

Texas Ethics Commission
Summary of Budget Recommendations - Senate

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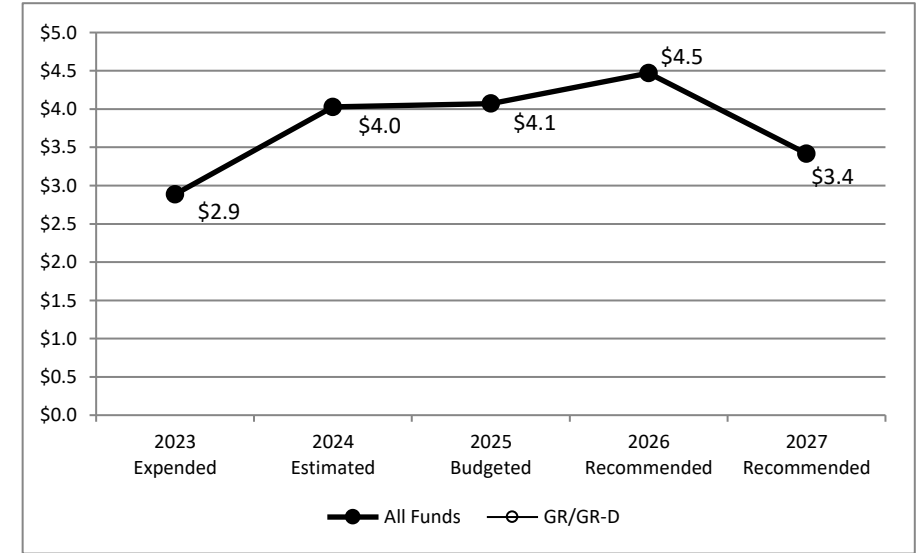
J. R. Johnson, Executive Director

George Purcell Jr, LBB Analyst

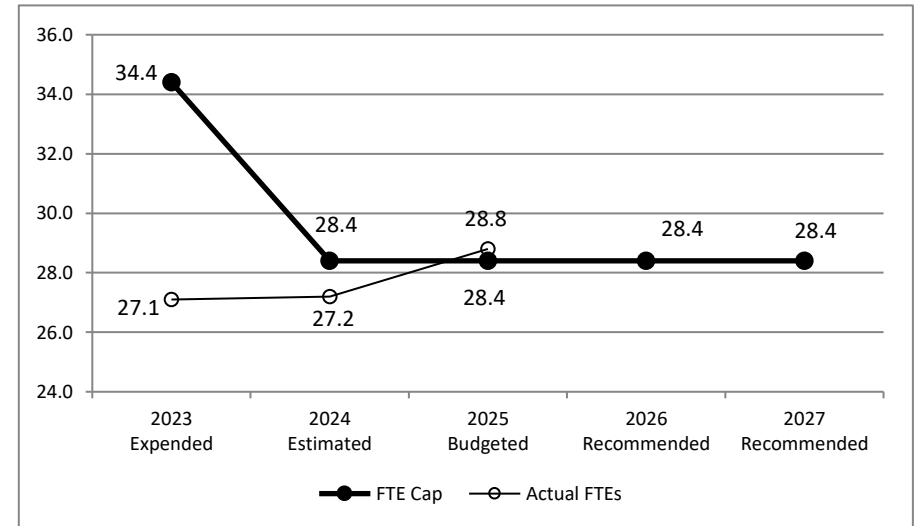
Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$8,100,622	\$7,885,723	(\$214,899)	(2.7%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$8,100,622</i>	<i>\$7,885,723</i>	<i>(\$214,899)</i>	<i>(2.7%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$103	\$0	(\$103)	(100.0%)
All Funds	\$8,100,725	\$7,885,723	(\$215,002)	(2.7%)

	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	28.8	28.4	(0.4)	(1.4%)

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

Texas Ethics Commission
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Removal of one-time funding for enhancements to the Electronic Filing System	(\$0.3)	\$0.0	\$0.0	\$0.0	(\$0.3)	B.1.2
B)	Increase for lump sum-retirement payments	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	All Strategies
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	Increase in funding to biennialize the statewide salary adjustments included in the 2024-25 appropriations.	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	All Strategies
D)	Removal of one-time funding for website improvements	(\$0.2)	\$0.0	\$0.0	\$0.0	(\$0.2)	B.1.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$0.2)	\$0.0	\$0.0	\$0.0	(\$0.2)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$0.4)	\$0.0	\$0.0	\$0.0	(\$0.4)	As Listed

NOTE: Totals may not sum due to rounding.

**Texas Ethics Commission
Selected Fiscal and Policy Issues - Senate**

1. Funding Changes from Agency Base Request

- a. Recommendations include agency requested exceptional item for \$206,806 in fiscal year 2026 for potential lump-sum retirement payments. The agency is required to lapse any unused funds appropriated for this purpose at the end of the biennium, so the net effect is an increase in \$92,971. This approach is consistent with recommendations from the 2024-25 biennium.
- b. Recommendations add a new Rider 6, Legal Services. The agency identifies \$300,000 per fiscal year for the provision of outside legal counsel and requested a rider to make internal accounting for these funds explicit within the General Appropriations Act. Recommendations revise the agency request to provide \$600,000 in fiscal year 2026 with unexpended balances to fiscal year 2027.

2. Electronic Filing System (EFS) Update

The commission launched an Electronic Filing Software (EFS) system in 2015 as a management and search tool for statutory ethics filings. The EFS database facilitates filing applications for campaign finance, lobby registrations and activity reports, personal financial statements, and certificate of interested party disclosures. In June 2022, the operation of the EFS failed during a quarterly reporting period when candidates attempted to make an amount of disclosure filings beyond the design limits of the system. Following this failure, the agency requested and received a deficiency grant from the Office of the Governor for \$200,000. This amount, in addition to \$882,313 in pre-purchased services from the existing software vendor, was used to improve the capabilities of the EFS and transition to Amazon Web Services (AWS) Public Cloud hosting in advance of the candidate filing deadline in October 2022.

In July 2023, the State Auditors' Office (SAO) conducted a review of financial processes at the Texas Ethics Commission: *An Audit Report on Financial Processes at the Texas Ethics Commission* (23-036). That report determined that the Commission did not comply with applicable requirements to maintain documentation or provide other justification for the need to purchase additional software enhancement hours for the EFS. The SAO also established that, as of fiscal year 2022, the Commission had accumulated 7,749 unused enhancement hours intended to expand the capabilities of the EFS and appropriated to the commission over several Legislatures. This balance was used, in part, for the transition to the AWS Public Cloud. According to the SAO, as of February 28, 2023, the balance had been reduced to 5,975 hours. The SAO also determined that the accumulated hours asset, with an estimated value of \$1 million, was not correctly reported on the Commission's 2022 Annual Financial Report. Finally, the SAO determined that the Commission did not comply with requirements to report its EFS contracts from fiscal year 2017 through fiscal year 2023 to the Legislative Budget Board, as required by Article IX, Section 7.04 of the General Appropriations Act (85th through 87th Legislatures).

Under the requirements of Rider 5, Oversight of the Electronic Filing System, the Commission was required to submit a quarterly report on the balance and usage of these previously prepaid enhancement hours. The agency projects this balance will be 1,930 hours at the end of the second quarter of fiscal year 2024 and expects to have fully exhausted all remaining enhancement hours by the end of fiscal year 2024 through implementation of new projects such as automated e-mail notices to filers, a simplified account creation system, and the ability to pay penalties or request waivers within the EFS.

Rider 5 also required the commission to conduct a study on the costs and benefits of continuing to host the EFS on the AWS Public Cloud compared to a Data Center Services (DCS) solution provided by the Department of Information Resources. That study determined that the five-year cost of hosting the EFS on the AWS Public Cloud would be \$542,021. The commission estimated hosting costs for this period at DCS varied from \$689,150 to \$1,208,535, depending on usage assumptions. Estimated costs for switching to DCS did not include required data application migration or deployment costs. These recommendations assume the EFS will continue to be hosted on the AWS Public Cloud and also remove the Rider 5 study requirement. The Rider 5 requirement of quarterly reports of vendor transactions related to the EFS is maintained.

Funding recommendations related to the EFS include continuation of base funding of \$875,980 for the biennium for maintenance and support of the EFS by the current vendor and \$247,000 for the biennium to support AWS Public Cloud hosting. The recommendations do not include an agency exceptional item request of \$275,000 in enhancement hours to extend the functionality of the existing EFS. The contract with the current vendor expires at the end of fiscal year 2025 and the agency anticipates releasing a Request for Proposals for a new contract no later than March 1, 2025.

3. Strategic Fiscal Review

As part of the Strategic Fiscal Review (SFR), Legislative Budget Board staff reviewed the operations of the commission and established the following findings:

- Finding 1 presents the drawdown of prepaid hours for the EFS, as discussed above;
- Finding 2 presents two options to increase the transparency of funds appropriated for outside legal counsel. These recommendations include the first of these options and by the inclusion of a new Rider 6, Legal Services, that provides controls on these funds and specifies that base funding is provided in fiscal year 2026. The rider also grants UB authority to fiscal year 2027 for any unexpended funds; and
- Finding 3 presents three options relating to obsolete statutory notification requirements. These recommendations do not include implementation of Finding 3.

4. Sunset Review

The Sunset Commission review of the Texas Ethics Commission identified the following issues:

- Complicated, outdated, and unclear statute places unnecessary burdens on filers and hinders meaningful ethics disclosure;
- The Commission lacks clear statutory direction for its audit function and its regulatory framework provides insufficient guidance above the severity of violations; and
- Sworn complaint processes do not align with best practices for regulatory agencies.

Other than the addition of a standard Sunset rider, no elements of the review or findings are included in the recommendations.

**Texas Ethics Commission
Rider Highlights - Senate**

Modification of Existing Riders

2. **Capital Budget.** Recommendations remove three projects from this rider:
 - *Subsection a* “Acquisition of Information Resource Technologies”:
 - Case Management and Software License Subscription: project is below capital budget threshold;
 - Enhancements to Electronic Filing System: project is below capital budget threshold and new funding for this purpose is not included in these recommendations; and
 - Improve Agency Website Interface: project is below capital budget threshold and agency has completed this one-time project.
4. **Appropriations for Retirement Payments.** Recommendations revise this rider to reflect updated costs of \$206,806 for the 2026-27 biennium as identified by the agency in its Legislative Appropriation Request and clarify that the funds may be used solely for the purpose of these payments.
5. **Oversight of the Electronic Filing System.** Recommendations remove a one-time requirement that the Texas Ethics Commission deliver a report on the costs and benefits of transitioning the operation of the Electronic Filing System to the state Data Center Services program.

The following riders include recommendations to remove obsolete language and make conforming changes such as updating fiscal years and amounts to reflect funding recommendations: Rider 3, Judgments and Settlements and Rider 4, Appropriations for Retirement Payments.

New Riders

6. **Legal Services.** Recommendations include an agency request for a rider restricting \$600,000 in General Revenue Funds for the biennium for the sole purpose of procuring outside counsel to enforce or defend laws under the jurisdiction of the Texas Ethics Commission. Recommendations appropriate these funds in fiscal year 2026 and grant unexpended balance authority to fiscal year 2027 for any remaining funds. This rider implements a finding from the Strategic Fiscal Review (page 4).
7. **Sunset Contingency.** Recommendations include a rider making funding for the biennium contingent upon the continuation of the Commission by the Eighty-ninth Legislature, Regular Session, 2025. In the absence of continuation, funding provided for fiscal year 2026 is to be used to phase out agency operations.

Modification to Article IX

- 16.01 **Court Representation and Outside Legal Counsel.** Recommendations add the agency to Article IX, Section 16.01(i), which specifies certain agencies that are not required to seek representation from the Office of the Attorney General.

**Texas Ethics Commission
Items Not Included in Recommendations - Senate**

	2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	<p>Adjust Exempt Positions. Agency requests to reclassify Executive Director position from Group 4 to Group 5 and to provide an increase in annual salary of \$37,396 to \$190,000. Agency requests to increase salary of the General Counsel by \$31,000 to \$175,000. Includes agency-paid benefits/retirement.</p>	\$138,844	\$138,844	0.0	No	No	\$138,844
2)	<p>Additional Full Time Employees (FTEs). Agency requests an additional 6.6 FTEs: one project manager for monitoring the outside Electronic Filing System vendor; three attorneys for the compliance and enforcement strategies; one customer service representative for administration; one IT support specialist; and 0.6 FTEs to bring a current part time auditor position to full time.</p>	\$1,191,679	\$1,191,679	6.6	No	No	\$1,177,406
3)	<p>Electronic Filing System Improvements. Agency requests funding to add additional capacity to the Electronic Filing System (EFS); the agency has provided a listing of potential projects that could be implemented.</p>	\$275,000	\$275,000	0.0	Yes	Yes	\$275,000
4)	<p>Phase II Website User Interface. Agency requests funding to address unexpected complexity in a previously funded website upgrade project. Agency has provided a description of website functionality that would be added in a proposed Phase II including advanced search functionality and load testing.</p>	\$101,500	\$101,500	0.0	Yes	Yes	\$0
5)	<p>Office Relocation. Agency has been directed to relocate from current space in the Sam Houston Building under SB 640, Eighty-eighth Legislature and does not have the expertise to evaluate these costs. Funding for this move is included as an exceptional item request by the Texas Facilities Commission.</p>	\$1	\$1	0.0	No	No	\$1

TOTAL Items Not Included in Recommendations		\$1,707,024	\$1,707,024	6.6			\$1,591,251
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Texas Ethics Commission
Items Not Included in Recommendations - Senate

		2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
		GR & GR-D	All Funds	FTEs			
Agency Rider Requests Not Included							
1)	Rider 7, Sunset Contingency. As a constitutionally created agency, TEC is not subject to abolishment under the Sunset Act and requests deletion of this rider.	\$0	\$0	0.0	No	No	\$0
2)	New Rider, Use of Anticipated Lapses Agency requests to implement the fundings of Sunset recommendation 1.1, which would allow the agency to use unexpended funds to cover outstanding IT needs at the end of the fiscal year. This rider would allow the agency to make advance payments to vendors.	\$0	\$0	0.0	No	Yes	\$0
TOTAL Items Not Included in Recommendations		\$3,275,204	\$3,275,204	0.0			\$3,043,658

**Texas Ethics Commission
Appendices - Senate**

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* Appendix is not included - no significant information to report

**Texas Ethics Commission
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS**

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
DISCLOSURE FILING A.1.1	\$825,574	\$935,560	\$109,986	13.3%	Increases of \$116,120 in General Revenue for the statewide salary increase and longevity payments, as well as an increase of \$3,235 for estimated retirement payments offset by a decrease of \$9,266 for office expenses. Decrease of \$103 in Appropriated Receipts.
OFFICE OF THE GENERAL COUNSEL A.1.2	\$1,118,517	\$1,175,273	\$56,756	5.1%	Increases of \$31,845 in General Revenue for the statewide salary increase and \$37,892 for estimated retirement payments offset by a decrease of \$12,981 for office expenses and group health and retirement contributions.
ENFORCEMENT A.1.3	\$2,210,278	\$2,310,230	\$99,952	4.5%	Increases of \$82,580 in General Revenue for the statewide salary increase, merit raises, and estimated longevity payments as well as \$23,181 for estimated retirement payments offset by a decrease of \$5,809 for travel expenses and machine rental and other expenses.
Total, Goal A, ADMINISTER ETHICS LAWS	\$4,154,369	\$4,421,063	\$266,694	6.4%	
CENTRAL ADMINISTRATION B.1.1	\$1,040,863	\$1,107,857	\$66,994	6.4%	Increases of \$44,754 in General Revenue for the statewide salary increase, and \$25,354 for estimated retirement payments offset by a decrease of \$3,114 for office expenses.
INFORMATION RESOURCES B.1.2	\$2,905,493	\$2,356,803	(\$548,690)	(18.9%)	Increases of \$49,750 in General Revenue for the statewide salary increase, and other raises as well as \$3,309 for estimated retirement payments. Decreases of \$275,000 for enhancements to the Electronic Filing System, \$150,000 for website improvements, \$118,700 for cost reductions in the Electronic Filing System following transition to a cloud-based system, \$37,635 for reductions of other IT-related expenses, and \$20,414 for removal of one-time merit increases.
Total, Goal B, INDIRECT ADMINISTRATION	\$3,946,356	\$3,464,660	(\$481,696)	(12.2%)	
Grand Total, All Strategies	\$8,100,725	\$7,885,723	(\$215,002)	(2.7%)	

**Texas Ethics Commission
FTE Highlights - Senate**

Full-Time-Equivalent Positions	Expended 2023	Actual 2024	Budgeted 2025	Recommended 2026	Recommended 2027
Cap	34.4	28.4	28.4	28.4	28.4
Actual/Budgeted	27.1	27.2	28.8	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 4	\$139,097	\$145,850	\$152,604	\$152,604	\$152,604
General Counsel	\$121,644	\$140,000	\$144,000	\$144,000	\$144,000

Notes:

a) The State Auditor's Office is the source for the FY 2023 and FY 2024 annual average (actual) FTE levels. Agency was below FTE cap in fiscal year 2023 due to an inability to hire technical staff and lawyers. Agency is above FTE cap in fiscal year 2025 as authorized under Article IX, Section 6.10 and has submitted notice as required under its provisions. The agency indicates the purpose of exceeding its FTE cap is for the employment of a part-time auditor.

b) The State Auditor's Office Report *Executive Compensation at State Agencies* (Report 25-702, October 2024) indicates a market average salary of \$163,221 for the Executive Director position at the Commission and recommends an increase from Group 4 to Group 5. The report does not indicate a market average salary for the General Counsel position based on similar professional positions. The agency is requesting a change from Group 4 to Group 5 and an increase in salary for the Executive Director to \$190,000 and an increase in salary for the General Counsel to \$175,000.