

**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: HB3629** by Smith, Todd (Relating to the continuation and functions of the Texas Residential Construction Commission and the licensing and regulation of certain builders.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3629, As Introduced: an impact of \$0 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	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

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

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$267,414)	\$267,414	4.0
2011	(\$301,206)	\$301,206	4.0
2012	(\$451,670)	\$451,670	4.0
2013	(\$452,150)	\$452,150	4.0
2014	(\$452,646)	\$452,646	4.0

**Fiscal Analysis**

The bill would amend and repeal various provisions of the Property Code relating to the powers and duties of the Texas Residential Construction Commission (TRCC). The bill would transfer from TRCC to the Texas Department of Insurance (TDI) the responsibility for approving third-party warranty companies for certain residential construction. The bill would require a person engaging in business as a builder or acting as a builder in Texas to hold a licence with TRCC rather than a registration. The bill would require TRCC to adopt rules necessary to implement a builder licensing program, including examination and continuing education requirements. The bill would amend the definition of builder to include roofing, pool construction, and foundation repair contractors, which would be required to hold a license with TRCC under the provisions of the bill. The bill would

increase the number of TRCC commission members from 9 to 11. The bill would require licensed builders to maintain a bond or other security accepted by TRCC that meets certain requirements specified by the bill. The bill would eliminate the state-sponsored inspection and dispute resolution process, the appeal process for third-party inspector recommendations, and provisions requiring TRCC to employ state inspectors. The bill would abolish the Texas Star Builder program. The bill would repeal the requirements for the certification of residential arbitrators and third-party inspectors by TRCC. The bill would repeal provisions requiring TRCC to establish an energy efficient building accreditation program and fee inspection and reporting requirements to TRCC for residential construction in unincorporated areas and other areas not subject to municipal inspection.

Except as otherwise provided by the bill, the provisions of the bill would take effect on September 1, 2009.

### **Methodology**

TRCC indicates that the provisions of the bill would increase the number of builders that the agency would have to license and regulate above the number of builders currently registered with the commission. Based on the analysis of TRCC, it is assumed the agency would require four additional full-time-equivalent (FTE) positions: two Investigators (\$41,890 each per year); one Attorney (\$63,100 per year); and one Administrative Assistant (\$34,800 per year). Employee benefits costs associated with the additional FTEs are estimated to be \$51,906 each year (28.57 percent of salary costs). Additional costs for furniture, computers and peripherals, furniture, and telephone set-up are estimated to be \$16,660 in fiscal year 2010. Telephone utility expenses are estimated to be \$852 each year. Costs for consumable supplies are estimated to be \$1,200 each year. It is assumed the agency would incur additional building lease expenses of \$15,116 in fiscal year 2010, increasing by approximately three percent per year.

Also based on the analysis of TRCC, it is assumed the agency would incur costs of \$50,000 in fiscal year 2010 to develop a builder license exam and \$200,000 each year thereafter to produce and administer exams at various locations across the state.

It is assumed any other costs or duties to TRCC associated with implementing the provisions of the bill could be absorbed through the reallocation of existing resources. It is also assumed that TRCC would assess and collect fees sufficient to cover any costs associated with implementing the provisions of the bill.

Based on the analysis of TDI, it is assumed the agency could absorb the duties associated with the approval third-party warranty companies within the agency's current resources.

### **Technology**

Technology costs are estimated to be \$6,000 in fiscal year for the purchase of desktop computers and peripheral devices.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 370 Residential Construction Commission, 454 Department of Insurance

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