

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: SB642 by West, Royce (Relating to registration and regulation of secondhand metal dealers and metal recycling entities; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB642, As Introduced: a negative impact of (\$621,912) 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	(\$2,079,796)
2009	\$1,457,884
2010	\$980,369
2011	\$835,129
2012	\$950,329

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	\$0	(\$2,079,796)	20.0
2009	\$2,729,505	(\$1,271,621)	20.0
2010	\$2,251,990	(\$1,271,621)	20.0
2011	\$2,251,990	(\$1,416,861)	20.0
2012	\$2,241,910	(\$1,291,581)	20.0

Fiscal Analysis

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

The bill would amend Occupations Code, Chapter 1956, which would direct the Department of Public Safety (DPS) to establish a secondhand metal dealers and 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 business that predominately engages in the procurement of regulated materials (secondhand metal dealer or metal recycling entity) plus any other employee that acts as the designee of the company to procure regulated materials. DPS is required to establish fees for initial applications, certificates of registration, 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 procedures, administrative penalties including hearing procedures, and enforcement proceedings. The bill states that a certificate of registration for secondhand metal dealers or metal recycling is not required before September 1, 2008.

The bill would apply only to an offense committed on or after September 1, 2007.

Methodology

The bill requires each secondhand metal dealer or 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 renewal period, DPS would be required to review companies' renewal applications. DPS also assumes that the bill allows for 2 individuals in addition to the company owner that would act as the company's designee that would also be required to register for certification.

The DPS estimates 8,444 total companies (7,810 auto salvage dealers and 634 scrap metal dealers) would be required to register and renew as secondhand metal dealers or metal recycling entities during fiscal years 2009 through 2012. The bill states that a certificate of registration for secondhand metal dealers or metal recycling is not required before September 1, 2008. Based on this estimate, DPS assumes the following total applications received to process each year: 30,398 in 2009 (8,444 new company applications and 21,954 new designee applications for all companies), 23,637 in 2010 and 2011 (500 new company applications, 3,378 first year initial company renewals, 10,977 new designee applications for all companies, and 8,782 first year initial designee renewals), and 24,458 in 2012 (500 new company applications, 3,102 company application renewals, 10,977 new designee applications for all companies, and 9,879 designee application renewals).

This bill states that DPS shall charge fees in reasonable amounts sufficient enough to cover the costs of administering the secondhand metal dealers or metal recycling registration program. Based on the application estimates above, DPS estimates the bill would generate the following revenue: \$2,729,505 in General Revenue in 2009 (4,222 new company 2 year applications x \$275 per application + 4,222 new company 1 year applications x \$137.50 per application + 10,977 new designee 2 year applications x \$60 per application + 10,977 new designee 1 year applications x \$30 per application), \$2,251,990 per year in General Revenue in 2010 and 2011 (500 new company 2 year applications x \$275 per application + 3,378 first year initial company renewals x \$275 per application + 10,977 new designee 2 year applications x \$60 per application + 8,782 first year initial designee renewals x \$60 per application), and \$2,241,910 in General Revenue in 2012 (500 new company applications x \$275 per application + 3,102 company application renewals x \$275 per application + 10,977 new designee applications for all companies x \$60 per application + 9,879 designee application renewals x \$60 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.

Section 5 of the bill states that a certificate of registration for secondhand metal dealers or metal recycling is not required before September 1, 2008. This provision allows fee revenue collection starting in fiscal year 2009. However, the Department of Public Safety assumes that initial start-up costs including the hiring of employees would be required during fiscal year 2008 before revenue generation could potentially cover the agency's operational costs. This analysis assumes that an additional 20 FTEs per year would be required to implement the provisions of the bill, including: 6 commissioned officers (4 troopers, 1 sergeant, and 1 lieutenant) to detect registration violations, make violator contacts, and place violators in custody as well as perform criminal investigations and testify in court and 12 support staff FTEs to process and archive application materials, input registration information into the database, and provide administrative and legal support to the officers and the agency. The cost estimate also includes the necessary police equipment (including vehicles and state travel costs).

DPS estimates that additional office space will be required to accommodate the additional personnel. This analysis assumes estimated lease costs of \$44,720 per year, which is also included in the cost estimate. 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. This analysis assumes that costs associated with this bill can be absorbed within each agency's current appropriations.

Technology

DPS states the technology costs estimated to comply with the development of registration certification database for secondhand metal dealers and 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 require 1,364 hours of programming at \$95 per hour totaling \$129,580 and an additional \$117,635 for computer equipment, printers, and enterprise software agreements for a total of \$247,215 in fiscal year 2008. Fiscal years 2009 through 2012 would have a technology impact of \$11,720 per year for continued enterprise software agreements and database maintenance costs.

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, 360 State Office of Administrative Hearings, 405 Department of Public Safety

LBB Staff: JOB, WK, GG, LG