

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

April 13, 2007

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

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

IN RE: HB1038 by Ritter (Relating to the operation of the Texas Residential Construction Commission.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1038, As Introduced: an impact of \$0 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	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain from GENERAL REVENUE FUND 1
2008	(\$503,803)	\$503,803
2009	(\$503,803)	\$503,803
2010	(\$503,803)	\$503,803
2011	(\$503,803)	\$503,803
2012	(\$503,803)	\$503,803

Fiscal Year	Change in Number of State Employees from FY 2007
2008	6.0
2009	6.0
2010	6.0
2011	6.0
2012	6.0

Fiscal Analysis

The bill would amend various sections of the Property Code and the Local Government Code, relating to the functions of the Texas Residential Construction Commission (TRCC). The bill would include in the definition of "builder" a person who had been issued a license by a political subdivision, but not by the state, to practice a trade or profession related to or affiliated with residential construction. Under the provisions of the bill, an individual who builds a home or makes a material improvement to the home with the intent to immediately sell the home and not live in it for at least a year after completion of the work would be liable as a builder under the warranty obligation for the work performed. The bill would authorize TRCC to charge late fees for late payment of any fee due to TRCC in any amount up to the amount of the fee due. The bill would specify that the Texas Star Builder certification is valid for one year and renewable on a date determined by TRCC. The bill would allow TRCC to pursue injunctive relief against non-registered builders and remodelers and would increase the disciplinary powers of the commission. The bill would authorize TRCC to reimburse a third-party inspector for travel expenses incurred to complete an inspection regardless of whether the expenses exceed the inspection fees collected from the party requesting the inspection. The bill would prohibit TRCC from requiring a builder to reimburse fees or inspection expenses if, before the inspection, the builder made or offered to make repairs similar to those identified in the third-party inspection report. The bill would specify that builders in economically distressed areas, as defined by Water Code § 15.001 (11), and any allegations of postconstruction defects are not exempt from TRCC's state-sponsored inspection and dispute resolution process. The bill would prohibit municipalities from issuing building permits to builders not registered with TRCC.

The bill would take effect on September 1, 2007.

Methodology

Based on the analysis of TRCC, it is assumed the increased disciplinary powers and authority to pursue injunctive relief under the provisions of the bill would require additional staff and resources for enforcement including one Attorney II position (1.0 FTE; \$53,596/year); two Investigator VII positions (2.0 FTE; \$56,983/year); one Legal Assistant II position (1.0 FTE; \$47,381/year); and an additional \$70,000 for costs associated with hearings and judicial actions.

Based on the analysis of TRCC, it is assumed the new registration requirements for builders/remodelers and projects in economically distressed areas would increase the number of registrations processed and the number of inspection requests and would require an additional Program Specialist position (1.0 FTE; \$42,754/year) and one Customer Service Representative II position (1.0 FTE; \$29,779/year).

Employee benefits costs associated with the six new positions is estimated to be \$81,327 each year (28.29 percent of salaries). Based on the analysis of TRCC, it is assumed additional costs for leasing computer equipment, software, technical support, and enhancements to the commission's database would be \$12,000 per year.

Based on the analysis of TRCC, it is assumed the agency would incur increased costs of \$53,000 per year for reimbursing inspector's travel expenses under the provisions of the bill.

It is assumed TRCC would assess or increase fees sufficient to recover any additional costs associated with implementing the provisions of the bill.

Technology

Technology costs associated with the implementation of the bill are estimated to be \$12,000 each year for leasing computer equipment, software, technical support, and enhancements to the commission's database.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 370 Residential Construction Commission

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