

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 4, 2005

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2236 by Baxter (Relating to restrictions on the imposition of permit fees by political subdivisions.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would place limitations on permit fees that may be imposed by a local government regulatory agency, not including a school district, groundwater district, or other district created under Section 59, Article XVI, Texas Constitution. The fees could not be used for any purpose other than to pay the costs of reviewing, processing, issuing, or enforcing the permit or to compensate the regulatory agency for the actual and attributable costs of infrastructure or improvements for which the fee is imposed.

The bill would require a local government regulatory agency to adopt a budget for each permit fee before the first day of the political subdivision's fiscal year and to conduct an audit as soon as practicable after the last day of its fiscal year of the permit fees collected and the costs of processing those permits. The bill would establish procedures that must be followed before an agency may increase the amount of permit fees, including holding public hearings, publishing notice of the hearings, mailing notice of the hearings to persons requesting a mailed notice, and providing availability of a required independent study concerning the permit fees. Violations of the procedures and fee imposition could be filed with the Office of Attorney General (OAG) or in district court.

A local government regulatory agency would be required to adopt a budget for each permit fee imposed by the agency before January 1, 2006, and to conduct the required audits beginning as soon as practicable after January 1, 2006. The bill would take effect September 1, 2005.

The OAG anticipates that any potential increase in workload could be handled with existing resources.

Local Government Impact

Local governments would incur additional costs to comply with development of the annual permit budgets and preparation of the annual audits. Also, local governments could be required to refund any fees collected in violation of the provisions of the bill, including any attorney's fees incurred.

Costs would vary by local government. According to the City of Houston (population of 1.9 million), costs the first year of implementation would be \$142,101 for staffing, capital outlay, and operational costs to make required adjustments to the permitting system. After the first year, the city anticipates no significant fiscal impact.

The City of Garland (population 215,768) estimates incurring additional costs of \$69,500 in fiscal year 2006, increasing to \$81,216 by fiscal 2010, which represents less than 1 percent of the city's overall budget. The city adds that it does not currently recover all costs related to permits and fees.

Source Agencies: 302 Office of the Attorney General

LBB Staff: JOB, JRO, DLBa