

# *Self-Directed Semi-Independent Agency Project Act*

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*H.B. 1685 Price (Whitmire)*

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Much has been made about how the Self-Directed Semi-Independent (SDSI) Agency Project Act enables the Accountancy, Architectural, and Engineering boards to operate outside the appropriations process by setting fees and raising revenue to pay for their regulatory programs. However, the Legislature also benefits under this arrangement. The Legislature is freed from having to set appropriations and performance measures for the agencies and is able to raise almost \$1.6 million in revenue to the State each year from these agencies for their participation in this process. In this light, absent significant misbehavior or poor performance by participating agencies, the results of a Sunset review of the SDSI Act would seem almost preordained.

The Sunset review, in fact, found that the SDSI Act was working as intended, that the agencies were operating responsibly, and that the initiative should be continued. At the same time, the review noted the dangers of relaxed oversight posed by SDSI status and the risk of increasing the number of SDSI agencies, especially under different statutory standards. The Sunset evaluation did not review the appropriateness of granting other agencies SDSI status, although the Legislature has scheduled a Sunset review in 2015 of the standards for granting SDSI status to future agencies, providing the opportunity to address such concerns.

The Sunset review of the Act produced several recommendations to ensure adequate oversight of the SDSI agencies and to set up the Act as the future means for governing SDSI status for state agencies. House Bill 1685, the SDSI Sunset bill, continues the SDSI Act, removing the Act's project status and separate Sunset date. Removing the Act's project status provides for codifying the Act in the Government Code as a standard approach should the Legislature choose to include additional agencies. An agency's status under the Act will be evaluated during its separate Sunset review. The bill also expands on existing reporting requirements by SDSI agencies to include more information, presented in trend format, to better enable oversight entities to see how the agencies have operated over time.

House Bill 1685 adds safeguards to the law to ensure that the agencies continue to operate under the same requirements as state agencies generally, and that they continue to use the State's payment and accounting system. The bill removes the possible incentive for these agencies to mix enforcement action with revenue generation by requiring them to remit administrative penalties to General Revenue. The bill also ensures that the agencies operate independent of State resources by requiring them to pay the cost of future Sunset reviews.

The following material summarizes results of the Sunset review of the Act, including new provisions added by the Legislature. For additional information see the *Self-Directed Semi-Independent Agency Project Act Sunset Final Report with Legislative Action* available on the Sunset Commission website at [www.sunset.state.tx.us](http://www.sunset.state.tx.us).

## **Continuation**

- Continues the SDSI Act, removing the Act's project status and separate Sunset date.
- Expands the data in the current reports required by agencies subject to the SDSI Act.

## **Oversight**

- Clarifies provisions of general law that do not conflict with SDSI status apply to the project agencies.
- Clarifies that agencies subject to the Act must use the Comptroller to make all payments, except for direct payments to the Safekeeping Trust Company from each agency's Trust Company account.
- Requires agencies subject to the Act to remit all administrative penalties to General Revenue.
- Requires agencies subject to the SDSI Act to pay the cost of their Sunset review.
- Clarifies that authorized scholarship fees do not have to be remitted to the State.

## **Fiscal Implication**

House Bill 1685 will result in a positive fiscal impact of \$461,270 to the State for the 2014-2015 biennium, resulting from the agencies remitting administrative penalties to General Revenue. In addition, H.B. 1685 will result in future revenue gains in Appropriated Receipts resulting from SDSI agencies paying the cost of Sunset reviews.