LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1760** by Fallon (Relating to money transmissions sent to destinations outside the United States; imposing a fee.), **As Introduced**

Depending on the resolution of potential conflicts with Federal statutes, there could be an indeterminate amount of revenue gain to the state.

The bill would amend the Finance Code to add new Chapter 280, regarding a money transmission fee.

The fee would be 3 percent of the total amount sent by a money transmission business from Texas to a destination outside the U.S., plus $5. The fee would apply only to money transmissions where the individual that originated the transmission did not present proof that the individual was a U.S. citizen or was lawfully present in the U.S. To cover the cost of collecting the new fee, a money transmission business could retain an amount that is the greater of 10 percent of the fee or $1. Financial institutions, as defined in the Finance Code, would be subject to the bill's provisions, but could not charge this fee to an individual who had an account with the financial institution.

A money transmission business would remit the fee to the Comptroller in a manner prescribed by the Comptroller. The Comptroller would retain a portion of the fees remitted to cover the cost of administering the chapter, and by rule would specify the portion to be retained. The remaining fee revenue would be deposited to the credit of new GR Account - Border Security. Money in the account could be appropriated only to the Department of Public Safety or the Texas National Guard to provide funding for border security efforts in Texas.

The legislation, as drafted, potentially could be subject to constitutional challenge on several grounds, including claims that it would constitute an attempt by the state to regulate foreign commerce, and that it would violate the constitutionally guaranteed right to equal protection under the law. As such, the fiscal impact cannot be estimated.

Strictly for purposes of providing an illustrative example, and assuming the legislation is in compliance with the U.S. Constitution, it is estimated that the fee could generate on the order of $61 million in fee revenue per year. The $61 million figure would be prior to the two deductions from fee collections specified in the bill.

This illustrative example was based on data from the Texas Department of Banking provided in March 2017; an Inter-American Development Bank article published in May 2015; and a study by the Inter-American Dialogue, a Washington research group, regarding money transfers originating in the U.S. The example took into account the various methods used to send money outside the

U.S. to arrive at the dollar amount of money transmissions that would be subject to the fee. An allowance was made for the expected increase in people using methods to send money outside of the U.S. that are not covered under Finance Code Section 151.301, and thus would not be subject to the new fee. Also, an allowance was made for the financial institution prohibition provided in the bill.

The Comptroller of Public Accounts estimates they would need to hire four auditors at an estimated cost of $331,000 per fiscal year to comply with the administrative functions outlined in the bill. This cost would be subtracted from the revenue generated by the new fee.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Note: Although this bill would not make an appropriation, it would establish the basis for an appropriation.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 451 Department of Banking

LBB Staff: UP, CL, SD, KK, LCO, EMu, EK