

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 8, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB14 by Williams (relating to the fiscal transparency and accountability of certain entities responsible for public money.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB14, Committee Report 1st House, Substituted: a negative impact of (\$915,314) through the biennium ending August 31, 2015.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$537,132)
2015	(\$378,182)
2016	(\$389,527)
2017	(\$401,213)
2018	(\$413,250)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2013
2014	(\$537,132)	4.0
2015	(\$378,182)	4.0
2016	(\$389,527)	4.0
2017	(\$401,213)	4.0
2018	(\$413,250)	4.0

Fiscal Analysis

The bill would amend the Education Code, Chapter 46 to require a school district or open-enrollment charter school to report data elements to the Texas Student Data System and provide a

link to the system on the district's or school's website. The bill would establish the Taxpayer Value and School Facilities Usage Advisory Committee to develop recommendations regarding the data that should be considered in evaluating a school district's or open-enrollment charter school's facility usage and taxpayer value with regard to school facility construction and renovation.

The bill would amend the Education Code, Chapter 51 to require each institution of higher education to post their most recent annual financial report and include a description of any debt issued by the university system for or on behalf of the institution during the fiscal year covered by the report.

The bill would amend the Government Code, Chapter 1202 by requiring the Attorney General to submit financial information to the Bond Review Board (BRB) five days before approving public securities. In the event that bonds are approved and the fiscal information is not accurate or complete, the BRB would contact the issuer to seek additional information. If the issuer is not responsive to the BRB request, the bill would require the issuer to be added to a noncompliance list. The Attorney General would be prohibited from approving public securities submitted by an issuer so long as it remains on the noncompliance list.

The bill would amend the Government Code, Chapter 1231 to define the term local security as a public security other than a state security, revise the required debt statistics included in the Biennial Debt Statistics Report, and require the BRB to compile a Local Securities Annual Report that includes multiple local debt statistics such as debt outstanding. The bill would require the agency to publish the Biennial Debt Statistics Report online for all local securities for the preceding year.

The bill permits multiple exemptions or alternatives to the requirements for local government jurisdictions that have less than 250 voters. Under the provisions of the bill, water districts are permitted to post required information such as self-evaluations or annual financial reports on the Texas Commission on Environmental Quality website rather than a district website. The commission would be required to maintain a separate webpage for each district that submits information.

The bill takes effect September 1, 2013.

Methodology

The estimated total cost to comply with the provisions of the bill would be \$537,000 in General Revenue in fiscal year 2014, and would range from \$378,000 to \$413,000 per year in General Revenue in subsequent fiscal years.

The Bond Review Board (BRB) estimates that it would need to review an additional 100 to 200 conduits and 4,250 transactions per fiscal year to comply with the bill. The agency would be required to submit information to the Office of the Attorney General (OAG) prior to OAG approval of local security transactions; to produce an annual Local Securities Report and online statistics report; and include tax-supported debt per capita statistics for more than 4,500 local governmental entities. The BRB indicates a need to hire 4.0 additional full-time equivalent positions (FTEs) - two Financial Analyst III and two Accountant I positions - to handle the increase in transactions reviewed, ensure all issuers are compliant in sending debt data to BRB, and address any backlog necessary to compile the reports in a timely manner. The BRB estimates the costs associated with these additional FTEs would be approximately \$338,182 in the first year and \$308,182 in each subsequent fiscal year for salary, benefits and other operating costs. The

agency estimates additional costs for software, as well as IT services and consulting fees of \$198,950 in fiscal year 2014 and \$70,000 in subsequent fiscal years.

Multiple agencies including the OAG, the Comptroller of Public Accounts, the Secretary of State, the Texas Ethics Commission, the Texas Commission on Environmental Quality, and several institutions of higher education indicate that any costs associated with the bill could be absorbed within each agency's existing resources. The Texas Education Agency, Texas Higher Education Coordinating Board and the University of Texas System estimate there would be a minimal cost associated with implementing the provisions of the bill. It is assumed for the purposes of this analysis that those costs could be absorbed within existing resources.

Technology

Technology costs for BRB are estimated to be \$198,950 in the first year to obtain updated software licenses used to process debt issuance calculations and develop a database of information on non-compliant issuers who fail to provide complete and accurate debt data to BRB; in subsequent years the costs are estimated to be \$70,000 for maintenance and ongoing IT consulting fees.

Local Government Impact

The bill would require each junior college district to report building construction costs to the Texas Higher Education Coordinating Board (THECB) to determine the average cost per square foot, adjusted for inflation for the region it is located and average cost per student. THECB in consultation with the districts shall determine the format and reporting frequency. Based on responses from several community colleges surveyed, it is anticipated that any additional costs could be absorbed with existing resources.

The bill would require a political subdivision to submit information on each local security to the Bond Review Board before the Attorney General could approve the local security. El Paso County indicated this may cause delays and would require local entities to estimate the market and interest rates when presenting projects for a bond election.

The bill would require a political subdivision to report financial information on an Internet website, but would exempt a county or a municipality with a population of 2,000 or more. If a political subdivision did not have an Internet website on January 1, 2013, the entity would be allowed to report the information on another website, including a free-of-charge social media site.

The bill would also require special districts to hold a public hearing at least every three years and post notice on their website and in a newspaper of general circulation in the county. Denton County anticipates new costs of \$5,000 per hearing to comply with this provision. According to information provided by the Association of Water Board Directors of Texas, there are 553 water district members and the average annual operating budget ranges from \$575,000 to \$950,000. Based on information provided on similar proposed legislation, an average sized water district that chose to post required information on their website instead of using the Texas Commission on Environmental Quality website as permitted by the bill could incur estimated costs ranging from \$17,250 to \$29,250.

The Texas Municipal League (TML) indicated there will be significant costs to cities from increased fees for bond counsel and financial advisors needed to prepare the voter information document and the annual financial report as required by the provisions of the bill. TML also added

that there will be increased advertising and notice costs to publish in a newspaper when issuing a certificate of obligation; and additional costs associated with information technology and personnel due to comply with the website posting requirements. In addition, there is the possibility of increased costs for an increase in elections for the issuance for the certificate of obligation.

Cooke County estimated costs up to \$100,000 to comply with the provisions of the bill. The City of Houston reported that costs cannot be estimated, but are anticipated to be significant.

Source Agencies: 352 Bond Review Board, 356 Texas Ethics Commission, 582 Commission on Environmental Quality, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System, 769 University of North Texas System Administration

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