LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 30, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **HR2900** by Darby (Suspending limitations on conference committee jurisdiction, H.B. No. 2774.)

Estimated Two-year Net Impact to General Revenue Related Funds for HR2900, As Introduced: an impact of $0 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.

Appropriations:

Fiscal Year	Appropriation out of *General Revenue Fund* 1
2010	$15,809,000
2011	$15,809,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings from *General Revenue Fund* 1	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *General Revenue Fund* 1
2010	($27,398,000)	$27,398,000	($15,809,000)	$15,809,000
2011	($27,768,000)	$27,768,000	($15,809,000)	$15,809,000
2012	($27,803,000)	$27,803,000		
2013	($27,803,000)	$27,803,000		
2014	($27,803,000)	$27,803,000		

Fiscal Year	Probable Revenue Gain from *new interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company*	Probable (Cost) from *new interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company*	Change in Number of State Employees from FY 2009
2010	$27,398,000	($27,398,000)	(444.5)
2011	$27,768,000	($27,768,000)	(444.5)
2012	$27,803,000	($27,803,000)	(444.5)
2013	$27,803,000	($27,803,000)	(444.5)
2014	$27,803,000	($27,803,000)	(444.5)

Fiscal Analysis

The resolution would add Chapter 16 to the Finance Code and repeal sections of the Finance Code under Chapters 12, 13, 14, 15, and 156. The resolution would allow the Department of Banking (DOB), Office of Consumer Credit Commissioner (OCCC), Department of Savings and Mortgage Lending (SML), and the Credit Union Department (CUD), to become self-directed and semi-independent agencies. All fees and funds collected by an agency would be deposited into an interest-bearing deposit account in the Texas Treasury Safekeeping Trust Company. The Comptroller of Public Accounts (CPA) would be directed to contract with the financial agencies for the maintenance of the deposit accounts. If the financial agencies lost status as self-directed and semi-independent, the agencies would be responsible for any expenses or debts incurred during the time the agencies were classified as self-directed and semi-independent.

The resolution would remove the agencies from the legislative budgeting process, and the budget would be adopted and approved only by the policy-making body of the respective agency. On the first day of each regular legislative session, each agency would be required to submit a report to the Legislature and the Governor describing all of the agency's activities in the previous biennium. In addition, the agency would be required to report its two year expenses and revenue collections by November 1 of each year to the Legislature, the Legislative Budget Board, and the Governor. Employees of the agencies would remain members of the Employees Retirement System of Texas under Chapter 812 of the Government Code.

The resolution would require the State Auditor to contract with each agency to conduct financial and performance audits and would allow the Attorney General to collect fees from the agencies for legal services. The resolution would also transfer all supplies, materials, records, equipment, and facilities used by each agency, including the Finance Commission Building and the Credit Union Department Building, to the Finance Commission and the Credit Union Commission.

The resolution would make an appropriation of an amount equal to 50 percent of the amount of the General Revenue appropriated to each agency for fiscal year 2009 for a two-year period beginning fiscal year 2010. Under the provisions of the resolution, the amount could be spent as the agency directs and would be repaid to the General Revenue Fund in the fiscal year in which it was appropriated.

Methodology

This analysis is based on information provided by DOB, SML, OCCC, CUD, SAO, and the CPA and includes the following assumptions:

DOB, SML, OCCC, and CUD are self-leveling agencies and are statutorily required to generate revenues sufficient to cover all of the agency's direct and indirect costs.

According to the CPA, a loss of $27,398,000 in General Revenue in 2010, a loss of $27,768,000 from General Revenue in fiscal year 2011, and a loss of $27,803,000 in General Revenue for fiscal years 2012-2014 would occur with similar fiscal implications continuing after 2014 based on the Comptroller's 2010-11 Biennial Revenue Estimate and revenue records. Under current law, revenues collected by the entities are deposited to General Revenue Fund. Under the provisions of the resolution, revenue collection deposits and expenditures from the identified agencies would change from the General Revenue Fund to new interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company. For the purpose of this analysis, the revenue and cost implications of the resolution for DOB, SML, OCCC, and CUD are consolidated in the table above.

In addition, there would be a $15,809,000 total cost to General Revenue in 2010 and 2011 for an appropriation made to the financial agencies to establish itself as a self-directed and semi-independent agency. It is assumed that the agencies would repay the appropriation made within the fiscal year in which the appropriations were made. The offset in revenue from repayment is reflected above in the table.

This analysis assumes that duties and responsibilities associated with implementing the provisions of the resolution for the SAO and Attorney General could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 450 Department of Savings and Mortgage Lending, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department

LBB Staff: JOB, JRO, MW, ACa