

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 7, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB2334 by Hughes (Relating to the establishment of a digital currency backed by gold; authorizing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2334, As Introduced : a negative impact of (\$27,478,000) through the biennium ending August 31, 2025 for administrative costs to the Comptroller.

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	(\$25,989,000)
2025	(\$1,489,000)
2026	(\$989,000)
2027	(\$989,000)
2028	(\$989,000)

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	(\$25,989,000)	5.0
2025	(\$1,489,000)	5.0
2026	(\$989,000)	5.0
2027	(\$989,000)	5.0
2028	(\$989,000)	5.0

Fiscal Analysis

The bill would require the Comptroller to establish a readily transferable gold backed digital currency, and would authorize the Comptroller to contract with a private vendor to do so. It would require the Comptroller to hold an amount of gold in trust necessary to provide for the redemption in gold of all units of the digital currency that have been issued. The money and gold used to purchase and back the digital currency could be

held at the Texas Bullion Depository, and would not be subject to appropriation.

The Comptroller would receive payment from purchasers, buy fractional troy ounces of gold equal to the payment amount, and issue units of digital currency to the purchaser. The digital currency could be redeemed for money or for the equivalent value of fractional troy ounces of gold.

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.

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 deposit the fee in 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 III would be required to ensure all purchases and redemptions of digital currency are handled timely, as the spot price of gold fluctuates constantly. The All Funds cost for 5.0 FTEs would be \$989,000 per fiscal year.

Additionally, it would be necessary to procure outside counsel services to manage the legal compliance issues associated with establishing a digital currency. The Comptroller estimates \$500,000 in fiscal year 2025 to implement the provisions of this bill

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, KK, LCO, CSmi, SMAT, NV