

## **BILL ANALYSIS**

C.S.H.B. 1840  
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Pensions & Investments  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The State Securities Board was created in 1957 pursuant the Securities Act passed by the 55th Texas Legislature. The mission of the State Securities Board is to protect Texas investors. Consistent with that purpose, the Agency seeks to ensure a free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs in Texas.

The Board is funded through a direct appropriation from the General Revenue Fund, unlike similar state agencies which regulate financial institutions and are funded via fees. The Board's current appropriation of is not sufficient to provide adequate protection of Texans' investments.

CSHB 1840 would change the Board's current funding mechanism. Instead of being funded from General Revenue, the Board would be able to fund themselves directly from the fees that they collect. The bill would designate five of the Board's current fees to fund the agency. They would only collect what fees are necessary for the administering and enforcement of their statutory duties.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Amends Section 35, The Securities Act (Article 581-35, VTCS), by changing the funding mechanism of the State Securities Board to allow the Board to set an aggregate amount above the five fees as they existed on September 1 2002, to generate sufficient revenue to cover the costs of administering and enforcing the Securities Act. The five fees would include the filings for:

- an application, renewal or amendment to sell or dispose of securities;
- an application of a dealer or investment adviser;
- a renewal application of a dealer or investment advisor;
- an application for each agent, officer, or investment advisor representative; and
- a renewal application for each agent, officer, or investment advisor representative.

While the Board would be required to set only reasonable and necessary fees, each of the five fees would be capped at \$100.

SECTION 2. Amends Section 35-1, The Securities Act (Article 581-35-1, VTCS), by correcting references to certain Subsections changed in Section 1.

SECTION 3. Amends Section 35-2, The Securities Act (Article 581-35-2, VTCS), by correcting references to certain Subsections changed in Section 1.

SECTION 4. States the fee becomes in effect on or after the effective date as stipulated.

SECTION 5. Effective date.

**EFFECTIVE DATE**

This Act takes effect immediately if it receives a vote of two-thirds of all members elected to each House. If it does not receive the votes necessary for immediate effect, it will take effect on September 1, 2003.

**COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute bill changes SECTION 1, Section 35 A, The Securities Act (Article 581-35, VTCS) by stating that the board shall establish fees so that the aggregate amount above the fees as they existed on September 1, 2002, be sufficient to cover the costs of administering and enforcing this Act. Section C is changed to state that the fees set by the board must be reasonable and necessary. The effective date is changed to provide for immediate effect.