

BILL ANALYSIS

S.B. 504
By: Kolkhorst
Intergovernmental Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that while nonprofits often play a key role in delivering services and supporting community development, they are not always subject to clear reporting requirements regarding their use of public funds. The bill sponsor has further informed the committee that this lack of transparency can make it difficult to track how public money is spent, particularly in cases where nonprofits manage significant budgets or pay high executive salaries, and limits the insight taxpayers may have into whether funds are being used efficiently or equitably. S.B. 504 seeks to increase transparency, help build trust, prevent misuse of funds, and ensure that both government and nonprofit partners remain accountable to the public by requiring nonprofit organizations that enter into contracts over \$500,000 with political subdivisions to disclose key financial information.

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. 504 amends the Government Code to require a nonprofit organization, including an economic development corporation, that enters into a contract that has an annual value of more than \$500,000 with a political subdivision to provide the following information to the political subdivision when the contract is entered into and to update the information not later than the 30th day of each fiscal year of the organization until the contract expires:

- the organization's operating budget for the current fiscal year; and
- the salary of each employee of the organization that exceeds 200 percent of the median salary of state employees.

The bill requires a political subdivision that maintains a website to publish and maintain such information on the website. The bill requires the comptroller of public accounts to determine the median salary paid each state fiscal year from the state treasury to employees of a state agency for the bill's purposes and requires the determination to be published on the comptroller's website not later than October 1 of each year. The bill authorizes the attorney general to bring an action for injunctive relief against a political subdivision or an officer or employee of a political subdivision to enforce the bill's provisions.

S.B. 504 does not apply to a nonprofit organization that is an electric cooperative, ERCOT, or a water supply corporation created and operating under applicable Water Code provisions.

S.B. 504 defines the following terms:

- "economic development corporation" as a Type A corporation and a Type B corporation governed by the applicable state law relating to such corporations;
- "nonprofit organization" as an organization that is exempt from federal income tax under Section 501(a), Internal Revenue Code of 1986, by being listed as an exempt organization in Section 501(c) of that code, including an economic development corporation;
- "political subdivision" as a county, municipality, or economic development corporation; and
- "state agency" as a department, commission, board, office, or other entity in the executive, legislative, or judicial branch of state government, not including a public institution of higher education or a university system.

S.B. 504 applies only to a contract entered into on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.