

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 29, 2025

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB2221** by Parker (Relating to the filing of a fraudulent financing statement in relation to certain secured transactions; authorizing the imposition of a fee.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2221, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2027.

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>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	\$0
2027	\$0
2028	\$0
2029	\$0
2030	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2025</i>
2026	(\$1,613,383)	\$1,613,383	4.0
2027	(\$381,443)	\$381,443	4.0
2028	(\$381,443)	\$381,443	4.0
2029	(\$381,443)	\$381,443	4.0
2030	(\$381,443)	\$381,443	4.0

Fiscal Analysis

The bill would amend the Business & Commerce Code related to fraudulent Uniform Commercial Code (UCC) financing statements filed with the Secretary of State (SOS) and county clerk offices. The bill would permit a debtor named in a UCC financing statement that the debtor believes was impermissibly or fraudulently filed to submit an affidavit to that effect.

The bill requires the office in which an affidavit is filed to review whether the affidavit was submitted without a reasonable basis or with the intent to harass or defraud.

Methodology

Based on the agency's experience with processing UCC financing statements, the SOS estimates that it will receive at least 600 affidavits each year as well as experience an increase in public inquiries regarding procedures for UCC submissions and challenges of fraudulent filings. The SOS estimates that the agency would require 4 new FTEs to carry out the provisions of this bill related to administrative review, providing legal advice to SOS staff, and responding to public inquiries.

According to the agency, these new statutory responsibilities would require the following positions: three Program Specialist III (\$62,136 per year) and one Attorney III (\$102,980). Benefits and associated expenses for these positions would be \$92,055 per fiscal year with an additional \$31,940 in setup expenses in fiscal year 2026.

According to the Office of Court Administration, no significant fiscal impact to the state court system is anticipated.

According to the Office of the Attorney General, any costs incurred by the agency could be absorbed within existing resources.

According to the Comptroller of Public Accounts (CPA), the bill would require collection of a fee sufficient to recover the cost of administration for deposit to the general revenue fund commensurate with those costs; consequently, according to CPA, the bill would have no net fiscal implications.

It is assumed that any impact on state correctional populations or on the demand for state correctional resources would not be significant.

Technology

According to the SOS, modifications to the UCC information management system required by the bill would take one to two months for discovery to evaluate the scope of the required modifications, three months to develop and test system changes, and one month to support the modified system upon release. The agency estimates a total cost of \$1,200,000 for these modifications.

Local Government Impact

In certain cases, the bill would result in fraudulent UCC affidavits being filed in county clerk offices. These requirements are not expected to have a significant impact to local jurisdictions.

It is assumed that any fiscal impact to units of local government associated with enforcement, prosecution, supervision, or confinement would not be significant.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JMc, SD, GP, RStu, LCO