

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION
Revision 1

March 25, 2005

TO: Honorable Robert Talton, Chair, House Committee on Urban Affairs

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 Introduced**

No significant fiscal implication to the State is anticipated.

The bill would place limitations on permit fees a local government regulatory agency, not including a school district, may impose. The fees could not be used for any purpose other than to pay the costs of reviewing, processing, and issuing the permit. The bill would require a local government regulatory agency to adopt a budget for each permit fee before January 1 of each year and to conduct an audit after December 31 of each year of the permit fees collected and the costs of processing those permits. Provisions of the bill would also 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 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 December 31, 2006.

Local Government Impact

Local governments would incur additional costs to comply with development of the annual permit budgets under proposed Local Government Code §247.003(a), preparation of the annual audits under proposed §247.003(b), and the hiring of an independent consultant to assess any proposed permit fee increase under proposed §247.004(c). Local governments may also experience a decrease in potential revenue due to the limitation that permit fees could only be increased once every five years under proposed §247.004(e). In addition, local governments could be required to refund any fees collected in violation of this bill, including any attorney's fees incurred, under proposed §247.005.

Costs would vary by local government. According to the City of Houston (population of 1.9 million), assuming the costs of inspections would not be allowed under the bill (permit fees may only cover costs of reviewing, processing, and issuing a permit under the bill), which the city estimates is about 65 percent of the cost involved with issuing a building permit, the city would experience an annual revenue loss of approximately \$1 million. The city also estimates costs the first year of implementation of \$142,101 for staffing, capital outlay, and operational costs to make adjustments to the permitting system under the provisions of the bill.

The City of Pasadena (population 141,674) estimates the city would incur a cost of \$215,000 the first year of implementation for staffing, capital outlay, and operational costs, with operational costs of \$72,000 each year, increasing to \$85,000 by fiscal year 2010. In addition, the city estimates revenue losses of \$215,000 in fiscal year 2006 and \$408,000 each year thereafter. The city based its estimates on the assumption that systems would have to be changed to enhance tracking personnel, equipment,

and materials to each specific permit type. The city also indicates that processing permits for a large construction project creates a greater cost than provisions of the bill would allow to be recouped.

The City of Brownsville (population 139,722) estimates implementation would create costs of approximately \$45,000 each year and insignificant revenue losses. The City of Garland (population 215,768) estimates incurring additional costs of \$74,500 in fiscal year 2006, increasing to \$86,735 by fiscal year 2010. The City of Waco (population 113,726) also assumes it would experience new costs and revenue losses. The City of Austin (population 656,562), however, indicated there would be little or no fiscal impact to the city.

Source Agencies: 302 Office of the Attorney General

LBB Staff: JOB, DLBa