

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 31, 2009

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

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

IN RE: HB2243 by Leibowitz (Relating to the licensing and regulation of residential construction contractors and the abolition of the Texas Residential Construction Commission; providing a criminal penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2243, As Introduced: a negative impact of (\$1,215,762) through the biennium ending August 31, 2011.

This 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	(\$607,881)
2011	(\$607,881)
2012	(\$607,881)
2013	(\$607,881)
2014	(\$607,881)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/ (Loss) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	\$3,127,709	(\$3,735,590)	22.5
2011	(\$580,193)	(\$27,688)	68.0
2012	\$572,444	(\$1,180,325)	68.0
2013	\$573,865	(\$1,181,746)	68.0
2014	\$578,866	(\$1,186,747)	68.0

Fiscal Analysis

The bill would abolish the Texas Residential Construction Commission (TRCC) and transfer the property, records, or other assets of TRCC to the Texas Department of Licensing and Regulation (TDLR). The bill would also amend Subtitle C, Title 7 of the Occupations Code and require TDLR to license general residential contractors, create a directory of license holders, and develop and administer an exam for license eligibility.

The bill would establish the definition of general residential contractor as a person engaged in the business of residential construction. The bill would establish the definition of residential construction as the business of building, altering, repairing, improving, moving or demolishing a residential

structure or appurtenance on or within the structure's residential property lines. The bill would authorize TDLR to waive any requirements to obtain a license if the department determines that the applicant holds a license issued by another jurisdiction that has licensing requirements substantially equivalent to those of Texas.

The bill would also establish terms of penalties and enforcement of contractor licenses. The bill would require the Texas Department of Licensing and Regulation to adopt rules to implement the provisions of the bill.

The bill would take effect September 1, 2009.

Methodology

The abolition of the TRCC would result in a loss of General Revenue from professional fees and new home registration fees collected by the agency. Based on the Comptroller's Biennial Revenue Estimate for the 2010-11 biennium, the revenue loss is estimated to be approximately \$11 million each year. This analysis assumes the revenue loss would be offset by a cost savings of \$10.4 million each year based on the fiscal year 2009 budgeted General Revenue expenditures for TRCC.

The analysis of the Texas Department of Licensing and Regulation (TDLR) is based on the broad definition of residential contractor set forth in the bill. Under this assumption, the agency anticipates 121,000 people would apply for a general residential contractor license; however, TDLR estimates only 20 percent of the population will apply for a license in 2010 because the requirement for licensure will begin January 1st, 2011.

TDLR anticipates 2,000 complaints would be raised in fiscal year 2010 and that the agency would handle 4,000 complaints per year thereafter. TDLR estimates it will hold 60 administrative hearings in 2011 and 120 hearings every year thereafter.

According to TDLR, the licensing of the population of general contractors will be complex; the requirement to provide proof of 3 years of experience, proof of insurance, and to pass an exam will complicate the application and eligibility determination process.

In order to administer the licenses and enforce the regulations set forth in the bill, TDLR anticipates needing 148 additional FTEs, including administrative assistants, program specialists, customer service representatives, legal assistants, investigators, attorneys, managers, HR specialists, systems analysts, network specialists, an accountant and general counsel. Based on the analysis of TDLR, costs for licensing and regulating residential contractors are estimated to be \$7,296,410 in 2010, \$11,004,312 in 2011, \$9,851,675 in 2012, \$9,850,254 in 2013, and \$9,845,253 in 2014. These costs include funding for the FTE salaries and benefits, office space rent, technology, and equipment costs.

This analysis assumes that any increased costs to the agency, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

Technology

According to TDLR analysis, the addition of the regulation of residential contractors would impact costs of Data Consolidation Services, estimated to be \$26,304 in 2010 and \$26,336 in 2011. The agency estimates other technology costs would include TexasOnline fees, and imaging costs of \$1.50 per page.

Local Government Impact

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

Source Agencies: 370 Residential Construction Commission, 452 Department of Licensing and Regulation

LBB Staff: JOB, JRO, MW, ES