

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 14, 2011

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

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

IN RE: SB1000 by Eltife (Relating to self-directed and semi-independent status of the Texas Real Estate Commission; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1000, As Introduced: a negative impact of (\$5,535,975) through the biennium ending August 31, 2013.

Appropriations:

| Fiscal Year | Appropriation out of General Revenue Fund 1 |
|-------------|---|
| 2012 | \$3,813,736 |
| 2013 | \$0 |

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2012 | (\$4,546,210) |
| 2013 | (\$989,765) |
| 2014 | (\$995,765) |
| 2015 | (\$997,765) |
| 2016 | \$2,815,971 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/ (Cost) from General Revenue Fund 1 | Probable Savings from Appraiser Registry Acct 28 | Probable Revenue Gain/(Loss) from General Revenue Fund 1 | Probable Revenue Gain/(Loss) from Appraiser Registry Acct 28 |
|-------------|---|--|---|---|
| 2012 | \$4,735,790 | \$120,000 | (\$9,282,000) | (\$151,000) |
| 2013 | \$8,295,235 | \$120,000 | (\$9,285,000) | (\$120,000) |
| 2014 | \$8,295,235 | \$120,000 | (\$9,291,000) | (\$120,000) |
| 2015 | \$8,295,235 | \$120,000 | (\$9,293,000) | (\$120,000) |
| 2016 | \$8,295,235 | \$120,000 | (\$5,479,264) | (\$120,000) |

| Fiscal Year | Change in Number of State Employees from FY 2011 |
|-------------|--|
| 2012 | (99.0) |
| 2013 | (99.0) |
| 2014 | (99.0) |
| 2015 | (99.0) |
| 2016 | (99.0) |

Fiscal Analysis

The bill would amend the Occupations Code relating to self-directed and semi-independent status of the Texas Real Estate Commission, making an appropriation. The bill would allow the Texas Real Estate Commission (TREC) to become self-directed and semi-independent. The bill would require that all money paid to the TREC be retained by the agency and deposited into interest-bearing deposit accounts held by the Texas Treasury Safekeeping Trust Company. Money in the new accounts could be used only for the administration of the business of the TREC, and to pay the expenses of the agency. No expense incurred by TREC would be allowed to be charged against the General Revenue Fund. The bill would allow the Commission to set the amounts of fees, penalties, charges, and revenues required or permitted by statute or rule as necessary for the purpose of carrying out the functions of the Commission and funding the budget adopted. The bill would require that TREC be appropriated out of the General Revenue Fund in the 2012-13 biennium an amount equal to 50 percent of the amount appropriated to TREC from the General Revenue Fund for fiscal 2011. TREC would be required to repay these funds to the General Revenue Fund no later than August 31, 2016.

The bill would require the State Auditor to enter into contract and schedule with the Commission to conduct audits. The bill would require the Commission to reimburse the state auditor for all costs incurred in performing audits. The bill would also states the Attorney General shall represent the Commission in any litigation and may assess and collect from the commission reasonable fees for providing legal services.

The bill would require the Commission to submit to the Legislature and the Governor a report describing all of the agency's activities in the previous biennium before the beginning of each regular session of the Legislature. In addition, not later than November 1 of each year, the bill would also require the Commission to submit to the Governor, the committee of each house of the legislature and the Legislative Budget Board a report that contains (1) the salary for all commission personnel and the total amount of per diem expenses and travel expenses paid for all commission employees; (2) the total amount of per diem expenses and travel expenses paid for each member of the commissioner; (3) the Commission's operating plan and annual budget; and (4) a detailed report of all revenue received and all expenses incurred in the previous 12 months. Under provisions of this bill, employees of the Commission would remain members of the Employees Retirement System of Texas under Chapter 812 of the Government Code.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

This bill would take effect September 1, 2011.

Methodology

For the purposes of this analysis, the Comptroller's 2012-13 Biennial Revenue Estimate and USAS records were used to estimate the revenue impacts of the bill. The bill would appropriate 50 percent of the amount from the General Revenue Fund appropriated to TREC for fiscal 2011, which was \$3,813,736. For the purposes of this analysis, amounts appropriated in fiscal year 2011 in the General Appropriations Act were used with adjustments for required reductions in that fiscal year. Under the provisions of the bill, this amount would be appropriated to TREC in the 2012-13 biennium. For the purposes of this analysis, it is assumed that this amount would be appropriated in fiscal year 2012 and subsequently repaid entirely in the fiscal year ending August 31, 2016. Proposed appropriations

included for TREC in the House Bill 1, as Introduced, 82nd Legislature, Regular Session, for fiscal years 2012-13 were also used to estimate savings reflected in the table above for the purposes of this analysis.

Currently, TREC deposits collected revenue to the General Revenue Fund, GR Account 0028-Appraisal Registry, Fund 0969-Real Estate Fee Trust Account, Fund 0971-Real Estate Recovery Trust Account, and Fund 0988-Real Estate Inspection Recovery Trust Fund. All of the money in these funds/accounts will be moved to the Texas Treasury Safekeeping Trust Company (TTSTC). Since Fund 0969-Real Estate Fee Trust Account, Fund 0971-Real Estate Recovery Trust Account, and Fund 0988-Real Estate Inspection Recovery Trust Fund are considered Other Funds in the Treasury outside the General Revenue Fund they are not reflected in the table above.

Interest earned on Fund 0969 is deposited to the General Revenue Fund. Once Fund 0969 is transferred to the TTSTC the interest will no longer be deposited to the General Revenue Fund, which would result in a negative fiscal impact for the General Revenue Fund. Interest earned on Fund 0971 and Fund 0988 is currently retained in the funds and will move with the funds to the TTSTC.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 308 State Auditor's Office, 329 Real Estate Commission

LBB Staff: JOB, NV, AG, MW