

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 15, 2007

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

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

IN RE: SB642 by West, Royce (Relating to registration and regulation of metal recycling entities; providing penalties.), **Committee Report 2nd House, As Amended**

Estimated Two-year Net Impact to General Revenue Related Funds for SB642, Committee Report 2nd House, As Amended: a negative impact of (\$161,062) 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	(\$215,618)
2009	\$54,556
2010	\$54,556
2011	\$95,731
2012	\$95,731

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Change in Number of State Employees from FY 2007
2008	\$347,085	(\$562,703)	5.0
2009	\$255,385	(\$200,829)	5.0
2010	\$255,385	(\$200,829)	5.0
2011	\$296,560	(\$200,829)	5.0
2012	\$296,560	(\$200,829)	5.0

Fiscal Analysis

The bill would amend the Occupations Code relating to the registration and regulation of metal recycling entities.

The bill would amend Occupations Code, Chapter 1956, which would direct the Department of Public Safety (DPS) to establish a metal recycling entities registration program that mandates registration, renewal processes, disciplinary actions, and reporting requirements. The bill states DPS shall issue certificates of registration to applicants who: 1) pay fees as determined by DPS sufficient to support the administration of the program; 2) present any relevant evidence relating to the qualifications; and 3) the Public Safety Commission, by rule, will establish qualifications/eligibility requirements

necessary to obtain a certificate under this program.

The bill states a registration certificate will be issued to each person or persons owning a metal recycling business. DPS is required to establish fees for initial applications, renewal certificates, and duplicate certifications. DPS is also required to develop a statewide reporting system to track sales of regulated metal reported to the agency and post a summary of the reports on the agency's Internet website. The bill provides process, procedure, and fee guidelines for DPS to follow when establishing the program. The bill also provides disciplinary, hearing, and enforcement proceedings and criminal penalties. The bill states that a certificate of registration for metal recycling is not required before April 1, 2008. The bill takes effect on September 1, 2007. The bill would apply only to an offense committed on or after September 1, 2007.

Methodology

The bill requires each metal recycling company to submit an application for a certificate of registration and allows the Department of Public Safety (DPS) to establish a system of registration expiration on various dates. This analysis includes DPS' assumption of two registration expiration dates: one that expires in 12 months and another that expires in 24 months. After each company's initial 12 or 24 month licensing period, DPS would be required to review companies' renewal applications.

The DPS estimates 1,834 total companies (634 scrap metal dealers and 1,200 metal recycling companies) would be required to register and renew as metal recycling entities during fiscal years 2008 through 2012. DPS also states the following assumptions: a 10 % growth rate of new applications in 2009 through 2012, a 90% renewal rate by registered companies in 2009 through 2012, and a 5% duplicate certificate rate in 2009 through 2012. Based on these assumptions, DPS assumes the following total applications received to process each year: 1,834 in 2008 (917 new company one-year applications and 917 new company two-year applications), 1,100.4 in 2009 and 2010 (183.4 new company growth applications, 825.3 first year in 2009 /second year in 2010 initial company renewals, and 91.7 duplicate certificates), and 1,265.1 in 2011 and 2012 (183.4 new company growth applications, 990 renewals of growth applications and half of the original renewals from 2009 in 2011 / renewals of growth applications and half of the original renewals from 2010 in 2012, and 91.7 duplicate certificates).

This bill states that DPS shall charge fees in reasonable amounts sufficient enough to cover the costs of administering the metal recycling registration program. Based on the application estimates above, DPS estimates the bill would generate the following revenue: \$347,085 in General Revenue in 2008 (917 new company 2 year applications x \$250 per application + 917 new company 1 year applications x \$125 per application + 91.7 duplicate applications x \$35 per application), \$255,385 in General Revenue in 2009 and 2010 (183.4 new company growth applications x \$250 per application + 825.3 first year in 2009 /second year in 2010 initial company renewals x \$250 per application + 91.7 duplicate applications x \$35 per application), and \$296,560 per year in General Revenue in 2011 and 2012 (183.4 new company growth applications x \$250 per application + 990 renewals of growth applications and half of the original renewals from 2009 in 2011 / renewals of growth applications and half of the original renewals from 2010 in 2012 x \$250 per application + 91.7 duplicate certificates x \$35 per application). It is assumed these revenues would be appropriated to DPS to pay for the operating expenses of the secondhand metal dealers or metal recycling registration program.

DPS states an additional 5 FTEs per year would be required to implement the provisions of the bill (1 attorney, 2 data entry clerks, and 2 administrative assistants) to process and archive application materials, input registration information into the database, and provide administrative and legal support to the officers and the agency. Other operating expenses such as maintenance and repair of office machines and computer equipment, computer supplies, non-capital computer equipment, and furniture and equipment, are also included in the cost estimate.

The Office of Attorney General states that they anticipate no significant fiscal impact to their agency. The State Office of Administrative Hearings states that they are not sure of the potential workload increase to their agency at this time and that the provisions of the bill may have an impact on the agency. For this analysis, the only costs associated with the bill are to the DPS; it is assumed that other

agencies could absorb costs associated with this bill within current appropriations.

Technology

DPS states the technology costs estimated to comply with the development of a registration certification database for metal recycling entities includes computer database program development, computers, printers, laptops with docking stations, and enterprise software agreements. The development of the registration certification database is estimated to cost \$294,424 and an additional \$49,251 for computers, printers, and enterprise software agreements totaling \$343,675 in 2008. Fiscal years 2009 through 2012 have a technology impact of \$745 per year for continued enterprise software agreements.

Local Government Impact

This version of the bill would have some potential increase to local revenue collections, but the amount would depend on which county, municipality, or political subdivision decides to charge the issuance renewal fee and how much it would cost the local governments to collect the fee.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 360 State Office of Administrative Hearings, 405 Department of Public Safety

LBB Staff: JOB, JRO, WK, GG, LG