

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 5, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

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

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB2065, As Introduced: a negative impact of (\$3,083,197) through the biennium ending August 31, 2019, if the effective date of the bill is June 1, 2017; or a negative impact of (\$2,966,666) through the biennium ending August 31, 2019, if the effective date of the bill is September 1, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**All Funds, Six-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from General Revenue Fund 1</b>	<b>Probable Savings from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2016</b>
2017	(\$116,531)	\$0	
2018	(\$1,569,764)	\$138,668	(2.5)
2019	(\$1,674,238)	\$138,668	(2.5)
2020	(\$1,777,065)	\$138,668	(2.5)
2021	(\$1,889,044)	\$138,668	(2.5)
2022	(\$2,010,989)	\$138,668	(2.5)

The table above refers to scenario 1, which assumes parts of the bill would take effect June 1, 2017. The table below refers to scenario 2, which assumes the bill, unless otherwise specified, would take effect September 1, 2017.

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from General Revenue Fund 1</b>	<b>Probable Savings from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2017</b>
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## **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.

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.

Article 5 of the bill would also repeal the requirement for tow trucks used for incident management tows to be permitted. 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.

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 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 \$1.1 million in fiscal year 2018 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 this 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, TDLR and CPA 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.

Article 5 of the bill would result in a loss to the state, but has two different impacts depending on the effective date of the changes in the article. According to information provided by TDLR, there has been an annual average of 6,215 incident management tow truck permits issued at \$75 per permit, which would result in a General Revenue loss of \$466,125 per fiscal year. Under Scenario 1, in which the provisions of the article would take effect immediately, except as otherwise noted, the loss attributable to the repeal of permitting of incident management tow truck permits would begin in fiscal year 2017. Assuming an effective date of June 1, 2017, there would be a loss of one quarter of annual revenue, or \$116,531 in fiscal year 2017, and then the full annual amount thereafter. Under Scenario 2, in which the provisions of the article would take effect September 1, 2017, except as otherwise noted, the full annual loss would begin in fiscal year 2018.

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 all articles of the bill together, TDLR estimates the reduction in duties and responsibilities would result in a reduction of 2.5 FTEs and a savings of \$138,668 per fiscal year beginning in fiscal year 2018.

### **Local Government Impact**

According to the Texas Municipal League, the fiscal impact to municipalities is not anticipated to be significant.

**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, LCO, JGA