

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 17, 2005

TO: Honorable David Swinford, Chair, House Committee on State Affairs

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

IN RE: HB3404 by Farrar (Relating to the regulation of and claims against residential home builders.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3404, As Introduced: a positive impact of \$5,432,340 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$2,716,170
2007	\$2,716,170
2008	\$2,716,170
2009	\$2,716,170
2010	\$2,716,170

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	\$3,790,000	(\$1,073,830)
2007	\$3,790,000	(\$1,073,830)
2008	\$3,790,000	(\$1,073,830)
2009	\$3,790,000	(\$1,073,830)
2010	\$3,790,000	(\$1,073,830)

Fiscal Year	Change in Number of State Employees from FY 2005
2006	7.0
2007	7.0
2008	7.0
2009	7.0
2010	7.0

Fiscal Analysis

The bill would specify that a homeowner may not be charged a fee in connection with filing a complaint with the Texas Residential Construction Commission (TRCC) or a state-sponsored inspection or dispute resolution process.

The bill would require that all remodeling projects would need to be registered with the TRCC.

The bill would require TRCC to charge a fee of at least \$500 for an initial builder registration and a fee of at least \$300 for a registration renewal and provide authority to raise fees as necessary to provide public service in connection with investigations of construction defect complaints.

The bill would require an increase of two years for the warranty period on workmanship and materials defects.

The bill would require all registered builders to meet the qualifications established by TRCC for the “Texas Star Builder” program.

The bill would require registered builders and registration applicants to provide to TRCC proof of financial responsibility to the commission by maintaining a general liability insurance policy with a limit of at least \$500,000.

The bill would require registered builders to provide proof of completion of at least four hours of continuing education to renew a registration.

The bill would increase the disciplinary powers of TRCC.

The bill would take effect September 1, 2005.

Methodology

The bill would require all remodeling projects to be registered with the TRCC and would create a gain of \$25 per project. The TRCC estimates approximately 40,000 remodeling registrations totaling an estimated \$1,000,000 gain to the General Revenue Fund. Based on the commission’s analysis, it is assumed that provisions of the bill would require an Administrative Assistant II position (1.0 FTE) at \$27,666 for the purpose of processing registrations for remodeling. The commission anticipates approximately 250 builders requesting an application at \$375 per registration for the builder application fees that would total and estimated \$90,000 gain to the General Revenue Fund. The commission anticipates approximately 18,000 renewal fees that would total an estimated \$2.7 million gain to the General Revenue Fund.

The bill would require the commission to increase the warranty period for workmanship and materials defects to two years. According to the commission, it is assumed that an estimated 80 percent of the State Sponsored Inspection Resolution Process (SIRP) is workmanship and material matters and increasing the warranty period would increase the number of filings. Based on the commission's analysis and actual historical performance measures, it is assumed that one additional Administrative Assistant III positions (1.0 FTEs) at \$31,116 would be needed for the purpose of processing approximately 500 SIRP workmanship and material defects and to process the provisions of the bill related to the “Texas Star Builder” program.

Provisions of the bill would increase the disciplinary powers of the commission which would require additional enforcement. Provisions of the bill include an additional five causes of action. Based on TRCC's analysis, it is assumed that the commission's estimate of 2,500 causes of action would require evidentiary actions that would create the need for two Inspector IV positions (2.0 FTEs) at total cost of \$70,740, and the need for one Investigator VII positions (1.0 FTEs) at a total cost of \$53,196 and the need for one Attorney IV positions (1.0 FTEs) at a total costs of \$62,460 and the need for one Legal Assistant II position (1.0 FTE) at a total cost of \$33,324 for the purpose of legal “findings of fact” or legal discovery of builders and remodelers who fail to meet the five additional provisional requirements. Builders and remodelers who fail to meet the provisional requirements would be

appealed to the State Office of Administrative Hearings (SOAH) if the disciplinary actions would be appealed.

Technology

Based on the commission's analysis, the additional FTEs would require additional leasing of computer equipment, software and support. Some technology enhancements would be required for the commission's database system. The estimated costs would be \$11,000 each fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 370 Residential Construction Commission

LBB Staff: JOB, SR, MW, BC