

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 11, 2019

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

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

IN RE: SB621 by Nichols (Relating to the transfer of the regulation of plumbing to the Texas Department of Licensing and Regulation, following recommendations of the Sunset Advisory Commission; requiring an occupational license; authorizing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB621, As Introduced: a positive impact of \$454,107 through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$33,697)
2021	\$487,804
2022	\$1,005,613
2023	\$1,507,488
2024	\$1,507,488

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Appropriated Receipts</i> 666
2020	\$8,103	\$0	(\$41,800)	\$0
2021	\$3,422,689	(\$2,893,085)	(\$41,800)	\$49,700
2022	\$3,703,590	(\$2,656,177)	(\$41,800)	\$0
2023	\$3,703,590	(\$2,154,302)	(\$41,800)	\$0
2024	\$3,703,590	(\$2,154,302)	(\$41,800)	\$0

Fiscal Year	Change in Number of State Employees from FY 2019
2020	0.0
2021	(3.0)
2022	(3.0)
2023	(3.0)
2024	(3.0)

Fiscal Analysis

This bill would amend Chapter 1301 of the Occupations Code to implement Sunset Commission recommendations regarding the Texas State Board of Plumbing Examiners (TSBPE) and transfer the regulation of plumbers to the Texas Department of Licensing and Regulation (TDLR) no later than September 1, 2020. The bill would abolish TSBPE and establish the Texas Plumbing Advisory Board to provide recommendations to TDLR regarding the administration of this chapter. The bill would authorize TDLR to adopt rules and requirements regarding licensing, examinations, continuing education, and training. The bill would allow TDLR to set fees in amounts reasonable to cover the cost of administering this chapter and to adopt a biennial license or registration renewal schedule.

The bill would add new Section 1301.3515 to require license applicants to submit to a fingerprint criminal background check by the Department of Public Safety (DPS) and the Federal Bureau of Investigation (FBI). DPS would be authorized to collect a fee from applicants for the costs of conducting the criminal history check.

The bill would eliminate the drain cleaner, drain cleaner-restricted, and residential utilities installer registration and would eliminate the master plumber designation and replace it with a plumbing contractor license.

The bill would allow TDLR to make an agreement with another state, subject to Governor approval, to allow for licensing by reciprocity if the applicant holds a license, endorsement, or registration from the other state and the other state's requirements are equivalent to those in Texas. The bill would allow TDLR to issue a temporary license, endorsement or certificate of registration.

The bill would make conforming changes to the Occupations, Education, Government, Health and Safety, Local Government, and Natural Resources Codes. The bill would take effect September 1, 2019.

Methodology

The bill delays the transfer of plumbing regulation to TDLR until no later than September 1, 2020 and this analysis assumes the regulatory operation costs will continue at TSBPE until that date. Abolishing TSBPE would result in a savings of \$3,376,882 (\$2,604,379 per year in appropriations and other direct and indirect costs of \$772,503 based on the 2020-21 Senate Bill 1, As Introduced) in General Revenue funds and \$49,700 in Appropriated Receipts beginning in fiscal year 2021. The savings would be offset by a cost to TDLR to transition and operate the regulation of the plumbing profession, estimated to be General Revenue of \$2,893,085 in fiscal year 2021, \$2,656,177 in fiscal year 2022, and \$2,154,302 per fiscal year thereafter. These amounts include one-time costs for computer equipment, rent, and furniture for the new FTEs at TDLR, vehicle fleet maintenance, salaries and benefits for the 28.0 full-time equivalent (FTE) positions to operate the plumbing program at TDLR, and technology costs.

According to Sunset staff analysis, the elimination of the drain cleaner, drain cleaner-restricted, and residential utilities install registrations would result in a revenue loss of approximately \$41,800 per fiscal year to the General Revenue Fund. Replacing the master plumber designation with a plumbing contractor license could result in an increase of revenue as additional persons would be eligible to obtain licensure but the overall effect on revenue cannot be determined. Fees related to reciprocity and temporary licenses, endorsements, and certificates of registration would be set by TDLR and the effect on revenue cannot be determined at this time. This analysis assumes all other licensing fees would remain unchanged once transferred to TDLR.

According to Sunset staff analysis of contracts currently held by the plumbing board, certain contracts established by and for the plumbing board would no longer be required at TDLR. This would result in an estimated savings to General Revenue of \$8,103 in fiscal year 2020, \$46,830 in fiscal year 2021, and \$326,708 in each fiscal year thereafter.

TSBPE currently performs criminal background checks on applicants; however, these background checks do not meet the fingerprint and FBI requirements of the bill. Applicants and licensees would pay for the cost of the fingerprint background checks through the Department of Public Safety's (DPS) existing process. TSBPE estimates a total of 50,875 existing license holders will require fingerprinting in fiscal year 2020 and approximately 9,780 new applicants each year thereafter.

According to DPS, approximately \$1,436,710 would be collected in Appropriated Receipts revenue in fiscal year 2020 and approximately \$276,285 would be collected in Appropriated Receipts revenue in fiscal year 2021 (total \$1,712,995 for the biennium). Of this amount, \$682,166 would be remitted to the FBI and \$1,030,829 would be retained by DPS to offset costs associated with providing background checks.

Technology

The TSBPE licensing database is operated through its participation in the Health Professions Council (HPC). The HPC cost is included in the fiscal year 2020 appropriations to TSBPE. After the transfer to TDLR, the costs for the plumbers licenses at HPC will be approximately \$182,000 in fiscal year 2021. The estimated cost to migrate the TSBPE licensing database from HPC to TDLR is \$200,000 in fiscal year 2021. TDLR would also need \$50,000 for necessary alterations made during the move which would align the oncoming version of the database with TDLR's processes and current programs in its version of the database. There would be an additional required cost of \$25,000 annually for licensing and maintenance costs of the database.

TDLR reports it would also require staff augmentation support for the preparation, transfer, and maintenance of the system at a cost of \$200,000 each year for fiscal years 2021 and 2022. Included in FTE costs outlined above is the cost for a Systems Analyst V to perform application software development and application software package configuration, support the licensing information system, coordinate the planning, budgeting and analysis of database user requirements, provide project estimates, and perform design, coding and testing at a General Revenue cost of \$6,450 in fiscal year 2021, \$118,581 in fiscal year 2022, and \$116,328 in each fiscal year thereafter.

HPC costs are distributed among participating agencies. The costs that remain after TSBPE is removed from the database will be redistributed among the remaining member agencies. This analysis assumes those agencies could absorb the redistributed costs within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 456 Board of Plumbing Examiners

LBB Staff: WP, DFR, CLo, SGr