

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 3, 2019

TO: Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB1535** by Flynn (relating to the continuation and functions of the State Securities Board.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1535, Committee Report 1st House, Substituted: a negative impact of (\$851,700) through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$425,850)
2021	(\$425,850)
2022	(\$425,850)
2023	(\$425,850)
2024	(\$425,850)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2020	(\$425,850)
2021	(\$425,850)
2022	(\$425,850)
2023	(\$425,850)
2024	(\$425,850)

Fiscal Analysis

The bill would continue the State Securities Board and extend its Sunset date to September 1, 2031. The bill would update the training requirements for board members, require the agency to maintain a system to act promptly and efficiently on complaints received, and implement alternative rulemaking and dispute resolution policies. The bill would require the agency to

include in their annual report to the Governor and the Legislature information about the agency's budget spent in supporting criminal prosecutions and the overall status of those cases.

The bill would authorize the agency to provide assistance to a county or district attorney who requests assistance in prosecution of an alleged violation of the Securities Act. The bill would also require the Commissioner to assess the potential resources of the agency that would be needed and available to assist in the prosecution of a case before referring the case to a county or district attorney and would require the agency has a process for determining whether requested assistance is available. The bill would require the Office of the Attorney General to review a sample of criminal cases for which the agency requested assistance to county or district attorneys at least biennially.

The bill would authorize the agency to order a dealer, agent, investment adviser, or investment adviser representative regulated by the agency to pay a refund to a client or purchaser of securities or services instead of or in addition to imposing an administrative penalty or other sanctions. The bill would remove the requirement for branch office registration and applicable fees.

The bill has an effective date of September 1, 2019.

Methodology

According to the Comptroller of Public Accounts, the provision that removes the requirement for registered entities to register individual branch offices would result in a revenue loss to the General Revenue Fund estimated to total \$425,850 per fiscal year, beginning in fiscal year 2020, based on collections from branch office registrations in fiscal year 2017.

Based on the Sunset staff analysis, all other provisions of the bill could be implemented by the agency within existing resources. This analysis assumes that any increased cost to the State Securities Board, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue. According to the Office of the Attorney General, the bill's requirement for their review of Securities Board cases can be absorbed within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 312 Securities Board, 302 Office of the Attorney General, 304 Comptroller of Public Accounts

LBB Staff: WP, DFR, CMa, SGr