

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 26, 2003

TO: Honorable Robert Duncan, Chair, Senate Committee on Jurisprudence

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1059 by Ellis, Rodney (Relating to corporate ethics and integrity; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1059, As Introduced: a negative impact of (\$366,463) through the biennium ending August 31, 2005.

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

The bill creates a corporate integrity unit within the Office of the Attorney General. The corporate integrity unit shall assist district and county attorneys in the investigation and prosecution of corporate fraud and other illegal activities allegedly committed by corporations, limited liability companies, and registered limited liability partnerships; assist state agencies with investigations of complaints and administrative enforcement actions for corporate fraud violations; and serve as a clearinghouse for information related to the investigation and prosecution of corporate fraud. The bill requires companies that enter into contracts with state governmental entities to immediately report to the entity any financial irregularity relating to the contract or the company's financial position that is detrimental to the interest of the entity and submit an annual certified audit of the company's operations. The Act takes effect on September 1, 2003.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$190,944)
2005	(\$175,519)
2006	(\$175,519)
2007	(\$175,519)
2008	(\$175,519)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$190,944)
2005	(\$175,519)
2006	(\$175,519)
2007	(\$175,519)
2008	(\$175,519)

Fiscal Analysis

The bill would require the Office of the Attorney General (OAG) to establish a corporate integrity unit to assist in the enforcement of laws relating to corporate or similar other illegal activities. The OAG anticipates the increased workload would result in additional staff of three to handle new complaints concerning non-publicly held corporations and certain partnerships. The number of new cases that may be filed under the Act can't be adequately estimated; however, the OAG anticipates three additional personnel would be required to handle the additional workload.

Methodology

The Office of the Attorney General estimates two additional Assistant Attorney General IV (B15), one-half Legal Assistant II (B06), and one-half Legal Secretary I (A09) positions would be required to implement the provisions of the Act. The fiscal impact for fiscal year 2004 would be \$190,944 (annual salaries of \$119,706, fringe benefits of \$34,068 and Other Operating Expenses of \$37,170). For fiscal year 2005 through 2008 the annual fiscal impact would be \$175,519 (annual salaries of \$119,706, fringe benefits of \$34,068 and Other Operating Expenses of \$21,745).

Technology

There will be a one-time technology cost of \$3,225 in fiscal year 2004 for network stations.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 323 Teacher Retirement System, 327 Employees Retirement System, 701 Central Education Agency

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