,086,978)	20.0
2008	\$1,086,978	(\$1,086,978)	20.0

Fiscal Analysis

The bill would require the regulation of homebuilders and would create the Texas Homebuilder Commission (THC) which would meet at least quarterly and employ an executive director and other personnel as necessary. THC would adopt rules and fees to cover the cost of operations.

After March 1, 2004, a person who constructs, contracts to construct, or offers to construct a new home or a new improvement to real property must register with the new THC.

The bill would require the THC to adopt registration fees for the original application for a homebuilder and renewal not to exceed \$500; to request change of place of business or name change not to exceed \$100; for replacing a lost or destroyed registration certificate not to exceed \$100; for preparing a registration history of not more than \$50; for filing a request to resolve a dispute of not more than \$100; and for moral character determination of not more than \$100.

Methodology

This analysis assumes a total population of 7,500 (3,750 companies and 3,750 individuals) would be regulated under the provisions of the bill. It is assumed that 1 percent of the 3,750 businesses registering would apply for a moral character determination prior to applying for registration for a total of 38 per year. 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.

It is assumed the THC would use third party Certified Building Inspectors for inspections and interview the homebuilder and homeowner as part of the dispute resolution process. The population of persons in Texas who would qualify as Certified Building Inspectors is assumed to be sufficient to perform the required tasks and it is assumed homeowners would contract directly with and pay for any inspections conducted by the Certified Building Inspectors. Homeowners may be reimbursed for inspection as part of the dispute resolution settlement.

THC would need Administrative Technicians to process mail and assist with purchasing and accounting, process registrations, and act as customer service representatives. THC would need four Investigators to process complaints and requests for dispute resolution. THC would also need three Legal Assistants to assist a Prosecutor in processing legal notices related to complaints, requests for dispute resolution and to assist the Hearings Examiner in preparing for hearings. The THC would also need an Attorney to prosecute complaints and an Accountant to do payroll, budget and purchasing.

The THS would also need two Director positions to manage administration, licensing and enforcement functions, and a human resources specialist to assist the Director with human resource tasks and administrative functions such as purchasing. The new agency would also need an Executive Director to manage the agency, including tasks such as budget, and an Executive Assistant with two Hearings Examiners to oversee 400 hearings annually.

Since registration is not required until March 1, 2004, the THC would only need two Investigators, one Legal Assistant, a part-time Attorney, and one Hearing Examiner in fiscal year 2004. Travel and other operating expenses would only be included for 6 months.

It is assumed the THC would set the fees to offset the costs of implementing the provisions of the bill.

It is assumed that the Comptroller and the Office of Attorney General could absorb the costs associated with implementing the provisions of the bill with existing resources.

The Sunset Provision of the bill abolishes the THC on September 1, 2009.

The bill would take effect September 1, 2003.

Technology

It is estimated that it would cost \$23,480 for the purchase of computers in fiscal year 2004 and \$57,770 in fiscal year 2005. The costs also include \$200,000 for a one-time purchase of a comprehensive licensing system and software.

Local Government Impact

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

Source Agencies: 302 Office Of The Attorney General, 304 Comptroller Of Public Accounts, 452 Department Of Licensing And Regulation

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