

## **BILL ANALYSIS**

S.B. 427  
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Intergovernmental Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The bill sponsor has informed the committee that timely and accurate financial reporting is essential for ensuring the transparency, accountability, and efficient use of public resources by local government entities. Current law requires political subdivisions, including municipalities, counties, and other local governmental entities, to file or publish their annual financial statements. The bill sponsor has further informed the committee that while these statements are crucial for maintaining public trust, ensuring fiscal responsibility, and making decisions about the allocation of state resources, it undermines public confidence and hinders effective oversight when these entities fail to meet their financial reporting obligations. S.B. 427 seeks to establish a link between compliance with financial reporting requirements and eligibility for state loans or grants by making a political subdivision that fails to file or publish an annual financial statement or report as required by law ineligible to receive a state loan or grant under a state program for the political subdivision's fiscal year in which it was required to file or publish the statement or report.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

S.B. 427 amends the Local Government Code to make a political subdivision that fails to file or publish an annual financial statement or report as required by law ineligible to receive a state loan or grant under a state program for the political subdivision's fiscal year in which it was required to file or publish the statement or report.

S.B. 427 makes a political subdivision created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, ineligible to receive a state loan or grant in a fiscal year in which:

- the political subdivision is required by financial reporting requirements prescribed by the agency administering the state loan or grant to publish a financial statement or report; and
- the political subdivision fails to file or publish the financial statement or report.

S.B. 427 requires each application for a state program for which a political subdivision may not be eligible for a loan or grant to include a statement notifying the applicant of the requirements

and to require the political subdivision to demonstrate compliance in the manner prescribed by the state agency administering the loan or grant.

S.B. 427 does not apply to an applicable political subdivision that:

- fails to file or publish a financial statement or report because of a disaster; and
- provides the following to the agency administering the state loan or grant:
  - written notice detailing the circumstances of the disaster and its impact on the compliance with the financial reporting requirements;
  - a disaster declaration issued by the governor under the Texas Disaster Act of 1975 or any documentation from a federal, state, or local authority confirming the occurrence of the disaster;
  - a plan for compliance, including an estimated timeline for filing or publishing the required financial statement or report; and
  - any additional documentation required by the agency responsible for administering the loan or grant.

S.B. 427 defines the following terms for purposes of its provisions:

- "annual financial statement or report" as:
  - a municipality's annual financial statement required to be filed in the office of the municipal secretary or clerk under applicable state law;
  - a county's annual report required to be filed by the county auditor under applicable state law or the annual financial exhibit required to be published under applicable state law if the county does not have a county auditor; or
  - a political subdivision's annual financial statement required to be published under applicable state law by the governing body of a school district, open-enrollment charter school, junior college district, or a district or authority organized under Section 52, Article III, or Section 59, Article XVI, of the Texas Constitution; and
- "disaster" by reference to the meaning assigned that term by the Texas Disaster Act of 1975.

S.B. 427 applies only to a financial statement or report required to be filed or published on or after January 1, 2026.

### **EFFECTIVE DATE**

September 1, 2025.