By: Hinojosa of Hidalgo S.B. No. 432

A BILL TO BE ENTITLED

AN ACT

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 financial reporting requirements.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.015 to read as follows:

Sec. 140.015. ELIGIBILITY FOR STATE LOANS OR GRANTS FOLLOWING FAILURE TO COMPLY WITH CERTAIN ANNUAL FINANCIAL REPORTING REQUIREMENTS. (a) In this section:

(1) "Annual financial statement or report" means:

(A) a municipality's annual financial statement required to be filed under Section 103.003;

(B) a county's:

(i) annual report required to be filed under Section 114.025; or

(ii) annual financial exhibit required to be published under Section 114.022 if the county does not have a county auditor; or

(C) a political subdivision's annual financial statement required to be published under Section 140.006.

(2) "Disaster" has the meaning assigned by Section 418.004, Government Code.

(b) Except as provided by Subsection (e), 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) Except as provided by Subsection (e), a political subdivision created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, is not eligible to receive a state loan or grant in a fiscal year in which:

(1) 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

(2) the political subdivision fails to file or publish the financial statement or report described by Subdivision (1).

(d) Each application for a state program for which a political subdivision may not be eligible for a loan or grant under this section must:

(1) include a statement notifying the applicant of the requirement of this section; and

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

(e) Subsections (b) and (c) do not apply to a political subdivision that:

(1) fails to file or publish a financial statement or report because of a disaster; and

(2) provides the following to the agency administering

the state loan or grant:

(A) written notice detailing the circumstances of the disaster and its impact on the compliance with the financial reporting requirements;

(B) a disaster declaration issued by the governor under Chapter 418, Government Code, or any documentation from a federal, state, or local authority confirming the occurrence of the disaster;

(C) a plan for compliance, including an estimated timeline for filing or publishing the required financial statement or report; and

(D) any additional documentation required by the agency responsible for administering the loan or grant.

SECTION 2. The change in law made by this Act applies only to a financial statement or report required to be filed or published on or after January 1, 2028.

SECTION 3. This Act takes effect September 1, 2027.