

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

TO: Honorable Burt R. Solomons, Chair, House Committee on State Affairs

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

IN RE: HB1400 by Christian (Relating to the creation of a public integrity unit in the office of the attorney general to prosecute offenses against public administration, including ethics offenses, and offenses involving insurance fraud.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1400, As Introduced: a positive impact of \$2,467,268 through the biennium ending August 31, 2011.

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
2010	\$1,143,474
2011	\$1,323,794
2012	\$1,323,794
2013	\$1,323,794
2014	\$1,323,794

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings from <i>Insurance Maint Tax</i> <i>Fees</i> 8042	Probable Savings from <i>State Highway Fund</i> 6	Change in Number of State Employees from FY 2009
2010	\$382,498	\$760,976	\$330,938	24.0
2011	\$510,908	\$812,886	\$404,706	24.0
2012	\$510,908	\$812,886	\$404,706	24.0
2013	\$510,908	\$812,886	\$404,706	24.0
2014	\$510,908	\$812,886	\$404,706	24.0

Fiscal Analysis

The bill would amend the Government Code and the Penal Code relating to the creation of a public integrity unit in the Office of the Attorney General (OAG) to prosecute offenses against public administration, including ethics offenses, and offenses involving insurance fraud.

The bill would provide that the OAG gain new authority to prosecute a number of violations found in the Penal Code, Government Code, Elections Code, and Tax Code. This would include offenses relating to the motor fuels tax imposed in the Tax Code. This authority is described in the newly created Public Integrity Unit, to be located as part of the OAG, as described in the bill. The bill also provides that the Attorney General shall have the authority to commission peace officers for the purpose of investigating offenses against public administration and insurance fraud.

The bill would require the OAG to establish the public integrity unit no later than March 1, 2010. The Act takes effect January 1, 2010 if the constitutional amendment proposed by the Eighty-first Legislature has taken effect.

Methodology

The State currently provides an appropriation to the Public Integrity Unit (PIU) of Travis County in the Judiciary Section, Comptroller's Department (Judiciary Section) that would be affected by the proposed bill. This analysis uses the fiscal year 2009 appropriations to the PIU for investigating and prosecuting allegations of criminal activity relating to state government (\$1,489,984 in fiscal year 2009 from General Revenue and 14.0 county positions); allegations of insurance fraud (\$1,208,683 in fiscal year 2009 from the General Revenue Fund - Insurance Companies Maintenance Tax and Insurance Department Fees and 11.5 county positions); and allegations of motor fuels tax fraud (\$967,154 in fiscal year 2009 from the State Highway Fund No. 9 and 9.5 county positions.) Another 5.0 county positions provide central administrative oversight to all three divisions, for a total of 40.0 county positions funded by the State.

In fiscal year 2008 the Travis County Public Integrity Unit had the following caseload: 193 complaints received and 94 investigations opened in the General State Division; 39 complaints received and 38 investigations opened in the Insurance Fraud Division; and, 55 complaints received and 54 investigations opened in the Motor Fuels Tax Fraud Division, for a total of 186 investigations opened in all three divisions after preliminary screening.

The OAG indicates that handling an additional 30.5 investigations per fiscal year would result in costs for 4.0 additional FTEs (\$359,344 in fiscal year 2010 and \$317,679 in fiscal year 2011) and this estimate assumes the workload expected to be transferred to the OAG from Travis County would be 186 investigations per year, resulting in new costs to the OAG of \$2,191,409 and 24.0 FTEs in fiscal year 2010 and \$1,937,321 and 24.0 FTEs in fiscal year 2011 and each year thereafter from General Revenue, the General Revenue Fund - Insurance Companies Maintenance Tax and Insurance Department Fees, and State Highway Fund No. 6.

This will result to a cost savings to the State in the following amounts:

- 1) \$893,405 for the 2010-11 biennium from General Revenue, which includes an increase of \$1,107,486 in fiscal year 2010 and \$979,076 in fiscal year 2011 to the OAG for an additional 94 investigations per fiscal year, offset by a decrease of \$1,489,984 in appropriations each fiscal year to the Judiciary Section from General Revenue for the Travis County's General State Division;
- 2) \$1,573,862 for the 2010-11 biennium from the General Revenue Fund - Insurance Companies Maintenance Tax and Insurance Department Fees, which includes an increase of \$447,707 in fiscal year 2010 and \$395,797 in fiscal year 2011 to the OAG for an additional 38 investigations per fiscal year, offset by a decrease of \$1,208,683 in appropriations each fiscal year to the Judiciary Section from General Revenue Fund - Insurance Companies Maintenance Tax and Insurance Department Fees for Travis County's Insurance Fraud Division (note that this is a self-leveling fund, and a decrease in appropriations will not result in a credit to General Revenue Fund No. 1, but a decrease in taxes and fees paid by insurance companies and departments); and,
- 3) \$735,644 for the 2010-11 biennium from State Highway Fund No. 6, which includes an increase of \$636,216 in fiscal year 2010 and \$562,448 in fiscal year 2011 to the OAG for an additional 54 investigations per fiscal year, offset by a decrease of \$967,154 each fiscal year to the Judiciary Section from State Highway Fund No. 6 for Travis County's Motor Fuels Tax Fraud Division.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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