

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 21, 2003

TO: Honorable Steven Wolens, Chair, House Committee on Ethics, Select

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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1606, Committee Report 1st House, Substituted: a positive impact of \$1,920,950 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	\$935,275
2005	\$985,675
2006	\$937,195
2007	\$937,195
2008	\$937,195

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Change in Number of State Employees from FY 2003
2004	(\$356,131)	\$1,291,406	3.0
2005	(\$138,605)	\$1,124,280	3.0
2006	(\$138,605)	\$1,075,800	3.0
2007	(\$138,605)	\$1,075,800	3.0
2008	(\$138,605)	\$1,075,800	3.0

Fiscal Analysis

This 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. The bill would also increase state revenue by assessing an annual fee for campaign finance reports, increase registration fees for lobbyist, and increase penalties for late filings of reports required by statute. The bill takes effect September 1, 2003.

Methodology

This bill would require the agency to review randomly selected statements and reports submitted to the agency by filers. This analysis assumes that an additional Administrative Technician II would be needed to fulfill this requirement at a cost of \$24,000 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.

This bill would also require the agency to reimburse individuals who provide subpoenaed documents to the agency. However, this cost is expected to be minimal and therefore creating no significant cost to the state.

This 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.

This 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.

This 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.

This 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.

This bill would also amend statute and require general-purpose political committees to report certain corporate or labor organization expenditures. This additional measure would require the agency to contract for these programming needs at a cost of \$120.00 an hour for 340 hours for a total cost of \$40,800.

This bill would increase revenue to the state via three provisions. First, an annual fee of \$100.00 will be assessed for most filers of campaign finance reports. There are approximately 3,600 individuals or entities that would be affected. Assuming that 10 percent of those individuals or entities would be granted an exemption to the inability to pay the filing fee, an average of \$324,000 would be generated per fiscal year.

The second provision within this bill that would generate additional revenue for the state would be the increase in registration fees for lobbyist from \$300.00 to \$600.00. With an approximately 1,206 lobbyist, this would generate an additional \$361,800 per fiscal year.

The third provision within this bill that would generate additional revenue for the state would be an increase in 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.

Technology

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

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 302 Office of the Attorney General, 356 Texas Ethics Commission, 304 Comptroller of Public Accounts

LBB Staff: JK, JO, GO, MS, JM, KG