

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 19, 2007**

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

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

**IN RE: HB295** 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 HB295, As Introduced: a positive impact of \$2,255,848 through the biennium ending August 31, 2009.

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
2008	\$2,002,924
2009	\$252,924
2010	\$252,924
2011	\$252,924
2012	\$252,924

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

Fiscal Year	Probable Revenue (Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>
2008	(\$400,000)	\$3,500,000	(\$1,097,076)
2009	(\$400,000)	\$1,750,000	(\$1,097,076)
2010	(\$400,000)	\$1,750,000	(\$1,097,076)
2011	(\$400,000)	\$1,750,000	(\$1,097,076)
2012	(\$400,000)	\$1,750,000	(\$1,097,076)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	15.0
2009	15.0
2010	15.0
2011	15.0
2012	15.0

## **Fiscal Analysis**

The bill would amend various section of the Property Code relating to the regulation of and claims against builders. The bill would expand the definition of "builder" to include entities or individuals who construct, supervise, or manage the construction of an improvement to the interior of an existing home regardless of the cost of the work. the bill would prohibit the Texas Residential Construction Commission (TRCC) from charging a homeowner or builder a fee in connection with a complaint, request, or other proceeding under TRCC's state-sponsored inspection and dispute resolution process. The bill would remove the current statutory fee caps of \$500 for new builder registrations and \$300 for renewals of registration and establish a minimum fee of \$500 for new builder registrations and \$300 for renewals. The bill would require all registered builders to participate in TRCC's Texas Star Builder Program, provide proof of completion of at least four hours of continuing education each year to renew a registration, and provide proof of financial responsibility to TRCC by maintaining a general liability insurance policy. The bill would add five additional grounds for which builders could be subject to disciplinary action by TRCC. The bill would increase the warranty period for workmanship and materials from one year to two years.

## **Methodology**

Based on estimates provided by TRCC and the Comptroller of Public Accounts, it is assumed the elimination of fees assessed on homeowners and builders for third-party inspections would result in a loss to the General Revenue Fund of \$400,000 each year.

TRCC indicates that the bill would require all remodeling projects to be registered with TRCC. Based on TRCC's analysis, approximately 40,000 remodeling registrations per year at \$25 per registration would result in a gain to the General Revenue Fund of \$1,000,000 each year. It is also assumed 5,000 additional builders would be required to apply for an initial registration at \$500 each, and 2,500 biennial renewal applications at \$300 each would be received resulting in a gain to the General Revenue Fund of \$2,500,000 in fiscal year 2008 and \$750,000 each year thereafter. Based on information provided by TRCC, it is assumed the agency would require three Administrative Assistant II positions (3.0 FTEs; \$29,779/year, each) to process the additional remodeling registrations and builder registrations.

TRCC also indicates it would require three additional Administrative Assistant III positions (3.0 FTEs; \$33,415/year, each) to monitor the new liability insurance and continuing education requirements specified by the bill.

The provisions of the bill would increase the disciplinary powers of the commission. Based on the analysis of TRCC, an estimated 3,000 additional causes of action would require evidentiary actions requiring on Inspector IV position (1.0 FTE; \$37,904/year); one Investigator VII position (1.0 FTE; \$56,983/year); one Attorney IV position (1.0 FTE; \$71,284/year); one Engineer VI position (1.0 FTE; \$75,318/year); one Legal Assistant III position (1.0 FTE; \$47,381/year); and one Administrative Assistant III position (1.0 FTE; \$33,415/year) to support the inspector, investigator, and engineer positions.

TRCC indicates the increased warranty period for workmanship and materials would result in an increase of approximately 500 inspection requests per year. Based on the analysis of TRCC, it is assumed two additional Program Specialist I positions (2.0 FTEs; \$42,754/year, each) and one additional Administrative Assistant II position (1.0 FTEs; \$29,779/year) to support the Program Specialists would be required to process the additional requests; and additional costs of \$250,000 per year would be incurred for third-party inspector fees.

Employee benefits costs associated with the 15 new positions is estimated to be \$177,422 each year (28.29 percent of \$627,154 in annual salaries). Based on information provided by TRCC, it is assumed other operating costs of \$42,500 per year would be incurred for leasing computer equipment and software, enhancements to the commission's database, and increased record checks.

## **Technology**

Technology costs associated with the implementation of the bill are estimated to be \$42,500 per year for leasing computer equipment and software, enhancements to the commission's database, and increased record checks.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 370 Residential Construction Commission

**LBB Staff:** JOB, KJG, MW, TG