

By: Hinojosa

S.B. No. 440

A BILL TO BE ENTITLED

AN ACT

relating to audits of and reports by self-directed and semi-independent financial regulatory agencies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 16.004, Finance Code, is amended to read as follows:

Sec. 16.004. AUDITS. (a) This chapter does not affect the duty of the state auditor to audit a financial regulatory agency. The state auditor shall enter into a contract and schedule with each financial regulatory agency to conduct audits, including a financial audit, an effectiveness audit, [reports] and a performance audit at least once every six years, unless the state auditor determines that the auditor may rely on an independent audit of the agency conducted during the same period [audits].

(b) The state auditor may conduct a risk-based audit of a financial regulatory agency at any time.

(c) The financial regulatory agency shall reimburse the state auditor for all costs incurred in performing the audits and shall provide to the governor a copy of any audit performed.

SECTION 2. Sections 16.005(b) and (c), Finance Code, are amended to read as follows:

(b) Before the beginning of each regular session of the legislature, each financial regulatory agency shall submit to the legislature and the governor a report describing all of the

1 agency's activities in the previous biennium. The report must  
2 include:

- 3 (1) an audit as required by Section 16.004;  
4 (2) a financial report of the previous fiscal year,  
5 including reports on financial condition and results of operations;  
6 (3) a description of all changes in fees imposed on  
7 regulated entities, broken down by industry [~~industries~~];

8 (4) a report on:  
9 (A) changes in the regulatory jurisdiction of the  
10 agency, including the number of chartered financial institutions,  
11 license holders, and registrants subject to the agency's  
12 jurisdiction and any changes in those figures; and

13 (B) any enforcement activities by the agency; and

14 (5) a description [~~list~~] of all new rules adopted or  
15 repealed.

16 (c) In addition to the reporting requirements of Subsection  
17 (b), not later than November 1 of each year, each financial  
18 regulatory agency shall submit to the governor, the committee of  
19 each house of the legislature that has jurisdiction over  
20 appropriations, and the Legislative Budget Board a report that  
21 contains:

22 (1) the salary for all financial regulatory agency  
23 personnel and the total amount of per diem expenses and travel  
24 expenses paid for all agency employees;

25 (2) the total amount of per diem expenses and travel  
26 expenses paid for each member of the agency's policy-making body [~~7~~  
27 ~~provided that only one report must be submitted regarding the~~

1 ~~Finance Commission of Texas~~];

2 (2-a) trend performance data relating to Subdivisions  
3 (1) and (2) for the preceding five fiscal years;

4 (3) the agency's operating plan for a period of two  
5 fiscal years ~~[and annual budget]~~; ~~[and]~~

6 (4) the agency's operating budget that includes:

7 (A) revenues from all sources; and

8 (B) an accounting of all expenditures, including  
9 a breakdown of expenditures by program and administrative expenses,  
10 showing:

11 (i) projected budget data for a period of  
12 two fiscal years; and

13 (ii) trend budget performance data for the  
14 preceding five fiscal years; and

15 (5) trend performance data for the preceding five  
16 fiscal years regarding:

17 (A) the number of full-time equivalent positions  
18 at the agency;

19 (B) the number of complaints received from the  
20 public and the number of complaints initiated by agency staff;

21 (C) the number of complaints dismissed and the  
22 number of complaints resolved by enforcement action;

23 (D) the number of enforcement actions, by  
24 sanction type;

25 (E) the number of enforcement cases closed  
26 through voluntary compliance;

27 (F) the amount of each administrative penalty

- 1 assessed, broken down by sanction type;  
2 (G) the amount of each administrative penalty  
3 collected, broken down by sanction type;  
4 (H) the total amount of administrative penalties  
5 assessed and the rate of collection of assessed administrative  
6 penalties;  
7 (I) the number of enforcement cases that allege a  
8 threat to public health, safety, or welfare or a violation of  
9 professional standards of care and the disposition of those cases;  
10 (J) the average time to resolve a complaint;  
11 (K) the number of entities regulated by the  
12 agency;  
13 (L) the number of license holders or regulated  
14 persons, broken down by type of license and license status,  
15 including inactive status or retired status;  
16 (M) the fee charged to issue and renew each type  
17 of license, certificate, permit, or other similar authorization  
18 issued by the agency;  
19 (N) any assessments paid to the agency by the  
20 holder of a license, certificate, permit, or other similar  
21 authorization issued by the agency;  
22 (O) the average time to issue a license,  
23 certificate, permit, or other similar authorization issued by the  
24 agency;  
25 (P) litigation costs, broken down by  
26 administrative hearings, judicial proceedings, and outside counsel  
27 costs;

1                   (Q) reserve fund balances; and  
2                   (R) the key performance measures approved by the  
3 governing board of the agency during the fiscal year for which the  
4 report is due [~~a detailed report of all revenue received and all~~  
5 ~~expenses incurred by the financial regulatory agency in the~~  
6 ~~previous 12 months~~].

7           SECTION 3. Section 16.005, Finance Code, as amended by this  
8 Act, applies only to a report originally due on or after the  
9 effective date of this Act. A report originally due before the  
10 effective date of this Act is governed by the law in effect on the  
11 date the report was originally due, and the former law is continued  
12 in effect for that purpose.

13           SECTION 4. This Act takes effect September 1, 2025.