

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 10, 2017

TO: Honorable John Kuempel, Chair, House Committee on Licensing & Administrative Procedures

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2065 by Hancock (Relating to the licensing and regulation of certain occupations and activities.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2065, As Engrossed: a positive impact of \$12,100 through the biennium ending August 31, 2019. However, the bill would result in a net negative impact to General Revenue of (\$1,165,933) in 2020 increasing in subsequent years. This legislation will not take effect unless the 85th Legislature makes an appropriation for its implementation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$11,075
2019	\$1,025
2020	(\$1,165,933)
2021	(\$1,277,912)
2022	(\$1,399,857)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Savings from General Revenue Fund 1	Change in Number of State Employees from FY 2017
2018	(\$42,700)	\$53,775	(1.0)
2019	(\$52,750)	\$53,775	(1.0)
2020	(\$1,310,940)	\$145,007	(2.5)
2021	(\$1,422,919)	\$145,007	(2.5)
2022	(\$1,544,864)	\$145,007	(2.5)

Fiscal Analysis

Article 1 of the bill would repeal the authority of the Department of Licensing and Regulation (TDLR) to regulate vehicle protection product warrantors.

Article 2 of the bill would repeal the requirement that temporary common worker employers hold a state issued license to operate.

Article 3 of the bill would remove for-profit legal service contracts from regulation by the State. It would make violation of the chapter a deceptive trade practice actionable under the Business & Commerce Code. This article would take effect September 1, 2019.

Article 4 of the bill would abolish shampoo apprentice permits and shampoo specialty certificates.

Article 5 of the bill would repeal state licensing and regulation requirements for boot operators and booting companies effective September 1, 2018. The bill would authorize local authorities to regulate booting activities in areas where the authorities regulate parking or traffic, including the authority to incorporate requirements for booting companies and operators, establish procedures for vehicle owners and operators to file complaints, provide for the imposition of penalties on a booting company or operator, and provide for the revocation of the authority to boot vehicles. Except as otherwise provided by this article, this article would take effect immediately with a two-thirds vote in each house, otherwise it would take effect September 1, 2017.

Article 6 of the bill states that the Act will not take effect unless there is a specific appropriation provided for the implementation in the general appropriations act of the Eighty-fifth Legislature.

Unless otherwise specified, the bill would take effect September 1, 2017.

Methodology

For Article 1 of the bill, the repeal of the authority of the Department of Licensing and Regulation (TDLR) to regulate vehicle protection product warrantors would result in a loss to General Revenue of \$36,300 per fiscal year, according to TDLR.

For Article 2, TDLR estimates repealing the requirements for temporary common worker employers would result in a revenue loss of approximately \$3,700 per year.

As included in Article 3 of the bill, the deregulation of for-profit legal service contracts would result in a loss of revenue to the State. Companies, administrators and sales representatives pay fees for new and renewal applications, which would no longer be collected. Additionally, each company currently pays an annual fee to the Department of Licensing and Regulation (TDLR) equal to 1.7% of the amount a company collected from legal service contracts sold in Texas in the current year minus the amount the company paid to the state in franchise taxes in the same year. According to analysis by TDLR, the revenue from these fees has increased annually at an approximate rate of 8.9% and it was assumed this growth would continue. Based on information provided by TDLR and the Comptroller of Public Accounts (CPA), the CPA estimates a loss in revenue to the General Revenue Fund of approximately \$1.3 million in fiscal year 2020 and increasing to \$1.5 million by fiscal year 2022.

According to the Texas Department of Insurance (TDI), should these entities no longer be subject to state regulation due to the provisions of the bill, TDI would no longer assess a maintenance tax for these entities as directed in Texas Insurance Code Chapter 260. Based on information provided by TDI, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources and the provisions of the bill would not have a significant impact on maintenance tax revenue collections.

For Article 4 of the bill, the Texas Department of Licensing and Regulation (TDLR) and Comptroller of Public Accounts estimate repealing shampoo apprentice permits and shampoo specialty certificates would result in a revenue loss to the state General Revenue Fund of approximately \$2,700 per fiscal year.

For Article 5 of the bill, according to information provided by TDLR, there have been an average of 12 booting companies, and they pay a fee of \$250 per license, resulting in a General Revenue loss of \$3,000 per fiscal year beginning in fiscal year 2019. There have also been an average of 94 booting operators paying fees of \$75 per licensee, which would result in a loss \$7,050 per fiscal year beginning in fiscal year 2019.

For Article 6 of the bill, this analysis indicates an appropriation is not necessary to implement the provisions of the bill, as it would decrease the work of the agency and result in a revenue loss.

For all articles of the bill together, TDLR estimates the reduction in duties and responsibilities would result in a reduction of 1 FTE in fiscal year 2018 and 2019 for a savings of \$53,775 each year, and 2.5 FTEs and a savings of \$145,007 per fiscal year beginning in fiscal year 2020.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts,
452 Department of Licensing and Regulation

LBB Staff: UP, CL, EH, JQ