

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 6, 2003**

**TO:** Honorable David Swinford, Chair, House Committee on Government Reform

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB3001** by Swinford (Relating to the reorganization and consolidation of state governmental functions and entities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3001, As Introduced: a negative impact of (\$1,183,898) 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	(\$1,257,604)
2005	\$73,706
2006	\$326,072
2007	\$326,072
2008	\$326,072

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>Other Funds - Interagency Contracts to SOAH</i>	Probable Savings/ (Cost) from <i>ADV COMM EMER COMM ACCT 5007</i>	Probable Savings/ (Cost) from <i>TEXAS EMISSIONS REDUCTION PLAN 5071</i>
2004	(\$1,257,604)	\$1,850,427	\$10,970	\$220,306
2005	\$73,706	\$1,667,795	\$12,000	\$210,408
2006	\$326,072	\$1,667,795	\$10,970	\$210,408
2007	\$326,072	\$1,667,795	\$12,000	\$210,408
2008	\$326,072	\$1,667,795	\$10,970	\$210,408

**Fiscal Analysis**

The bill would reorganize and consolidate certain governmental functions and agencies. The bill would abolish the Structural Pest Control Board and transfer its power, duties, personnel, property, assets, and obligations of the board to the Texas Department of Agriculture. The bill would also abolish the Board of Barber Examiners, the Cosmetology Commission, the Board of Professional Land Surveying, and Commission on Private Security and transfer their powers, duties, personnel, property, assets, and obligations to the Texas Department of Licensing and Regulation. The bill would abolish the Board of Public Accountancy, the Board of Professional Engineers, and the Board of Architectural Examiners, and transfer their powers, duties, personnel, property, assets, and obligations to the newly created Texas Department of Professional Licensing. The Commission on Law Enforcement Standards would be transferred to the Department of Public Safety. The Department of Information Resources and the Building and Procurement Commission would be consolidated into the new State Administrative Services Agency. The

Military Facilities Commission and Commission on Jail Standards would be abolished and all duties, personnel, property, assets and obligations would be transferred to the Adjutant General's Department and the Department of Criminal Justice, respectively. The Commission on State Emergency Communications would be transferred in to the Public Utility Commission. The Council on Environmental Technology would be transferred into the Commission on Environmental Quality.

The State Office of Administrative Hearings would conduct all contested case hearings that are before a state agency.

The bill would also require the Higher Education Coordinating Board to conduct a review of the organization and operations of each university system and office and deliver the report to the lieutenant governor, speaker of the house of representatives, Legislative Budget Board and the chair of the standing committee of each house of the legislature with primary jurisdiction over higher education. The bill would also require the Finance Commission to submit a report describing its activities to achieve cost savings during the preceding state fiscal biennium and recommending any statutory changes necessary to achieve additional cost savings.

### **Methodology**

The bill would result in a reduction of an indeterminate number of FTE's. The following costs and savings were provided by individual agency responses.

A potential loss of federal funds exists because the adjutant general's department would no longer be able to obligate federal funds via an interagency contract with the Texas Military Facilities Commission.

Transfer of the Texas Structural Pest Control Board (TSPCB) functions to the Department of Agriculture (TDA) would result in savings in both personnel and operating costs. TDA estimates that at least four FTE's could be eliminated and a savings achieved of at least \$400,000 in General Revenue for the biennium. TSPCB estimates that salary adjustments, office relocation and other expenses will result in first year net costs are estimated to be \$212,538. Thereafter the net additional costs are estimated to be \$164,395. Therefore there would not be any significant savings or costs for transferring TSPCB to TDA.

The fiscal year 2003 base reconciliations for both Texas Building and Procurement (TBPC) and the Department of Information Resources (DIR) were used to develop this fiscal note. Both agencies have three indirect strategies (Central Administration, Information Resources, and Other Support Services). For fiscal year 2003, TBPC's General Revenue Funds for indirect administration strategies totaled \$4,687,008 and DIR's General Revenue Funds for indirect administration strategies totaled \$750,355. These amounts were reduced by 12.5 percent totaling \$4,757,693. A twenty-five percent cost savings was applied to this amount for a cost savings of \$1,189,423 per fiscal year 2004 through 2005 (TBPC savings of \$1,025,283 and DIR savings of \$164,140).

The consolidation of the Board of Barber Examiners, the Cosmetology Commission, the Board of Professional Land Surveying and the Commission on Private Security into the Department of Licensing and Regulation would result in savings based on the reduction of FTEs. Transferring the Cosmetology Commission would result in dollar savings of \$165,872 and \$223,342 in Fiscal Years 2004 and 2005 respectively. Transferring the Barber Board would result in a savings of \$58,682 and \$83,832 in Fiscal Years 2004 and 2005 respectively. Transferring the Board of Professional Land Surveying would result in savings of \$42,318 and \$57,919 in Fiscal Years 2004 and 2005 respectively. The Texas Commission on Private Security has submitted a General Revenue Request assuming that it was consolidated with the Department of Public Safety. TDLR believes that request already reflects all savings that could be generated through consolidation.

As stated above, the transfer of the Military Facilities Commission to the Office of Adjutant

General could result in a potential loss of federal funds. The bill transfers all powers, duties, personnel, property, assets, and obligations of the commission to the adjutant general's department, thus the ability for the adjutant general's department to contract with the Texas Military Facilities Commission will be eliminated. A potential loss of federal funds exists because the adjutant general's department will not be able to obligate federal funds via an interagency contract with the Texas Military Facilities Commission. Often times, additional federal funds are available to the adjutant general's department in the last two months of the federal fiscal year. Since the Texas Military Facilities Commission is currently a separate agency, the federal funds can be obligated expeditiously via an interagency contract between the two agencies.

The Texas Council of Environmental Technology (TCET) will be abolished and the administrative duties relating to grants transferred to Texas Commission on Environmental Quality (TCEQ). Transferring the agency will result in savings of approximately \$430,000 over the 2004-05 biennium. TCEQ will absorb any additional duties and responsibilities. At this time it is estimated that the TCET has 5 contracts for about \$900,000 and they are expected to issue 5 or more contracts for about \$1,000,000 (these contract figures are not shown above). The TCET also produces a biennial report to the Legislature. It is anticipated that the TCEQ would issue the report for the transferred contracts. No significant fiscal implications to the agency are anticipated.

The Commission on State Emergency Communications will be absorbed by the Public Utility Commission. The would be able to absorb the costs within existing resources. There would be approximately \$11,000 saved in the Emergency Commission Account 5007 per year.

The Texas Commission on Law Enforcement will be transferred to the Texas Department of Public Safety (DPS). The transferred personnel will be absorbed within DPS's budget.

The Commission on Jail Standards will be transferred to the Texas Department of Criminal Justice. The transfer would not have a significant impact.

The bill would abolish the Board of Public Accountancy, the Board of Professional Engineers, and the Board of Architectural Examiners and transfer their powers and duties and funding to create a new agency, the Texas Department of Professional Licensing on March 1, 2005. Until that time, the bill would create the new agency, allow it to hire an executive director, and allow it to prepare to receive the transferred programs, but it could not operate any licensing programs. Although the bill would authorize the new agency to charge fees, it is assumed that this authority would also take effect March 1, 2005. Therefore, until the Department of Professional Licensing could begin operating licensing programs, it would not have fee revenue to support its activities and would rely on general revenue appropriations. Any cost incurred before March 1, 2005 would result in additional costs to the state. It is assumed the agency would hire an Executive Director and two administrative technicians (at a cost of \$184,934 per year) to prepare for the transfer of programs. It is also assumed the agency would incur costs of about \$70,800 for training new board members and meeting with the five new advisory councils.

The bill also would require the Department of Information Resources (DIR) to assist the new agency in integrating technology into its operations. The new agency would be required to reimburse DIR for its costs. Since the bill would require the new agency to assess a technology infrastructure fee on each license it issued and the new agency could not assess fees until March 1, 2005, it is assumed any repayment to DIR would occur after that date. The Sunset Advisory Commission estimates the bill would eliminate the need for nine positions and \$439,545 in administrative costs per year once the consolidation was completed.

Based on information State Office of Administrative Hearings (SOAH) has been able to gather from agencies whose hearings would be referred to SOAH under the bill (the Texas Education Agency, the Comptroller of Public Accounts, the Texas Real Estate Commission, the Texas Department of Transportation Motor Vehicle Board, the Texas Finance Commission, the Texas Railroad Commission, the Department of Licensing and Regulation, the Texas Workforce Commission, the Juvenile Probation Commission, and the Office of the Attorney General), it

estimates that it would receive an additional 4,500 cases per year. These additional cases representing new jurisdiction would double SOAH's current general (*i.e.*, non-ALR case) workload. SOAH estimates that it would need an additional ALJs, at a total cost of \$2,626,364, including salaries and benefits, to handle the work under this bill. It would also need additional hearings and docketing support staff, at a total cost of \$557,664, additional legal assistants at a total cost of \$207,720, and administrative support staff at a total cost of \$249,726. SOAH also estimates costs of \$398,760 for equipment, office furniture, and operating expenses for additional FTEs. These costs would need to be funded through direct appropriations to SOAH, lump sum contracts, or hourly billing to the agencies. Although SOAH estimates costs of approximately \$4,000,000, the Comptroller of Public Accounts and the Sunset Commission indicate that these costs would be offset by reduced transfers from the impacted agencies. Approximately 55 percent of the reduced transfers result in general revenue savings; for the remaining 45 percent there would be a savings to other, non-pure general revenue funds.

According to the Higher Education Coordinating Board, they do not have the resources and expertise, including auditing expertise to ensure completion of the reviews by November 1, 2004. The Coordinating Board would contract for Management Advisory Services with the State Auditor's Office for much of the analytical work which would require approximately 5,000 hours for a contract cost of \$600,000. It is estimated that it would cost the Finance Commission 40,000 every other year to complete its report.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 301 Office of the Governor, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 360 State Office of Administrative Hearings, 369 Council on Environmental Technology, 401 Adjutant General's Department, 405 Department of Public Safety, 406 Texas Military Facilities Commission, 407 Commission on Law Enforcement Officer Standards and Education, 409 Commission on Jail Standards, 452 Department of Licensing and Regulation, 457 Board of Public Accountancy, 459 Board of Architectural Examiners, 460 Board of Professional Engineers, 464 Board of Professional Land Surveying, 472 Structural Pest Control Board, 473 Public Utility Commission of Texas, 477 Commission on State Emergency Communications, 502 Board of Barber Examiners, 505 Cosmetology Commission, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 781 Higher Education Coordinating Board

**LBB Staff:** JK, JO, WP, GO