

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**March 10, 2003**

**TO:** Honorable Steven Wolens, Chair, House Committee on Ethics, Select

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1606** by Wolens (Relating to ethics of public servants, including the functions and duties of the Texas Ethics Commission; the regulation of political contributions, political advertising, lobbying, and conduct of public servants; and the reporting of political contributions and personal financial information; providing civil and criminal penalties.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1606, As Introduced: a positive impact of \$2,041,410 through the biennium ending August 31, 2005.

House Bill 1606 relates to ethics of public servants, including the functions and duties of the Texas Ethics Commission; the regulation of political contributions, political advertising, lobbying, and conduct of public servants; and the reporting of political contributions and personal financial information. The bill takes effect September 1, 2003.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	\$832,069
2005	\$1,209,341
2006	\$1,022,535
2007	\$1,022,535
2008	\$1,022,535

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from GENERAL REVENUE FUND 1</b>	<b>Probable Revenue Gain from GENERAL REVENUE FUND 1</b>	<b>Change in Number of State Employees from FY 2003</b>
2004	(\$430,537)	\$1,262,606	1.0
2005	(\$53,265)	\$1,262,606	1.0
2006	(\$53,265)	\$1,075,800	1.0
2007	(\$53,265)	\$1,075,800	1.0
2008	(\$53,265)	\$1,075,800	1.0

**Fiscal Analysis**

The bill would grant subpoena power to the Texas Ethics Commission for documents and other materials, raise late filing penalties for campaign finance reports, lobby report, and personal financial statements. In addition, this bill would authorize a filing fee to file campaign finance reports and require general purpose political committees to report certain corporate or labor organization

expenditures to establish or administer the political committee or finance the solicitation of political contributions to the committee. In addition, the bill would require county chair candidates to file campaign finance reports and provides conflict of interest standards for public servants. Furthermore, the bill would eliminate the informal hearing stage from the complaint process. Section 254.124, Election code would be repealed regarding exemption from electronic filing for district judges, district attorneys, and judges of multi-county statutory county courts. This bill would also require the agency to develop and implement an electronic filing system for lobbyist.

## **Methodology**

This bill would grant subpoena power to the Texas Ethics Commission for documents and other materials. This analysis assumes that 25% of the 100 sworn complaints that the agency averages would involve at least one subpoena. The cost to issue a subpoena in Travis County is \$45.00, therefore, it is estimated that this provision would create an increased total cost of \$1,125 per fiscal year.

The bill would also require the agency to post a sworn complaint form on the Internet. Currently, the agency sends complaint form to individuals that call the agency, and staff is able to briefly discuss the issue. If the issue does not fall within the jurisdiction of the agency, staff is able to make the caller aware, thus reducing the amount of forms sent to the agency. This analysis assumes that the agency will receive a significant increase in forms sent to the agency and would require an additional Attorney II position at a cost of \$50,000 per fiscal year.

The bill would also remove the informal hearing process, one of three hearings stages from the complaint process. This analysis assumes that of the 100 complaints that the agency receives per fiscal year, 5 percent would reach the formal hearing stage due to the removal of the informal hearing process. The average cost per hearing, as indicated by the agency, associated with State Office of Administrative is \$3,000 per hearing. Therefore, a \$15,000 per fiscal year cost can be associated with this revised process.

The bill would also remove the exemption for electronic filing for district judges and district attorneys. This revision would increase the number of filings, but should result in no significant fiscal impact to the state.

The bill would also require the agency to develop an electronic filing system for lobbyists. This analysis assumes that this provision would significantly increase the amount of electronic filing. The commission currently utilizes three servers to receive and store electronic filing of campaign finance reports. Therefore, an additional two servers and associated software would be required to implement this provision. The total cost for two additional servers would be \$138,326 and software to support those servers would be \$21,480. An additional Systems Support Specialist II would also be needed to support the increased number of electronic filers at a cost of \$27,000 per fiscal year. However, the bill provides for cost recovery in the form of increased lobbyist fees for calendar years 2004 and 2005. Therefore, no significant fiscal impact would be associated with this provision for fiscal years 2004 and 2005. The associated cost for software and the additional technical support position after fiscal year 2005 would be \$37,140 per fiscal year.

This bill requires general-purpose political committees to report certain corporate or labor organization expenditures which will require approximately 340 hours of reprogramming for the electronic filing software at \$120 per hour for a cost of \$40,800.

This bill requires a candidate for county chair to file campaign finance reports with the Ethics Commission. There are 254 counties and if each had two candidates, there would be an average of another 508 filers reporting to the Ethics Commission. This analysis assumes that filers will have access to the Internet and will be able to access those forms accordingly.

This bill would establish an annual filing fee of \$100 dollars will be assessed for most filers of campaign finance reports, with an exemption for those who file an affidavit of inability to pay the fee. There are an average of 3,600 individuals or entities that would be affected. If 10% filed an affidavit of inability to pay the fee, an average of \$324,000 would be generated per year. Second, the

registration fees for those lobbyists currently paying \$300 would be raised to \$600. There are an average of 1,206 lobbyists that fall into this category, which would generate approximately \$361,800 per year.

In addition, penalties for the late filing of reports would be increased from \$100 to \$500. Over the past two fiscal years, there were an average of 975 \$100 penalties collected each year. This increase would generate an additional \$390,000 per year.

### **Technology**

The bill would require the purchase of two additional servers and support software.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated. Municipalities would see some minimal revenue from the filing fees paid by officers and candidates for office in municipal governments.

**Source Agencies:** 304 Comptroller Of Public Accounts, 356 Texas Ethics Commission

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