

BILL ANALYSIS

Senate Research Center

S.B. 1851
By: Nichols
Local Government
7/31/2025
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1851 will hold municipalities accountable by establishing a penalty for noncompliance of an audit or annual financial statement as required by Sections 103.001 and 103.003 of the Local Government Code. This penalty involves not allowing the municipality to raise property taxes above their no-new-revenue tax rate for the year after the attorney general determines a violation, or for the subsequent year that begins before the municipality's compliance.

S.B. 1851 would hold municipalities accountable for failure to comply with basic transparency measures, and ensure that local taxpayers know how their tax dollars are being spent.

S.B. 1851 amends current law relating to the penalty for noncompliance with certain audit requirements by a municipality.

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 103, Local Government Code, by adding Section 103.005, as follows:

Sec. 103.005. ANNUAL AUDIT AND FILING OF FINANCIAL STATEMENT; PENALTY FOR NONCOMPLIANCE. (a) Defines "no-new-revenue tax rate" and "tax year."

(b) Authorizes a person to submit a complaint to the attorney general of a suspected violation of Section 103.001 (Annual Audit; Financial Statement) or 103.003 (Filing; Public Record).

(c) Prohibits a municipality, notwithstanding any other law, if the attorney general determines that a municipality has not had its records and accounts audited and an annual financial statement prepared based on the audit as required by Section 103.001 or has not filed the financial statement and the auditor's opinion on the statement in the office of the municipal secretary or clerk before the 180th day after the last day of the municipality's fiscal year as required by Section 103.003, from adopting an ad valorem tax rate that exceeds the municipality's no-new-revenue tax rate for the tax year that begins on or after the date of the attorney general's determination or for a subsequent tax year that begins before the date the municipality has had an annual audit completed and financial statement prepared or filed the financial statement and auditor's opinion on the financial statement with the municipal clerk, as applicable.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2025.