LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 15, 2009

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: **SB2238** by Zaffirini (Relating to self-directed and semi-independent status of state financial regulatory agencies; making an appropriation.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2238, Committee Report 1st House, Substituted: a negative impact of ($31,618,000) through the biennium ending August 31, 2011.

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	($15,809,000)
2011	($15,809,000)
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 *new interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company*
2010	($27,398,000)	$27,398,000	($15,809,000)	$27,398,000
2011	($27,768,000)	$27,768,000	($15,809,000)	$27,768,000
2012	($27,803,000)	$27,803,000		$27,803,000
2013	($27,803,000)	$27,803,000		$27,803,000
2014	($27,803,000)	$27,803,000		$27,803,000

Fiscal Year	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)	(444.5)
2011	($27,768,000)	(444.5)
2012	($27,803,000)	(444.5)
2013	($27,803,000)	(444.5)
2014	($27,803,000)	(444.5)

Fiscal Analysis

The bill would add Chapter 16 to the Finance Code and repeal sections of the Finance Code under Chapters 12, 13, 14, 15, and 156. The bill 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 bill 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 bill 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 bill 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 bill 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 bill, the amount could be spent as the agency directs and would be repaid to the General Revenue Fund as funds become available.

The bill would take effect September 1, 2009.

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 bill, 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 bill 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. The CPA's analysis does not consider a repayment because the bill does not outline a specific date for that to occur. Although it is assumed that the agencies would repay the General Revenue Fund as funds become available due to the requirements of the bill, an offsetting revenue increase from repayment is not reflected in the table above because the date when the repayment would be made cannot be determined.

This analysis assumes that duties and responsibilities associated with implementing the provisions of the bill 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

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