

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: HB3425 by Parker (Relating to the creation of a intrastate investment market for purposes of trading securities issued under the intrastate crowdfunding exemption from federal securities laws.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3425, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2015
2016	(\$387,509)	\$387,509	6.0
2017	(\$369,509)	\$369,509	6.0
2018	(\$369,509)	\$369,509	6.0
2019	(\$369,509)	\$369,509	6.0
2020	(\$369,509)	\$369,509	6.0

Fiscal Analysis

This bill would amend the Securities Act relating to the creation of an intrastate investment market for purposes of trading securities issued under the intrastate crowdfunding exemption from

federal securities law.

This bill would create a stock exchange for securities financed using the intrastate crowdfunding exemption or other exemptions from federal securities regulation, and expand the authority of the Securities Board to regulate and inspect certain actions related to the new stock exchange.

This bill would take effect immediately upon receiving a two-thirds vote of all members elected to the House and Senate or otherwise on September 1, 2015.

Methodology

Based on information provided by the Securities Board, this analysis assumes that the creation of the new stock exchange would result in approximately 72 additional markets and issuers each year. In order to implement the provisions of the bill, the Securities Board anticipates the need for an additional 6.0 FTEs. This includes 1.0 Attorney in the Registration Division to facilitate the creation of new regulations and to ensure compliance with these new regulations, 4.0 Financial Examiners in the Inspection and Compliance Division to inspect the new market and issuers, and 1.0 Attorney in the Inspection and Compliance Division to process the anticipated administration actions that would result in the inspection process.

The agency estimates that these positions would require recurring costs of \$276,000 in salaries and \$93,509 in related support and benefit costs each fiscal year. The agency also estimates an initial one-time start up cost \$18,000 for the purchase of technology equipment for the additional FTEs.

This analysis assumes that any increased costs to the agency, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

Technology

The Securities Board estimates nonrecurring technology costs of \$18,000 in fiscal year 2016 (\$3,000 per FTE) related to the purchase of technology equipment for the additional FTEs needed to carry out the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 312 Securities Board

LBB Staff: UP, CL, NV, JLi