

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 14, 2019

TO: Honorable Trey Martinez Fischer, Chair, House Committee on Business & Industry

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB2101** by Capriglione (Relating to the regulation of reroofing contractors; providing administrative and civil penalties; authorizing fees; requiring an occupational registration.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2101, Committee Report 1st House, Substituted: a positive impact of \$623,218 through the biennium ending August 31, 2021.

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
2020	\$293,014
2021	\$330,204
2022	\$4,704
2023	\$4,704
2024	\$4,704

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 2019
2020	(\$456,986)	\$750,000	5.5
2021	(\$419,796)	\$750,000	5.5
2022	(\$420,296)	\$425,000	5.5
2023	(\$420,296)	\$425,000	5.5
2024	(\$420,296)	\$425,000	5.5

Fiscal Analysis

This bill would amend Title 8 of the Occupations Code, regarding the regulation of environmental and industrial trades, to add new Chapter 1306, regarding the regulation of reroofing contractors. The bill would require the Texas Commission of Licensing and Regulation (the commission) and the Texas Department of Licensing and Regulation (TDLR) to administer and enforce the Reroofing Contractor Registration Act.

The bill authorizes the commission to establish and collect reasonable and necessary fees to cover the costs of administering the chapter. The bill would limit the initial registration fee to not more than \$250 and the renewal fee to not more than \$100.

The bill would allow the commission to impose an administrative penalty on a person in violation of this chapter. The bill would allow the attorney general or TDLR to institute an action for a civil penalty not to exceed \$500 for each violation of the chapter. The bill would provide that an unregistered contractor advertising as registered and committing a false, misleading, or deceptive act is committing a deceptive trade practice.

The bill would take effect September 1, 2019 with the exception of the registration requirements and provisions regarding enforcement, which would take effect August 1, 2020.

Methodology

Based on the analysis provided by TDLR, it is assumed the population of reroofing contractors that would obtain registration in the first year would be 3,000 persons, with an additional 3,000 applying for the first time the following year, and approximately 500 new registrations each year after the second year. The bill would allow the registration term to be good for two years. Assuming the maximum allowable fees of \$250 for initial registrations and \$100 for renewals are assessed, this would result in a gain to General Revenue of \$750,000 in fiscal year 2020, \$750,000 in fiscal year 2021, \$425,000 in each fiscal year thereafter.

Registration cards would be issued to registrants as evidence of their registration. TDLR reports it contracts with a vendor that produces and mails the registrations at \$1 per registration. TDLR would need \$3,000 in the first year, \$3,000 in the second year, and \$3,500 each fiscal year thereafter to pay the vendor to print and issue the cards.

Based on the analysis provided by TDLR, it is assumed the agency would require 5.5 additional full-time-equivalent (FTE) employees to administer the new registration and regulatory responsibilities established in the bill. One License and Permit Specialist II (1.0 FTE) would be needed to process initial and renewal applications and support the online process. This FTE would cost \$35,101 in the first year, with one-time expenses for computers, equipment and furniture, then cost \$55,945 each year afterward for salary, benefits and supplies.

Based on TDLR's comparison with the Air Conditioning Contractor program's customer service activity, and assuming there would be about one-third as many reroofing contractors as air conditioning contractors, TDLR expects that 6,500 contacts could be received for reroofing matters. Additionally, TDLR expects the reroof and major roof repair workload in the state could bring about 8,500 contacts. TDLR assumes there will be at least 15,000 customer service contacts annually for the reroofing contractors program. According to the agency, they would need a Customer Service Rep III (1.0 FTE) to answer phone calls and respond to emails and social media contacts from consumers, licensees, and municipalities regarding the reroofing program. This FTE would cost \$35,101 in the first year, with one-time expenses for computers, equipment and furniture, then cost \$53,483 each year afterward for salary, benefits and supplies.

According to TDLR, the requirement for reroofing contractors to comply with local building codes, ordinances, orders and rules, as well as the Disaster Remediation Contracts Act, would give TDLR authority to enforce those requirements. This increased enforcement authority would result in the need for an additional Attorney IV (1.0 FTE) to process complaints filed by consumers and building officials. These complaints would go through the administrative enforcement process. The attorney would also require a Legal Assistant III (1.0 FTE) to manage the caseload. The agency reports it would need one Investigator IV (1.0 FTE) to investigate complaints and background checks, collect and document evidence of violations, gather court documents for background checks, and provide written investigation reports to a prosecuting attorney. The three FTEs would develop the Criminal Conviction Guidelines and Enforcement Plan penalty matrix for the program. They would begin in the middle of the first year and would cost \$159,208 in fiscal year 2020, with one-time expenses for computers, equipment and furniture, then cost \$267,569 each year afterward for salary, benefits and supplies.

TDLR reports it would need one-half of an FTE (0.5 FTE) for a Program Specialist III to serve as the agency's subject matter expert on the reroofing program and provide technical guidance for enforcement investigations. This FTE would cost \$44,576 in the first year, with one-time expenses for computers, equipment and furniture, then cost \$39,799 each year afterward for salary, benefits and supplies.

According to TDLR, the agency would need a staff augmentation contractor for the first year to build the reroofing program into the agency's licensing system, along with the reroofing contractor online registration system and the publicly accessible database at an estimated cost of \$180,000 in fiscal year 2020.

Overall, according to TDLR, the provisions of the bill would result in an increase of 5.5 FTEs and a cost to General Revenue of \$456,986 in fiscal year 2020, \$419,796 in fiscal year 2021, and \$420,296 in each fiscal year thereafter. This analysis assumes that any increased cost to TDLR, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee-generated revenue. Because the bill would limit the revenue that can be generated by this program, this analysis assumes that TDLR would offset costs of this program through revenue generated by fees from other programs it administers, if necessary.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 452 Department of Licensing and Regulation, 212 Office of Court Administration, Texas Judicial Council

LBB Staff: WP, AF, CLo, SGr, DFR