

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 11, 2013

**TO:** Honorable Wayne Smith, Chair, House Committee On Licensing & Administrative Procedures

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB337** by Zedler (Relating to the regulation of owners, operators, employees, and independent contractors of sexually oriented businesses to reduce risks to public and occupational health and to prevent human trafficking; providing penalties.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB337, As Introduced: a positive impact of \$232,929 through the biennium ending August 31, 2015.

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
2014	\$224,014
2015	\$8,915
2016	\$8,704
2017	\$8,506
2018	\$5,988

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue Gain from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2014	(\$1,221,236)	\$1,445,250	9.1
2015	(\$1,597,285)	\$1,606,200	12.1
2016	(\$1,597,496)	\$1,606,200	12.1
2017	(\$1,597,694)	\$1,606,200	12.1
2018	(\$1,600,212)	\$1,606,200	12.1

## **Fiscal Analysis**

The bill would amend the Occupations Code, requiring the Department of State Health Services (DSHS) to issue licenses for certain businesses. The bill would authorize a licensing fee to cover the costs of administering the chapter. The bill would authorize inspections and require investigations to ensure compliance with the chapter. The bill would also authorize civil and administrative penalties.

## **Methodology**

Costs for DSHS would be offset by fees (deposited to the General Revenue Fund). It is assumed that fees would be set to offset costs incurred by the agency. Estimated revenue from licensing fees total \$1.4 million in fiscal year 2014 and \$1.6 million in fiscal years 2015-2018. Additional funding would, however, need to be appropriated to DSHS. DSHS estimates 1,835 establishments and 12,845 workers would obtain a license in fiscal year 2014 (\$350 for a one-year license and \$700 for a two-year license for businesses; \$25 for a one-year license and \$50 for a two-year license for workers). Beginning in fiscal year 2015, these businesses would pursue a renewal license (\$1050 for business and \$100 for workers) for a two-year period. No new regulated businesses or workers are assumed in the calculations.

Total costs for DSHS are estimated to be \$1.2 million in fiscal year 2014 and \$1.6 million in fiscal years 2015-2018. DSHS would need 9.0 FTEs in each fiscal year to issue licenses, establish public health standards, and perform inspections. Approximately 0.1 FTE in each fiscal year is assumed for enterprise support services. DSHS estimates that there will be approximately 80 State Office of Administrative Hearings (SOAH) hearings per fiscal year beginning in fiscal year 2015. DSHS anticipates needing an additional 3.0 FTEs in fiscal years 2015-2018 to provide legal support during these hearings. DSHS assumes an associated cost of \$320,000 (\$4000 x 80 hearings).

SOAH, the Office of the Attorney General, and the Health and Human Services Commission indicate that the bill could be implemented within existing resources.

## **Technology**

DSHS estimates IT costs of approximately \$45,000 in fiscal year 2014 for system modifications.

## **Local Government Impact**

The bill would make it a Class A misdemeanor offense to engage in a business transaction at a sexually oriented business without a license as prescribed by the bill. A Class A misdemeanor is punishable by a fine of not more than \$4,000, confinement in jail for a term not to exceed one year, or both. Costs associated with enforcement, prosecution, and confinement could be absorbed within existing resources. Revenue gain from fines imposed and collected would not have a significant fiscal implication.

**Source Agencies:** 302 Office of the Attorney General, 360 State Office of Administrative Hearings, 529 Health and Human Services Commission, 537 State Health Services, Department of, 304 Comptroller of Public Accounts

**LBB Staff:** UP, RB, MB, JTe, JM, KKR, JF, CL, VJC, NB