LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 29, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB1560** by Goldman (Relating to the continuation and functions of the Texas Department of Licensing and Regulation.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1560, Conference Committee Report : a negative impact of ($296,110) through the biennium ending August 31, 2023.

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*
2022	($198,030)
2023	($98,080)
2024	($170,730)
2025	($170,730)
2026	($170,730)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Priv Beauty Culture Sch* 108	Probable Revenue Gain/(Loss) from *Barber School Tuition Protection* 5081
2022	$62,220	($260,250)	($202,000)	($25,000)
2023	$62,220	($160,300)	$0	$0
2024	$62,220	($232,950)	$0	$0
2025	$62,220	($232,950)	$0	$0
2026	$62,220	($232,950)	$0	$0

Fiscal Year	Probable Revenue Gain/(Loss) from *New Barbering and Cosmetology School Tuition Protection Account*	*Change in Number of State Employees from FY 2021*
2022	$227,000	(0.5)
2023	$0	(0.5)
2024	$0	(0.5)
2025	$0	(0.5)
2026	$0	(0.5)

Fiscal Analysis

The bill would continue the Texas Department of Licensing and Regulation (TDLR) until September 1, 2033.

The bill would eliminate the polygraph examiners program, combative sports matchmaker, event coordinator and second licenses.

The bill would require TDLR to study the regulation of auctioneering and submit a report to the appropriate legislative committees by January 1, 2023 with findings and recommendations to improve public safety and the agency's processes.

The bill would consolidate Texas' regulation of barbers and cosmetologists, and administer the two programs as one. The bill eliminates the separate Barber School Tuition Protection Account and Private Beauty Culture School Tuition Protection Account and creates a single Barbering and Cosmetology School Tuition Protection Account. The bill would eliminate all wig-related licenses and state regulation of barber poles. The bill would remove the barber and cosmetology instructor licenses and require those positions be filled by licensed barbers and cosmetologists.

The bill would eliminate certain administrative functions and course approval fees in the driver education and safety programs and eliminate certain license types associated with driving safety, specialized driving safety, and drug and alcohol driving awareness program courses.

The bill would require TDLR to perform inspections based on risk instead of on a periodic basis. The bill would also authorize TDLR to use alternative inspection methods, where appropriate.

The bill would transfer the licensing and regulation of residential service companies from the Texas Real Estate Commission (TREC) to be regulated within TDLR's service contract providers program.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Methodology

According to TDLR, any increases or decreases in inspection costs or savings cannot be estimated until the establishment of risk parameters and any resulting inspection frequency, and the parameters and procedures for alternative inspections methods, have all been finalized and are in use. However, the agency reports any increases or decreases are expected to be minimal.

Based on information provided by TDLR, this analysis assumes that beginning in fiscal year 2022 and each year thereafter, the repeal of the Polygraph Examiners program, and the event coordinator, second, and matchmaker license types in the Combative Sports program would result in a loss of $98,425 to General Revenue from license fees and a savings of $62,220 to General Revenue and a decrease of 0.5 full-time equivalent (FTE) positions.

Beginning in fiscal year 2023, and each year thereafter, the provisions of the bill would also result in a gain of net loss of $12,050 to General Revenue from license fees related to changes to the barber and cosmetology programs. The provisions of the bill related to driver education programs would also result in a loss of $176,075 to General Revenue in fiscal year 2022, a net loss of $90,325 in fiscal year 2023, and a net loss of $162,975 each fiscal year thereafter.

Based on information provided by TDLR, this analysis assumes that all residential service companies will become service contract providers regulated by TDLR and will continue to offer residential service contracts under the new registration. TDLR reports this workload is expected to be minimal and can be absorbed within existing resources. Because these companies have been regulated by TREC, a self-directed, semi-independent state agency, all registration fees have previously been deposited to that agency's account outside the State Treasury. The transfer of these entities to TDLR will result in an increase to the General Revenue Fund estimated to be $14,250 in fiscal year 2022 and $40,500 each fiscal year thereafter. TREC reports it would no longer collect approximately $260,000 each year from related fees; however, this would not have a fiscal impact on the State Treasury.

TDLR indicates that any other costs associated with the bill could be absorbed within the agency's existing resources. 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.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JMc, LBO, MB, DFR