LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 11, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB19** by Carona (Relating to certain residential and other structures and mitigation of loss to those structures resulting from natural catastrophes; providing administrative and criminal penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB19, As Introduced: a negative impact of ($1,000,000) 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	($500,000)
2015	($500,000)
2016	($500,000)
2017	($500,000)
2018	($500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2013
2014	($913,088)	$413,088	5.0
2015	($871,318)	$371,318	5.0
2016	($871,318)	$371,318	5.0
2017	($871,318)	$371,318	5.0
2018	($871,318)	$371,318	5.0

Fiscal Analysis

The bill would amend the Insurance Code relating to certain residential and other structures and mitigation of loss to those structures resulting from natural catastrophes. The bill would require the Texas Department of Insurance (TDI) and the Office of Public Insurance Counsel (OPIC) to establish a loss mitigation grant program, and requires the insurance commissioner to direct the Texas Windstorm Insurance Association to provide additional funding for loss mitigation grants available only to residential property owners in the seacoast territory.

The bill would also require TDI to establish a loss mitigation credit and surcharge program that would allow the insurance commissioner to identify actuarially justified premium credits that may be given for a residential property insurance policy if mitigation measures adopted by the commissioner are implemented. The bill would allow the commissioner to adopt an actuarially justified premium surcharge that may be imposed and retained by an insurer if the insured structure does not meet building code standards adopted by rule. The bill would also authorize TDI and OPIC to collect information related to the loss mitigation credit surcharge program, and require the agencies to establish a public education effort for the program.

The bill would amend the Occupations Code to require the Texas Department of Licensing and Regulation (TDLR) to license and regulate roofing contractors. The bill would establish requirements and duties necessary to regulate roofing contractors. The bill would require rules to be adopted by February 1, 2014. The bill would allow roofing contractors with at least 10 years of experience performing roofing services who apply no later than June 1, 2014, pay the required fee, and provide necessary documentation under the provisions of the bill to obtain a license without examination.

The bill would create a Roofing Contractors Advisory Board and clarifies that Chapter 2110, Government Code, would not apply to the composition or duration of the board. The bill would allow TDLR to obtain criminal history information for individuals licensed under the provisions of the bill and would allow TDLR to establish application fees for licensees. The bill would allow TDLR to impose administrative penalties for certain violations under the requirements of the bill and establish a Class C misdemeanor for performing roofing services without a license.

The bill would take effect September 1, 2013 except for subchapters E and F of the bill which would take effect September 1, 2014.

Methodology

Information and estimates provided by TDLR were used as the basis of developing this analysis. Based on information provided by TDLR, the estimated population of roofing contractors is 4,500 and fees would be collected by the department and deposited into General Revenue. TDLR anticipates receiving 386 complaints each year resulting in 12 hearings each year. Also based on the analysis of TDLR, it is assumed that an additional 5.0 FTEs would be required to license, regulate and enforce the provisions of the bill.

In addition to salary and benefit costs in the amount of $263,580 each year, it is assumed that the agency would incur other costs of $13,725 each year in rent for space for the additional FTEs, $7,500 in Other Operating Expenses each year, $3,625 in Travel each year, $30,635 in Equipment in fiscal year 2014, $12,635 in Computer Technology Equipment in fiscal year 2014 and $3,000 in Other Costs in Fiscal Year 2014 and $4,500 in subsequent years. 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.

Based on information provided by TDI, it is assumed that there are 40,000 eligible homes for the Loss Mitigation Grant Program with a grant award between $5,000 and $10,000 per home. This analysis assumes that TDI could fund up to $1,000,000 per year from the Catastrophe Reserve Fund outside the treasury for grants to residential properties in the seacoast territory. This analysis also assumes that up to 50 grants per year could be awarded at a cost of $500,000 per year from General Revenue funds which is reflected in the table above.

Based on information provided by OPIC, the Comptroller of Public Accounts, and the Department of Public Safety, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

The bill would require counties to verify compliance with building standards as a precondition to obtaining utility services. This may increase workload for some counties but it is assumed that these duties could be absorbed within existing resources.

The bill would repeal Section 233,152, Local Government Code, effectively making Chapter 233, Subchapter F, Local Government Code, apply to all counties in Texas. A county would incur costs associated with enforcement that would depend on the number of residential construction projects and number of cases of noncompliance but it is anticipated that any fiscal impact would not be significant.

The bill creates a Class C Misdemeanor. A Class C misdemeanor is punishable by a fine of not more than $500. Costs associated with enforcement and prosecution could likely be absorbed within existing resources. Increased revenue from new fines imposed and collected is not anticipated to have a significant fiscal impact.

Source Agencies: 304 Comptroller of Public Accounts, 359 Office of Public Insurance Counsel, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 454 Department of Insurance

LBB Staff: UP, RB, MW, ER, LXH, KKR