

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 8, 2023

TO: Honorable Todd Hunter, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4903 by Dorazio (relating to the issuance of gold and silver specie and the establishment of a digital currency based on gold and silver; authorizing a fee.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4903, Committee Report 1st House, Substituted : a positive impact of \$27,920,000 through the biennium ending August 31, 2025.

Fee revenue collected by the Comptroller for the issuance and redemption of the digital currency is unknown; therefore, the revenue implications of the bill cannot be determined.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$26,210,000)
2025	(\$1,710,000)
2026	(\$1,210,000)
2027	(\$1,210,000)
2028	(\$1,210,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$26,210,000)	6.0
2025	(\$1,710,000)	6.0
2026	(\$1,210,000)	6.0
2027	(\$1,210,000)	6.0
2028	(\$1,210,000)	6.0

Fiscal Analysis

The bill would require the Comptroller to establish and provide for the issuance of gold and silver specie, authorizing the Texas Bullion Depository as the state's exclusive issuer. The comptroller would ensure that specie holders can use the specie as legal tender in the payment of debt and readily transfer the specie to another person.

The bill would also require the Comptroller to establish and issue digital currency based on gold and silver that can be used as legal tender in the payment of debt and can be transferred electronically.

The Comptroller would be authorized to contract with a private vendor to establish the digital currency, but would be required to give preference to vendors whose principal place of business is in Texas.

The bill would require the Comptroller to hold in trust, in a pooled depository account at the Texas Bullion Depository, all gold and silver specie and bullion owned or purchased for the purpose of issuing the digital currency. The Comptroller would issue the digital currency to a person who makes a payment or designates gold or silver specie or bullion already held at the Depository to be transferred to the pooled depository account. These amounts would not be available for legislative appropriation.

The bill would require the Comptroller to provide for the redemption of the digital currency in the form of United States Dollars, specie, or bullion. The Comptroller would determine the value of the digital currency at the time of each transaction based on the value of the appropriate fraction of a troy ounce of gold or silver.

The bill would authorize the Comptroller to establish a fee for the issuance or redemption of the digital currency at a rate necessary to cover administrative costs and would credit the fee to an account in the General Revenue Fund.

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 in, with, or outside 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.

Methodology

It is assumed the Comptroller would need additional staff to implement the provisions of the bill. According to the Comptroller, one Program Specialist I, one Security Officer I, one Cybersecurity Analyst I, one IT Business Analyst I, and one Attorney V would be required to ensure all purchases and redemptions of digital currency are handled timely, as the spot price of gold fluctuates constantly. Additionally, funding for one Attorney V as well as outside counsel services would be needed to manage the legal compliance issues associated with establishing a digital currency. The All Funds cost for the 6.0 FTEs would be \$1,210,000. The Comptroller estimates outside legal counsel to cost \$500,000 in fiscal year 2025.

This analysis also includes the funds necessary to contract with a third-party vendor, which would be needed to establish the digital currency and a user-driven platform for the transactions. According to the Comptroller, it is estimated that \$25 million would be the minimum cost for limited functionality. True costs for expanded technology and options could be up to \$100 million.

Because the amount of the fee that could be collected by the Comptroller's office is unknown, the revenue implications of the fee cannot be determined.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SMAT, LCO, CSmi, NV