

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 30, 2009**

**TO:** Honorable Joe Deshotel, Chair, House Committee on Business & Industry

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

**IN RE: HB2095** 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 HB2095, As Introduced: a negative impact of (\$2,257,366) through the biennium ending August 31, 2011.

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
2010	(\$1,128,683)
2011	(\$1,128,683)
2012	(\$1,128,683)
2013	(\$1,128,683)
2014	(\$1,128,683)

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

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1
2010	(\$8,324,000)	\$7,195,317
2011	(\$8,324,000)	\$7,195,317
2012	(\$8,324,000)	\$7,195,317
2013	(\$8,324,000)	\$7,195,317
2014	(\$8,324,000)	\$7,195,317

**Fiscal Analysis**

The bill would amend the Property Code to require all contracted home remodeling projects to be registered with the Texas Residential Construction Commission. The bill would also amend the Property Code to specify that a homeowner may not be charged a fee in connection with filing a complaint with TRCC or a state-sponsored inspection or dispute resolution process. The bill would change the statutory maximum builder application fee (\$500) and renewal fee (\$300) into a statutory minimum fee. The bill would authorize TRCC to raise registration and renewal fees as necessary to provide public service in connection with investigations of construction defect complaints filed by homeowners under Title 16 of the Property Code. The bill would increase financial responsibility and insurance requirements for builders and require all builders to participate in the "Texas Star Builder" program. The bill would specify additional violations that could result in disciplinary actions by TRCC.

The bill would take effect on September 1, 2009.

## **Methodology**

Based on the analysis of TRCC, it is assumed the provisions of the bill would result in a loss of approximately \$50,000 in each fiscal year from inspection fees that would have been paid by homeowners under current law. Currently, the agency has an estimated appropriation to accommodate the costs of third-party inspections, which is supported by revenues collected from homeowner inspection fees, fee reimbursements from builders, and home registration fees.

Based on the analysis of TRCC, it is assumed approximately 75 percent of the home builders and remodelers currently registered with the commission would not meet the requirements of the Star Builder program. Therefore, it is assumed these builders/remodelers would no longer be eligible for registration and would no longer apply for a registration renewal (\$300 biennial fee). Based on the Comptroller's 2010-11 biennial revenue estimate (BRE) of \$7.3 million for professional fees to be collected by TRCC, it is assumed the provisions of the bill would result in a negative revenue impact of approximately \$5.5 million each year. Additionally, it is assumed the reduction in registered builders and remodelers could result in a decrease in the number of new home and home remodeling projects that would have been registered with TRCC. Based on the 2010-11 BRE amount of \$3.7 million for home registration fees, it is assumed the provisions of the bill would result in a negative fiscal impact of approximately \$2.8 million each year.

Section 2 of the Special Provisions Relating to All Regulatory Agencies in Article VIII of the 2008-09 General Appropriations Act (Sec. 2, Article VIII Special Provisions) establishes the intent of the Legislature that TRCC (and certain other agencies) are to generate fees sufficient to cover direct appropriations to the agency as well as certain other direct and indirect costs appropriated elsewhere in the Act; otherwise the Legislative Budget Board and the Governor would be authorized to direct the Comptroller to reduce the agency's appropriation authority to be within the amount of revenue expected to be available. This provision aligns with the enabling statutes of TRCC and every other agency mentioned in that section. Pursuant to these provisions, it is assumed TRCC would assess or increase fees sufficient to cover, at a minimum, the agency's direct appropriations and other direct and indirect appropriations associated with TRCC. Based on the anticipated direct and other direct/indirect appropriations for TRCC in the amount of \$9.9 million for each year of the 2010-11 biennium, it is assumed the agency would increase builder/remodeler registration fees and home registration fees sufficient to generate an additional \$7.2 million per year to comply with Sec. 2, Article VIII Special Provisions.

Based on the analysis of TRCC, it is assumed any additional administrative costs associated with implementing the provisions of the bill could be absorbed within existing resources.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 370 Residential Construction Commission

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