

## **BILL ANALYSIS**

Senate Research Center  
89R303 AMF-F

S.B. 427  
By: Hinojosa, Juan "Chuy"  
Local Government  
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As Filed

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

Timely and accurate financial reporting is essential for ensuring the transparency, accountability, and efficient use of public resources by local government entities. The Local Government Code currently mandates that political subdivisions (e.g., municipalities, counties, and other local governmental entities) file or publish their annual financial statements. These statements are crucial for maintaining public trust, ensuring fiscal responsibility, and making decisions about the allocation of state resources. However, when these entities fail to meet their financial reporting obligations, it undermines public confidence and hinders effective oversight.

S.B. 427 seeks to address this issue by linking eligibility for state loans or grants to compliance with these reporting requirements. The bill ensures that only political subdivisions that meet state-mandated financial reporting obligations are eligible for state financial assistance. This measure strengthens fiscal accountability and transparency, reinforcing the importance of sound financial practices within local governments.

As proposed, S.B. 427 amends current law relating to the eligibility of certain political subdivisions to receive a state loan or grant following the political subdivision's failure to comply with certain annual financial reporting requirements.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.014, as follows:

Sec. 140.014. ELIGIBILITY FOR STATE LOANS OR GRANTS FOLLOWING FAILURE TO COMPLY WITH CERTAIN ANNUAL FINANCIAL REPORTING REQUIREMENTS. (a) Defines "annual financial statement or report."

(b) Provides that a political subdivision that fails to file or publish an annual financial statement or report as required by law is not eligible to receive a state loan or grant under a state program for the political subdivision's fiscal year in which the political subdivision was required to file or publish the statement or report.

(c) Requires that each application for a state program for which a political subdivision is prohibited from being eligible for a loan or grant under this section include a statement notifying the applicant of the requirement of this section and require the political subdivision to demonstrate compliance in the manner prescribed by the state agency administering the loan or grant.

SECTION 2. Makes application of this Act prospective to January 1, 2026.

SECTION 3. Effective date: September 1, 2025.