

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

June 1, 2003

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
 Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1606 by Wolens (Relating to ethics of public servants, including the functions and duties of the Texas Ethics Commission; the regulation of political contributions, political advertising, lobbying, and conduct of public servants; and the reporting of political contributions and personal financial information; providing civil and criminal penalties.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for HB1606, Conference Committee Report: a positive impact of \$3,187,550 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$3,038,175
2005	\$149,375
2006	\$3,080,895
2007	\$100,895
2008	\$3,080,895

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain from <i>GENERAL REVENUE FUND</i> 1
2004	(\$547,431)	\$3,585,606
2005	(\$289,105)	\$438,480
2006	(\$289,105)	\$3,370,000
2007	(\$289,105)	\$390,000
2008	(\$289,105)	\$3,370,000

Fiscal Year	Change in Number of State Employees from FY 2003
2004	7.0
2005	7.0
2006	7.0
2007	7.0
2008	7.0

Fiscal Analysis

The bill is the sunset legislation relating to the powers and duties of the Texas Ethics Commission. The bill requires the agency to review randomly selected statements and reports submitted to the agency by filers and requiring the agency to make the complaint form available on the Internet. The bill also streamlines the complaint process by removing the informal hearing stage and creating deadlines for the agency and allowing the subpoena of documents. The bill also allows the agency to terminate campaign treasurer appointments and requires the development of electronic software for candidates for Speaker and the development of an electronic filing system for lobbyist reports. In addition, the bill would require district judges and multi-county district attorneys to file campaign finance reports electronically and requires general-purpose political committees to report certain corporate or labor organization expenditures.

In addition, the bill would require municipal officers in municipalities with a population of 100,000 or more, certain school districts and port authorities to file personal financial statements and require out-of-state political committees to file copies of their reports. This bill would also require legislators to file copies of legislative continuance and file notices, along with their relatives, regarding legislation on which the relative lobbies. Furthermore, this bill requires all candidates, officeholders, and political committees to report cash on hand as part of their finance reports. This bill would also require the agency to maintain a list in its website of candidates who fail to pay penalties and requires the agency to provide for and track completion of a continuing education program for lobbyists.

The bill would also increase state revenue by an increase in penalties for late filings of reports required by statute. The bill takes effect September 1, 2003.

Methodology

The bill would require the Texas Ethics Commission to review randomly selected statements and reports submitted to the agency by filers and provide and track lobbyist education. This analysis assumes that an additional Administrative Technician II and an additional Attorney would be needed to fulfill this requirement at a cost of \$74,000 per fiscal year. The bill would also require the agency to make the complaint form available on the Internet. While this provision may increase the number of complaints, this analysis assumes that the increase will not be significant since current law provides penalties for filing complaints without cause.

This bill would streamline the complaint process by removing the informal hearing stage and creating deadlines for the agency. The agency has indicated that an increased number of complaints reaching the formal hearing stage would result by the removal of the informal hearing stage and the accelerated deadlines resulting in a cost of \$15,000 for utilizing the State Office of Administrative Hearings. In addition, this analysis assumes that one additional attorney would be required for the increased workload at a cost of \$50,000 per fiscal year.

The agency would be allowed to subpoena documents at the preliminary review stage of the hearing process. It is estimated that the cost for issuing subpoenas would be approximately \$1,125 per fiscal year.

The bill would also allow the agency to terminate the campaign treasurer appointments of inactive candidate or political committees. This analysis assumes that the cost savings associated with this provision will not be significant.

The bill would also require the agency to develop electronic software for candidates for Speaker. As a result, an internal process for allowing the public to access those records would be needed. Coupled with the programming needs for the electronic filing system for lobbyist, the agency has indicated that it would need to contract for these programming needs with an outside programmer for approximately 2 weeks at \$120.00 per hour for a total cost of \$9,600.

The bill would also require the agency to develop an electronic filing system for lobby reports. Programming for this new system would require approximately 6 weeks at \$120.00 per hour for a total of \$28,800. The agency indicates that two additional servers, at a cost of \$138,326, and associated

software, at a cost of \$21,480, would be required to handle the additional data storage and processing needs. The two servers would be a one-time cost for fiscal year 2004. The cost for software would be an ongoing cost. Furthermore, an additional System Support Specialist II would be required to support the additional number of electronic filers requesting information and assistance. The cost for this additional position would be \$27,000 per fiscal year. However, this bill would direct the agency to increase lobby registration fees for calendar years 2004 and 2005 in amounts sufficient to generate revenue necessary to develop and implement the electronic filing system.

The bill would also require district judges and multi-county district attorneys to file campaign finance reports electronically. The agency has indicated that an additional technical support as well as data storage needs will be required. No cost was given for this added responsibility. This analysis assumes that no significant cost to the state will result from this added responsibility.

The bill would require general-purpose political committees to report certain corporate or labor organization expenditures, require municipal officers in municipalities with a population of 100,000 or more, certain school districts and port authorities to file personal financial statements, require out-of-state political committees to file copies of their reports, and require legislators to file copies of legislative continuance and file notices, along with their relatives, regarding legislation on which the relative lobbies. Furthermore, the bill requires all candidates, officeholders, and political committees to report cash on hand as part of their finance reports. This additional measure would require the agency to contract for these programming needs at a cost of \$120.00 an hour for 680 hours for a total cost of \$81,600. Furthermore, an additional Administrative technician would be needed to assist the agency with these new reports and requirements at a cost of \$24,000 per fiscal year.

The bill would increase revenue to the state via penalties for late filings of reports required by statute. The penalties would increase from \$100.00 to \$500.00. The agency has indicated that an average of 975 reports were filed late, thus producing an increase of \$390,000 per fiscal year. An additional \$100.00 a day would be assessed for reports that are required to be filed immediately after an election with a cap of \$10,000. The agency indicates that they anticipate 250 reports would reach the maximum \$10,000 generating \$2,500,000 to the General Revenue Fund. In addition, an additional 200 reports would reach the 24-day mark generating \$480,000 to the General Revenue Fund.

The bill requires trustees of independent school districts with an enrollment of at least 500 students to file financial statements. In addition, members of the governing board of port authorities, navigation districts, and sports authorities are also required to file financial statements. The agency has indicated that this provision will create approximately 5,600 new filers. This provision would require an additional Administrative Technician II and an additional Attorney II, along with consumables, in order to handle the increase in work requirements. The total cost for this additional staff would be \$76,500 per fiscal year.

Technology

The bill would require the purchase of two additional servers and support software.

Local Government Impact

There could be an administrative cost to local governments for compiling and remitting financial statements to the state; however, it is expected that such costs would be minimal in impact.

Source Agencies: 116 Sunset Advisory Commission, 356 Texas Ethics Commission

LBB Staff: JK, GO, JM, WP