

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 1, 2015

TO: Honorable Tan Parker, Chair, House Committee on Investments & Financial Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2493 by Parker (Relating to self-directed and semi-independent status of the State Securities Board.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2493, As Introduced: a negative impact of (\$38,390,818) through the biennium ending August 31, 2017.

Appropriations:

Fiscal Year	Appropriation out of <i>General Revenue Fund</i> 1
2016	\$3,493,296
2017	\$3,493,296

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$19,195,409)
2017	(\$19,195,409)
2018	(\$19,195,409)
2019	(\$19,195,409)
2020	(\$19,195,409)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Savings from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2015
2016	(\$27,052,000)	\$6,986,591	\$870,000	(104.0)
2017	(\$27,052,000)	\$6,986,591	\$870,000	(104.0)
2018	(\$27,052,000)	\$6,986,591	\$870,000	(104.0)
2019	(\$27,052,000)	\$6,986,591	\$870,000	(104.0)
2020	(\$27,052,000)	\$6,986,591	\$870,000	(104.0)

Fiscal Analysis

This bill would amend the Securities Act relating to the self-directed and semi-independent status of the State Securities Board.

This bill would add Sections 44 through 52 to the Securities Act to allow the Securities Board to become a self-directed and semi-independent agency. The bill would allow the agency to set the respective fees, penalties, charges, and revenues required or permitted by statute or rule as necessary for the purpose of carrying out the functions of the agency to fund the agency's adopted budget. All fees and funds collected under Section 35.A of the Securities Act would be deposited into an interest-bearing account in the Texas Treasury Safekeeping Trust Company to be used to administer the Securities Act. The Comptroller of Public Accounts (CPA) shall contract with the agency for the maintenance of the deposit account. All other monies collected by the agency shall be deposited to the General Revenue Fund. The bill would also transfer all supplies, materials, records, equipment, books, papers, and furniture used by the agency to the Securities Board.

The bill would remove the agency from the legislative budget process, and the budget would be adopted and approved by the agency's Board. The agency would be required to submit a regular report to the Legislature and the Governor relating to the agency's historical revenue, expenses, and performance data along with future operating budgets.

If the agency loses status as self-directed and semi-independent, the agency will be responsible for any expense of debts incurred during the time they were classified as such. Employees of the agency would remain members of the Employees Retirement System of Texas.

This bill would make an appropriation of an amount equal to 50 percent of the amount of the General Revenue appropriated to the agency for fiscal year 2015 in both fiscal year 2016 and 2017. Under the provisions of the bill, the amount can be spent as the agency directs and would be repaid to the General Revenue Fund no later than the date the funds become available to the agency.

This bill would take effect September 1, 2015.

Methodology

Based on information provided by the CPA, it is assumed that the estimated loss to the General Revenue Fund totals \$27.1 million in each fiscal year due to the removal of revenue from fees and funds included in Section 35.A of the Securities Act. All other fees and funds received by the agency will continue to be deposited into the General Revenue Fund.

The analysis assumes an annual savings in General Revenue of approximately \$7.0 million based on the General Revenue appropriations to the agency in the General Appropriations Act in fiscal year 2015. This bill would also appropriate an amount equal to 50 percent of the amount from the General Revenue Fund appropriated to the agency in fiscal year 2015 in fiscal years 2016 and 2017 (estimated to be \$3.5 million each year). It is assumed that the agency would repay the appropriation within the fiscal year in which the appropriation was made. The offset in revenue from repayment is reflected in the table above.

Commensurate with the self-directed and semi-independent status of the agency, the Securities Board would have to pay for certain state services which they are currently using, including services from the Attorney Generals Office, the Texas Facilities Commission, the State Auditors Office, and the Department of Information Resources. The CPA estimates that this will total

\$870,000 remitted back to the General Revenue Fund in each fiscal year.

This analysis also reflects a reduction in full-time equivalents (FTEs) each fiscal year equal to the amount authorized to the agency in fiscal year 2015.

This analysis assumes that other duties and responsibilities associated with implementing the provisions of the bill 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, 312 Securities Board

LBB Staff: UP, CL, NV, JLi