LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 27, 2017

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

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

Estimated Two-year Net Impact to General Revenue Related Funds for SB2065, Conference Committee Report: a positive impact of $15,677 through the biennium ending August 31, 2019. However, the bill would result in a net negative impact to General Revenue of ($1,169,563) in 2020, increasing in subsequent years.

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
2018	$15,601
2019	$76
2020	($1,169,563)
2021	($1,242,542)
2022	($1,322,487)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Savings from *General Revenue Fund* 1	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *General Revenue Fund* 1
2018	($42,700)	$53,775	($65,474)	$70,000
2019	($52,750)	$53,775	($130,949)	$130,000
2020	($1,310,940)	$145,007	($193,630)	$190,000
2021	($1,422,919)	$145,007	($193,630)	$229,000
2022	($1,544,864)	$145,007	($193,630)	$271,000

Fiscal Year	Change in Number of State Employees from FY 2017
2018	0.0
2019	1.0
2020	0.5
2021	0.5
2022	0.5

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.

The bill would amend the Government, Health and Safety, Insurance, and Occupations Code relating to reports on and the regulation of certain licensed activities and related organizations. The bill would require the Comptroller of Public Accounts (CPA) to prepare and submit to the Legislature a report on all occupational licenses not later than December 31 of each even-numbered year. The bill would eliminate the issuance of certificates of authority for over-the-counter sale of ephedrine, pseudoephedrine, and nonpseudoephedrine by establishments other than pharmacies. The bill would reduce the scope of individuals required to purchase fireworks permits and licenses. The bill would repeal statute applicable to attorney's title insurance companies, title attorneys, managing general agents, and unit managers.

The bill would amend the Occupations Code to prohibit the Texas Commission of Licensing and Regulation from establishing building or facility standards for barber or private beauty culture schools that are not related to health and safety.

The bill would require each county board of education, board of county school trustees, or office of county school superintendent in a county with a population of 2.2 million or more and that is adjacent to a county with a population of more than 800,000 to be abolished effective November 15, 2017, unless the entity was continued by voters through an election in November 2017. The bill would provide for the process by which each applicable entity should be dissolved. 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 Articles 1-5 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.

The CPA indicates there would be a cost to produce a biennial report on occupational licensing; this analysis assumes that the cost could be absorbed within existing resources.
Based on information provided by the Department of State Health Services, Texas Department of Insurance, Texas Lottery Commission, and Office of Court Administration, this analysis assumes the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. The CPA is required to provide the initial report to the Legislature no later than December 31, 2018.

TDLR estimates that removing certain facility requirements from barber and private beauty culture schools result in 100 extra new schools in both programs applying for permits in each of the first three years and then drop to 70 in subsequent years. TDLR's current fees in both programs is $300 for a new school application fee and $200 for the initial inspection fee. Each school is also required to be inspected twice a year at $200 per inspection. This would result in a gain to General Revenue of $70,000 in application fees and inspection fees in the fiscal year 2018 increasing to $271,000 in fiscal year 2022.

TDLR estimates the increased inspections and permitting would require two .05 FTEs in fiscal year 2018, 2.0 FTEs in fiscal year 2019, and 3.0 FTEs in subsequent years. This would result in a cost of $45,151 in salary and personnel costs, $15,623 in employee benefits, and $4,700 in travel in fiscal year 2018. Staff costs would increase to $129,888 in salaries and payroll costs, $44,942 in employee benefits, and $18,800 in travel in fiscal year 2022.

This analysis assumes the provisions of this bill relating to county education departments would apply only to Dallas County. The Texas Education Agency anticipates that any cost to the state associated with implementing the provisions of the bill would be minimal.

Based on the analysis of the Secretary of State, Office of Attorney General, Board of Plumbing Examiners, Department of Public Safety, and State Office of Administrative Hearings, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

TEA indicates that there would be an impact to the districts that use the services of the affected county education department. According to TEA, the county education department that would be affected by the bill provide services such as transporting students and assisting in the education of special education students. Under the provisions of the bill local school districts would need to begin to provide these services instead.

TEA indicates that any state aid that was previously distributed to the county education departments for their services would presumably be retained by the local school districts, therefore the net fiscal impact to local governments should be minimal.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 360 State Office of Administrative Hearings, 362 Texas Lottery Commission, 405 Department of Public Safety, 452 Department of Licensing and Regulation, 454 Department of Insurance, 456 Board of Plumbing Examiners, 537 State Health Services, Department of, 701 Texas Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration

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