

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 13, 2011

TO: Honorable John Carona, Chair, Senate Committee on Business & Commerce

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

IN RE: HB1853 by Hamilton (Relating to the licensing and regulation of certain employees of fire protection sprinkler system contractors; providing a penalty.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1853, As Engrossed: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Dept Ins Operating Acct 36</i>	Probable (Cost) from <i>Dept Ins Operating Acct 36</i>	Probable Revenue Gain/(Loss) from <i>General Revenue - Insurance Maint Tax and Fees</i>	Probable (Cost) from <i>General Revenue - Insurance Maint Tax and Fees</i>
2012	\$800,000	(\$168,012)	(\$631,988)	\$0
2013	\$832,000	(\$166,922)	(\$665,078)	\$0
2014	\$64,000	(\$64,000)	\$102,922	(\$102,922)
2015	\$864,000	(\$166,922)	(\$697,078)	\$0
2016	\$96,000	(\$96,000)	\$70,922	(\$70,922)

Fiscal Year	Change in Number of State Employees from FY 2011
2012	2.5
2013	3.0
2014	3.0
2015	3.0
2016	3.0

Fiscal Analysis

The bill would amend the Insurance Code relating to the licensing and regulation of fire protection sprinkler technicians and providing a penalty. The bill would require the State Fire Marshal's Office (SFMO) at the Texas Department of Insurance (TDI) to add three new Fire Protection Sprinkler Technician licenses: a Dwelling Technicians License, an underground Fire Main Technician License, and a General Technicians License. The bill would require the SFMO to administer the licensing function including receipt of the licensing fees, approval or acceptance of certification organizations, draft rules for the three new licenses, create and coordinate state examinations, and establish a continuing education program.

The requirement of a fire protection sprinkler technician to hold a license would take effect on July 1, 2012.

The bill would take effect on September 1, 2011.

Methodology

Based on the analysis by TDI, it is estimated that 4,000 new licenses would be issued in fiscal year 2012, and 160 new licenses each year of 2013-2016. Additionally, there would be renewals of 4,000 licenses in fiscal year 2013, 160 in fiscal year 2014, 4,160 in fiscal year 2015, and 320 in fiscal year 2016. The cost per license issued would be \$200. Per the Insurance Code, the revenue from the new license fees would be deposited to the credit of General Revenue – Dedicated Fund 36 Texas Department of Insurance Operating Account (GR-D Fund 36). The SFMO is funded by license fees deposited to GR-D Fund 36 and by General Revenue – Insurance Maintenance Tax. Since insurance maintenance tax is self-leveling, this analysis assumes that the Insurance Maintenance Tax would be set to offset the increases and decreases to GR-D Fund 36. In fiscal years 2012, 2013, and 2015, the insurance maintenance tax would be set to recover a lower amount of revenue, resulting in a loss to General Revenue – Insurance Maintenance Tax. In fiscal years 2014 and 2016, the fee revenue to GR-D Fund 36 would not be enough to cover the costs of the program so General Revenue – Insurance Maintenance Tax would be set to produce an increase of revenue to cover the costs.

The agency indicates that implementation of this bill would require 2.0 FTEs, administrative assistant IIIs, in each fiscal year of 2012-2016 to perform all the licensing program functions. Additionally, the agency indicates that it would require an investigator III to investigate complaints of unlicensed individuals or installation violations. The FTE would be hired in the third quarter of fiscal year 2012 and be full-time in fiscal years 2013-2016. In fiscal year 2012, the 2.5 FTEs would cost \$93,449 for salaries and wages with associated benefit costs of \$26,035, travel costs of \$1,400, other operating expenses of \$26,812, equipment costs of \$14,116, and telephone, fuel, and consumables cost of \$6,200. In each fiscal year of 2013-2015, the 3.0 FTEs would cost \$114,889 for salaries and wages with associated benefit costs of \$32,008, travel costs of \$2,800, other operating expenses of \$9,175, and telephone, fuel, and consumables cost of \$8,050.

In fiscal years 2012, 2013, and 2015, the FTE costs would be fully funded by license fees deposited to GR-D Fund 36. In fiscal years 2014 and 2016, the FTE costs would be funded by license fees deposited to GR-D Fund 36 and by General Revenue – Insurance Maintenance Tax. Since insurance maintenance tax is self-leveling, this analysis assumes that the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

Technology

The technology impact would be \$3,675 in fiscal year 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

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