

## **BILL ANALYSIS**

Senate Research Center

H.B. 1378  
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Finance  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

H.B. 1378 requires local political subdivisions to make annual financial reports and post them online or provide the information in the report to the comptroller of public accounts of the State of Texas (comptroller) to be posted online. The reports will be required to contain information concerning the inflow and outflows of funds for the political subdivision as well as information about the debt burden of the political subdivision on a per capita basis.

Each political subdivision must report total receipts by source, total disbursements by source, the balances in each fund at the end of each fiscal year.

H.B. 1378 also requires each political subdivision to provide the following information about their debt obligations: the amount of authorized debt outstanding, the principal of all debt outstanding, the principal of each debt issuance that is still outstanding, the combined principal and interest payments needed to retire all the outstanding debt, the principal and interest payments needed to retire each obligation, the amount of each debt obligation that is issued or unissued, the amount of each debt obligation that is spent or unspent, the maturity of each debt obligation, and the purpose for which it was originally issued.

They are also required to provide the information above regarding the repayment of debt supported by property taxes plus information about the per capita tax burden necessary to repay the debt backed by taxes. They must also provide information about the revenue sources used to repay all types of debt and the credit rating of the taxing unit.

All the information required must be posted on line, or if it is already posted online, linked to in the annual financial report. If a political subdivision wishes to do so, they may send the required information to the comptroller and the comptroller will make it available online. School districts, junior colleges and cities and counties with a population of 2,000 or less are not required to maintain a website to comply with the bill.

Cities with a population of less than 15,000 and counties with a population of less than 35,000 can submit comparable financial reports, including audits or financial statements, to the comptroller for the comptroller to post online in lieu of preparing an annual financial report on their own.

Taxing units governed by Chapter 49 of the Water Code are considered to be in compliance with the reporting requirements of the bill if they submit their already required financial reports to the comptroller to post online.

Finally, H.B. 1378 bars political subdivisions from entering into a contractual obligation for a purpose for which the subdivision attempted to issue bonds that were rejected by the voters in the prior three years.

H.B. 1378 amends current law relating to the fiscal transparency and accountability of certain entities responsible for public money.

## **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts of the State of Texas in SECTION 1 (Section 140.008, Local Government Code) of this bill.

## **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.008, as follows:

Sec. 140.008. ANNUAL FINANCIAL REPORT; DEBT INFORMATION. (a) Defines "debt obligation" and "political subdivision."

(b) Requires a political subdivision, except as provided by Subsections (c), (d), and (d-1), to prepare an annual financial report that includes:

(1) financial information for each fund subject to the authority of the governing body of the political subdivision during the fiscal year, including:

(A) the total receipts of the fund, itemized by source of revenue, including taxes, assessments, service charges, grants of state money, gifts, or other general sources from which funds are derived;

(B) the total disbursements of the fund, itemized by the nature of the expenditure;

(C) the balance in the fund as of the last day of the fiscal year; and

(D) any other information required by law to be included by the political subdivision in an annual financial report or comparable annual financial statement, exhibit, or report;

(2) debt obligation information for the political subdivision, as of the last day of the preceding fiscal year, that is required to state:

(A) the amount of all authorized debt obligations;

(B) the principal of all outstanding debt obligations;

(C) the principal of each outstanding debt obligation;

(D) the combined principal and interest required to pay all outstanding debt obligations on time and in full;

(E) the combined principal and interest required to pay each outstanding debt obligation on time and in full;

(F) the amounts required by Paragraphs (A)-(E) limited to authorized and outstanding debt obligations secured by ad valorem taxation, expressed as a total amount and, if the political subdivision is a municipality, county, or school district, as a per capita amount; and

(G) the following for each debt obligation:

(i) the issued and unissued amount;

(ii) the spent and unspent amount;

(iii) the maturity date; and

(iv) the stated purpose for which the debt obligation was authorized;

(3) Provides that any other information that the political subdivision considers relevant or necessary to explain the values required by Subdivisions (2)(A)-(F), including:

(A) an amount required by Subdivision (2)(F) stated as a per capita amount if the political subdivision is not required to provide the amount under that paragraph;

(B) an explanation of the payment sources for the different types of debt; and

(C) a projected per capita amount of an amount required by Subdivision (2)(F), as of the last day of the maximum term of the most recent debt obligation issued by the political subdivision; and

(4) the credit rating of any debt held by the political subdivision, if applicable.

(c) Authorizes the political subdivision to provide in the report a direct link to, or a clear statement describing the location of, the separately posted information instead of replicating in the annual financial report information required by Subsection (b) that is posted separately on the political subdivision's Internet website, or on a website as authorized by Subsection (g)(2).

(d) Authorizes a political subdivision to provide to the comptroller of public accounts of the State of Texas (comptroller) the information described by Subsection (b) and any other related information required by the comptroller in the form and in the manner prescribed by the comptroller as an alternative to preparing an annual financial report. Requires the comptroller to post the information on the comptroller's Internet website in the format that the comptroller determines is appropriate. Requires the political subdivision to provide a link from the political subdivision's website, or a website as authorized by Subsection (g)(2), to the location on the comptroller's website where the political subdivision's financial information may be viewed. Requires the comptroller to adopt rules necessary to implement this subsection.

(d-1) Provides that this subsection applies only to a municipality with a population of less than 15,000 or a county with a population of less than 35,000. Authorizes a municipality or county to provide to the comptroller a comparable financial report as an alternative to preparing an annual financial report. Provides that for purposes of this subsection, "comparable financial report" means the most recent financial statement, audit, exhibit, or other report that the municipality or county is required by other law to prepare. Requires the comptroller to post the information from the comparable financial report submitted under this subsection on the comptroller's Internet website on a web page that is easily located by searching the name of the municipality or county on the Internet. Requires the municipality or county to provide a link from the website to the web page on the comptroller's website where the information may be viewed if the municipality or county maintains or causes to be maintained an Internet website. Provides that the posting requirements of Subsection (g) do not apply to a comparable financial report submitted under this subsection. Requires the comptroller to adopt rules necessary to implement this subsection.

(e) Requires the governing body of a political subdivision, except as provided by Subsection (d) or (d-1), to take action to ensure that:

(1) the political subdivision's annual financial report is made available for inspection by any person and is posted continuously on the political subdivision's Internet website, or on a website as authorized by Subsection (g)(2), until the political subdivision posts the next annual financial report; and

(2) the contact information for the main office of the political subdivision is continuously posted on the website, including the physical address, the mailing address, the main telephone number, and an e-mail address.

(f) Requires a political subdivision to maintain or cause to be maintained an Internet website to comply with this section, other than a political subdivision to which Subsection (d-1) or (g) applies.

(g) Provides that this subsection does not apply to a county or municipality with a population of more than 2,000 or a school district or a junior college district. Requires the political subdivision, if a political subdivision did not maintain an Internet website or cause a website to be maintained on January 1, 2015, to post the information required by this section on:

(1) the political subdivision's website, if the political subdivision chooses to maintain the website or cause the website to be maintained; or

(2) a website in which the political subdivision controls the content of the posting, including a social media site, provided that the information is easily found by searching the name of the political subdivision on the Internet.

(h) Provides that, notwithstanding any other provision of this section, a district, as defined by Section 49.001, Water Code, satisfies the requirements of this section if the district:

(1) complies with the requirements of Subchapter G (Audit of Districts), Chapter 49, Water Code, regarding audit reports, affidavits of financial dormancy, and annual financial reports; and

(2) submits the financial documents described by Subchapter G, Chapter 49, Water Code, to the comptroller.

(i) Requires the comptroller to post the documents submitted to the comptroller under Subsection (h) on the comptroller's Internet website. Requires the comptroller to adopt rules necessary to implement this subsection and Subsection (h).

SECTION 2. Amends Section 271.047, Local Government Code, by adding Subsection (d), as follows:

(d) Prohibits the governing body of an issuer from authorizing a certificate to pay a contractual obligation to be incurred if a bond proposition to authorize the issuance of bonds for the same purpose was submitted to the voters during the preceding three years and failed to be approved. Authorizes a governing body to authorize a certificate that the governing body is otherwise prohibited from authorizing under this subsection:

(1) in a case described by Sections 271.056(1)-(3); and

(2) to comply with a state or federal law, rule, or regulation if the political subdivision has been officially notified of noncompliance with the law, rule, or regulation.

SECTION 3. Provides that Section 140.008, Local Government Code, as added by this Act, applies only to an annual financial report for a fiscal year ending on or after the effective date of this Act. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2015.