

BILL ANALYSIS

S.B. 1851
By: Nichols
Intergovernmental Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that state law does not expressly provide penalties for a municipality's noncompliance with the requirement for annual audits and has further informed the committee that penalizing a noncompliant municipality would help hold municipalities accountable for failure to comply with those basic transparency measures and ensure that local taxpayers know how their tax dollars are being spent. S.B. 1851 seeks to penalize a noncompliant municipality by authorizing a person to submit a complaint to the attorney general for a suspected violation of noncompliance of an audit or annual financial statement requirement as established by the Local Government Code and by prohibiting a municipality from raising its no-new-revenue tax rate for a specified period if the attorney general determines that the municipality has not complied with the applicable requirements.

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. 1851 amends the Local Government Code to authorize a person to submit a complaint to the attorney general of a suspected violation of the requirement for a municipality to have its records and accounts audited annually and have an annual financial statement prepared based on the audit or the requirement for the annual financial statement, including the auditor's opinion on the statement, to be filed in the office of the municipal secretary or clerk within 180 days after the last day of the municipality's fiscal year. The bill prohibits a municipality, if the attorney general determines that the municipality has not complied with those requirements, from adopting a property tax rate that exceeds the municipality's no-new-revenue tax rate for the following periods:

- 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.

The bill defines "no-new-revenue tax rate" and "tax year" by reference to applicable Tax Code provisions. The bill applies only to the adoption of a property tax rate for a tax year that begins on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2025.