

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 1, 2005

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB1979 by Turner (Relating to the fee paid to the attorney general for examining the record of proceedings authorizing the issuance of a public security or related credit agreement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1979, As Introduced: a positive impact of \$7,676,000 through the biennium ending August 31, 2007.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$3,888,000
2007	\$3,788,000
2008	\$3,788,000
2009	\$3,788,000
2010	\$3,788,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND</i> 1
2006	\$3,888,000
2007	\$3,788,000
2008	\$3,788,000
2009	\$3,788,000
2010	\$3,788,000

The bill would amend Section 1202.001, Government Code, by amending the definition of "record of proceedings" and adding the definition of "credit agreement." The bill also amends Section 1202.004, changing the method of computation and the amount of the fees charged by the Office of the Attorney General for examination and approval of public securities and related records of proceedings.

The amended fee for the review is equal to the lesser of (i) 1/20 of 1% of the principal amount of the public security submitted for approval or, if the record of proceedings relates to a credit agreement and does not include a public security, 1/20 of one percent of the principal amount of the public security to which the credit agreement relates or (ii) \$10,000. Provided, the fee shall not be less than \$500.

The fee changes will be effective for all records of proceedings submitted for approval on or after the effective date of the Act, September 1, 2005.

Fiscal Analysis

Senate Bill 1, as amended, would provide for the following appropriations to the Office of the Attorney General out of the new revenue generated from the fee increase. However, Senate Bill 495 as currently written would not generate sufficient new revenue to cover the additional costs contained in Senate Bill 1, as amended.

- Salary increases for certain legal staff (\$2,887,143 each fiscal year)
- Open Records Division (\$263,919 and 6 FTEs in 2006, and \$379,866 and 9 FTEs in 2007)
- Cyber Crimes Unit (\$915,620 and 16 FTEs each fiscal year)
- Post Litigation Division (\$748,817 and 9 FTEs in 2006 and \$682,433 and 9 FTEs in 2007)
- Medicaid Fraud Unit (\$694,281 in General Revenue and \$1,912,293 in Federal Funds in 2006 and \$694,309 in General Revenue and \$1,912,293 in Federal Funds in 2007, including 62.7 FTEs each fiscal year)

Methodology

The new method of computing fees under SB 495 will result in additional revenue to the state. Anticipated collections under the new fee structure are estimated at a total of \$5,411,329 per fiscal year, of which approximately \$3.7 million per year would be new revenue.. This projection is based on computing the amount of fees that would have been generated in fiscal year 2004 using the amended fee structure and actual records of proceedings submitted for review. To determine the additional revenue to the state, the bond fee estimates under the current fee structure (\$1,523,250 for fiscal year 2006 and \$1,623,250 for fiscal year 2007) are subtracted from the amount projected to be collected under the new fee structure (\$5,411,329 per fiscal year).

Technology

No significant fiscal impact is expected with the passage of this legislation.

Local Government Impact

Local government entities that submit public securities and related records of proceedings to the Office of the Attorney General for examination and approval would incur additional costs. Previously fees were set from \$500 to \$1,250, depending on the principal amount. The provisions of the bill would keep the minimum fee at \$500, but would set the maximum fee at 1/20th of one percent of the principal amount of the security to which the record of proceedings relates or \$10,000 whichever is lower.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, MS