

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

TO: Honorable Tracy O. King, Chair, House Committee on Agriculture & Livestock

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3969 by King, Ken (Relating to the development of a central filing system by the secretary of state for the filing of financing statements for agricultural liens; authorizing fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3969, As Introduced: a negative impact of (\$274,078) through the biennium ending August 31, 2019.

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
2018	(\$438,070)
2019	\$163,992
2020	\$163,992
2021	\$163,992
2022	\$163,992

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(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 2017
2018	(\$627,650)	\$189,580	4.0
2019	(\$291,008)	\$455,000	3.0
2020	(\$291,008)	\$455,000	3.0
2021	(\$291,008)	\$455,000	3.0
2022	(\$291,008)	\$455,000	3.0

Fiscal Analysis

The bill would amend the Business and Commerce Code to require the Secretary of State (SOS) to implement a central filing system for the filling of effective financing statements. The bill would

require SOS to obtain certification of the filing system by the United States Department of Agriculture. The bill would also authorize SOS to collect a fee of \$10 for each effective financing statement filed under the bill. The bill would take effect on September 1, 2017.

Methodology

This analysis assumes SOS would require \$918,658 and 4.0 FTEs in the 2018-19 biennium to implement the provisions of the bill. SOS assumes it would need to develop and maintain a new database to accommodate the agricultural lien central filing system. This would require modifications to the existing Business Entity and Secured Transaction (BEST) Uniform Commercial Code (UCC) application to create new screens and tables needed to process and index effective financing statements and to generate the master list report in accordance with federal standards. Additionally, SOS assumes it would need to develop a new electronic filing system for any electronic filings submitted under the bill. SOS assumes the new electronic filing system and modifications to BEST would require 2080 hours of contracted programmer time in fiscal year 2018 at \$132 per hour, 1.0 permanent FTE for a staff Programmer IV (annual salary \$65,000) for ongoing maintenance, and \$120,000 annually for additional server and database resources through the Department of Information Resources. Additionally, SOS assumes it would require 1.0 temporary FTE for an Attorney III (\$56,982 in fiscal year 2018) to assist in the development of the central filing system; draft forms, informational web content, proposed administrative rules; and file documentation and communicate with USDA to obtain certification of the system.

SOS assumes it would take at least six months for the agency to build the database and at least one month to receive certification from the USDA. After the first six months, SOS assumes it would require 2.0 FTEs for Administrative Assistant IIIs with a salary cost \$14,720 per FTE in fiscal year 2018 and \$29,439 per FTE in subsequent years. The administrative assistants would be necessary to process an increased volume of filings under the bill. SOS assumes other costs to implement the bill would include other operating costs totaling \$2,649 in fiscal year 2018 and \$1,766 annually in subsequent years, \$23,568 for equipment in fiscal year 2018 only, and benefits costs totaling \$55,451 in fiscal year 2018 and \$45,364 annually in subsequent years.

The Comptroller of Public Accounts assumes the bill would also result in an indeterminate increase in General Revenue dependent on an unknown number of new filings subject to the new \$10 filing fee under the bill. Based on filing data from Oklahoma, SOS estimates the maximum number of annual filings subject to the fee would be 45,500 per year. As filings will not begin for the first seven months of fiscal year 2018, this analysis would anticipate a maximum of 18,958 filings in that year.

Technology

The new electronic filing system would require 2,080 hours of contracted programmer time in fiscal year 2018 at \$132 per hour, 1.0 permanent FTE for a staff Programmer IV (annual salary \$65,000) for ongoing maintenance, and \$120,000 annually for additional server and database resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State, 551 Department of Agriculture

LBB Staff: UP, NV, ASa, SD, RC, MSO