

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**March 20, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1535, As Introduced: 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. 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, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 312 Securities Board

**LBB Staff:** WP, CMa, SGr, DFR