

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 5, 2011

TO: Honorable Mike Hamilton, Chair, House Committee on Licensing & Administrative Procedures

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

IN RE: SB1399 by Patrick (Relating to the regulation of foundation repair contractors; providing penalties.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1399, 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 Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$476,511)	\$476,511	7.0
2013	(\$433,436)	\$433,436	7.0
2014	(\$433,436)	\$433,436	7.0
2015	(\$433,436)	\$433,436	7.0
2016	(\$433,436)	\$433,436	7.0

Fiscal Analysis

The bill would amend the Occupations Code to require the Texas Department of Licensing and Regulation (TDLR) to license and regulate foundation repair contractors. The bill would require TDLR to establish eligibility requirements and conduct criminal background checks on each Master, Journeyman, Estimator and Foreman license. Exemptions would apply to individual homeowners working on their own residence without paid help, licensed engineers who perform foundation repair in connection with a business for which they are employed but who does not engage in work for the public, individuals contracting for foundation repair of a mobile structure, individuals or entities that perform foundation repair only on nonresidential properties, individuals or entities that: sell, construct or remodel single-family houses or duplexes; supervise or manage the construction or remodel of a

single-family houses or duplexes; or contract for the supervision or management of the construction or remodel of a single-family houses or duplexes. The bill would establish the Foundation Repair Contractors Advisory Board and provide guidelines and rules for the advisory board.

The bill has the following effective dates: The effective date for the bill is September 1, 2011; Rules are required by February 1, 2012; Licenses are required by September 1, 2012.

Methodology

Information and estimates provided by the Department of Licensing and Regulation (TDLR) were used as the basis of developing this analysis. Based on information provided by TDLR, the estimated population of foundation repair contractors is 6,300 (Contracting Company Application - 800; Master Licenses - 1,500; Journeyman Licenses - 1,500; Estimator License Application - 1,000; Foreman License - 1,500) and fees would be collected by the department and deposited into General Revenue. Also based on the analysis of TDLR, it is assumed that an additional 7.0 FTEs would be required to license, regulate and enforce the provisions of the bill. This would include: 3.0 - License and Permit Specialist IIIs to process complex new and renewal applications, including reviewing and approving applicant's practical experience and determining that documentation of insurance is sufficient; 0.5 Customer Service Rep III - to answer calls and e-mails; 0.5 - Legal Assistant II (Intake) - to process incoming complaints and inquiries; 1.0 - Investigator IV to investigate complaints to document possible violations of the law and rules; 0.5 - Attorney IV (Prosecutor) to issue notices of alleged violations, prosecute complaints and negotiate settlements when appropriate; 0.5 - Legal Assistant III (Prosecutor Assistant) to assist the prosecutor in prosecution or complaints and negotiations of settlements; 0.5 - Administrative Assistant III (Prosecutor Section) to field general inquiries and assist with prosecutions; 0.5 - Legal Assistant III to assist the General Counsel in drafting and filing rules, processing open records requests, and answering general inquiries to administer this chapter under the direction of the department and to provide technical expertise to the public, the advisory board, TDLR personnel, and the licensed population.

TDLR anticipates receiving 283 complaints each year resulting in 10 hearings each year. In addition, TDLR anticipates a cost of \$5,500 each fiscal year for each licensee requiring a criminal history background check at \$1 each and \$5,500 in costs for issuing plastic card type licenses for each licensee renewing their licenses at \$1 each.

In addition to salary and benefit costs in the amount of \$387,661 each year, it is assumed that the agency would incur other costs of \$18,900 each year in rent for space for the additional FTEs, \$10,500 in Other Operating Expenses each year, \$5,375 in Travel each year, \$43,075 in Equipment in fiscal year 2012 and \$17,875 in Computer Technology Equipment in fiscal year 2012. The agency would also administer exams for the new licensee populations resulting in \$127,500 in fiscal year 2012 and \$26,250 in fiscal year 2013 for Tradesman only and \$48,750 for all new licensee types in each subsequent fiscal year. Since TDLR is statutorily required to cover the cost of its operations with fee generated revenue, it is assumed that the agency would adjust fees as necessary to cover all costs associated with implementing the provisions of the bill.

Local Government Impact

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

Source Agencies: 452 Department of Licensing and Regulation

LBB Staff: JOB, AG, MW, CWS, KJG, KKR