

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 28, 2005

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

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

IN RE: SB495 by Williams (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.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB495, Committee Report 2nd House, Substituted: a positive impact of \$11,948,644 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	\$6,024,322
2007	\$5,924,322
2008	\$5,924,322
2009	\$5,924,322
2010	\$5,924,322

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND</i> 1
2006	\$6,024,322
2007	\$5,924,322
2008	\$5,924,322
2009	\$5,924,322
2010	\$5,924,322

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) 1/10 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, 1/10 of one percent of the principal amount of the public security to which the credit agreement relates or (ii) \$9,500. The fee shall not be less than \$750.

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 currently written, would provide for the following appropriations to the Office of the Attorney General out of the new revenue generated from the fee increase.

- Salary increases for Assistant Attorney Generals I, II, III, IV, and V in the Legal Services strategy (\$2,433,609 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)

In addition, new revenue generated would be used to pay for employee benefits estimated to be \$1,682,279 for the biennium in General Revenue.

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 \$7,547,572 per fiscal year, of which \$6,024,322 in 2006 and \$5,924,322 each fiscal year thereafter 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 (\$7,547,572 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. Under the provisions of the bill, the minimum fee would be \$750, but would set the maximum fee at 1/10th of one percent of the principal amount of the security to which the record of proceedings relates or \$9,500 whichever is lower.

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

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