

## **BILL ANALYSIS**

C.S.H.B. 3654  
By: Murphy  
Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties have expressed concerns about residents of political subdivisions and voters not having information concerning the debt burdens of their political subdivisions and the tax implications associated with this debt. C.S.H.B. 3654 amends current law to provide transparency in public finance.

### **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**

C.S.H.B. 3654 amends the Local Government Code to require a political subdivision to annually compile and report certain specified debt obligation information for the political subdivision as of the last day of the preceding fiscal year, the current credit rating given by any nationally recognized credit rating organization to debt obligations of the political subdivision, and any other information that the political subdivision considers relevant or necessary to explain the values included in the debt obligation information stated in the report. The bill defines "debt obligation" as debt secured by property taxation.

C.S.H.B. 3654 requires a political subdivision, not later than the 90th day after the last day of each fiscal year, to electronically submit to the comptroller of public accounts the financial information required to be included in the annual report and any other related information required by the comptroller. The bill requires the political subdivision to submit the information to the comptroller in the form and in the manner prescribed by rule by the comptroller and requires the comptroller, as soon as practicable, to post the submitted financial information on the comptroller's website, to maintain the posting at all times, and to update the information on the website when a political subdivision submits new information. The bill authorizes the comptroller to post the information in the format that the comptroller determines appropriate, provided that the information for each political subdivision is easily located by searching the name of the political subdivision on the Internet. The bill requires a political subdivision that maintains a website to maintain at all times on the website a direct link to the location on the comptroller's website where the financial information submitted to the comptroller may be viewed. The bill's provisions apply only to a fiscal year ending on or after the bill's effective date.

**EFFECTIVE DATE**

January 1, 2016.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3654 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

**INTRODUCED**

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.008 to read as follows:

Sec. 140.008. ANNUAL FINANCIAL REPORT; DEBT INFORMATION.

(a) In this section:

(1) "Debt obligation" means an issued public security, as defined by Section 1201.002, Government Code.

(2) "Political subdivision" means a county, municipality, school district, junior college district, other special district, or other subdivision of state government.

(b) Except as provided by Subsections (c) and (d), a political subdivision shall prepare an annual financial report that includes:

(1) financial information for each fund subject to the authority of the governing body of the political subdivision during the fiscal year, including:

(A) the total receipts of the fund, itemized by source of revenue, including taxes, assessments, service charges, grants of state money, gifts, or other general sources from which funds are derived;

(B) the total disbursements of the fund, itemized by the nature of the expenditure;

(C) the balance in the fund as of the last day of the fiscal year; and

(D) any other information required by law to be included by the political subdivision in an annual financial report or comparable annual financial statement, exhibit, or report;

(2) as of the last day of the preceding fiscal year, debt obligation information for the political subdivision that must state:

(A) the amount of all authorized debt obligations;

(B) the principal of all outstanding debt obligations;

(C) the principal of each outstanding debt obligation;

**HOUSE COMMITTEE SUBSTITUTE**

SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.008 to read as follows:

Sec. 140.008. ANNUAL REPORT OF CERTAIN FINANCIAL INFORMATION.

(a) In this section:

(1) "Debt obligation" means debt secured by ad valorem taxation.

(2) "Political subdivision" means a county, municipality, school district, junior college district, other special district, or other subdivision of state government.

(b) A political subdivision shall annually compile and report the following financial information in the manner prescribed by this section:

(1) as of the last day of the preceding fiscal year, debt obligation information for the political subdivision that must state:

(A) the amount of all authorized debt obligations;

(B) the principal of all outstanding debt obligations;

(C) the principal of each outstanding debt obligation;

(D) the combined principal and interest required to pay all outstanding debt obligations on time and in full;

(E) the combined principal and interest required to pay each outstanding debt obligation on time and in full;

(F) the amounts required by Paragraphs (A)-(E) limited to authorized and outstanding debt obligations secured by ad valorem taxation, expressed as a total amount, and if the political subdivision is a municipality, county, or school district:

(i) the median homestead value in the political subdivision, computed by the appraisal district; and

(ii) the amount of taxes that would be imposed on a home of that value to repay the political subdivision's authorized and outstanding debt obligations secured by ad valorem taxation; and

(G) the following for each debt obligation:

(i) the issued and unissued amount;

(ii) the spent and unspent amount;

(iii) the maturity date; and

(iv) the stated purpose for which the debt obligation was authorized; and

(3) any other information that the political subdivision considers relevant or necessary to explain the values required by Subdivisions (2)(A)-(F), which may include:  
(A) if not required to be provided under Subdivision (2)(F):

(i) the median homestead value in the political subdivision, computed by the appraisal district; and

(ii) the amount of taxes that would be imposed on a home of that value to repay the political subdivision's authorized and outstanding debt obligations secured by ad valorem taxation;

(B) an explanation of the payment sources for the different types of debt; and

(C) as of the last day of the maximum term of the most recent debt obligation issued by the political subdivision, the amount of taxes that would be imposed on a homestead with a value equal to the median homestead value in the political subdivision, as computed by the appraisal district, to repay the political subdivision's authorized and outstanding debt obligations secured by ad

(D) the combined principal and interest required to pay all outstanding debt obligations on time and in full;

(E) the combined principal and interest required to pay each outstanding debt obligation on time and in full;

(F) if the political subdivision is a municipality, county, or school district, the amounts required by Paragraphs (A)-(E) expressed as a per capita amount; and

(G) the following for each debt obligation:

(i) the issued and unissued amount;

(ii) the spent and unspent amount;

(iii) the maturity date; and

(iv) the stated purpose for which the debt obligation was authorized;

(2) the current credit rating given by any nationally recognized credit rating organization to debt obligations of the political subdivision; and

(3) any other information that the political subdivision considers relevant or necessary to explain the values required by this subsection.

valorem taxation.

(c) Instead of replicating in the annual financial report information required by Subsection (b) that is posted separately on the political subdivision's Internet website, or on a website as authorized by Subsection (g)(2), the political subdivision may provide in the report a direct link to, or a clear statement describing the location of, the separately posted information.

(d) As an alternative to preparing an annual financial report, a political subdivision may provide to the comptroller the information described by Subsection (b) and any other related information required by the comptroller in the form and in the manner prescribed by the comptroller.

The comptroller shall post the information on the comptroller's Internet website in the format that the comptroller determines is appropriate.

The political subdivision shall provide a link from the political subdivision's website, or a website as authorized by Subsection (g)(2), to the location on the comptroller's website where the political subdivision's financial information may be viewed. The comptroller shall adopt rules necessary to implement this subsection.

(e) Except as provided by Subsection (d), the governing body of a political subdivision shall take action to ensure that:

(1) the political subdivision's annual financial report is made available for inspection by any person and is posted continuously on the political subdivision's Internet website, or on a website as authorized by Subsection (g)(2), until the political subdivision posts the next annual financial report; and

(2) the contact information for the main office of the political subdivision is

(c) Not later than the 90th day after the last day of each fiscal year, a political subdivision shall electronically submit to the comptroller the financial information described by Subsection (b) and any other related information required by the comptroller. The political subdivision must submit the information to the comptroller in the form and in the manner prescribed by rule by the comptroller.

(d) The comptroller shall as soon as practicable post the financial information submitted under Subsection (c) on the comptroller's Internet website and maintain the posting at all times. The comptroller shall update the information on the website when a political subdivision submits new information. The comptroller may post the information in the format that the comptroller determines appropriate, provided that the information for each political subdivision is easily located by searching the name of the political subdivision on the Internet.

(e) If a political subdivision maintains an Internet website, the political subdivision shall maintain at all times on the website a direct link to the location on the comptroller's website where the financial information submitted to the comptroller under Subsection (c) may be viewed.

continuously posted on the website, including the physical address, the mailing address, the main telephone number, and an e-mail address.

(f) Except as provided by Subsection (g), a political subdivision shall maintain or cause to be maintained an Internet website to comply with this section.

(g) This subsection does not apply to a county or municipality with a population of more than 2,000 or a school district or a junior college district. If a political subdivision did not maintain an Internet website or cause a website to be maintained on January 1, 2013, the political subdivision shall post the information required by this section on:

(1) the political subdivision's website, if the political subdivision chooses to maintain the website or cause the website to be maintained; or

(2) a website in which the political subdivision controls the content of the posting, including a social media site, provided that the information is easily found by searching the name of the political subdivision on the Internet.

SECTION 2. Section 271.047, Local Government Code, is amended by adding Subsections (d) and (e) to read as follows:

(d) Except as provided by Subsection (e), the governing body of an issuer may not authorize a certificate to pay a contractual obligation to be incurred if a bond proposition to authorize the issuance of bonds for the same purpose was submitted to the voters during the preceding three years and failed to be approved.

(e) The governing body of an issuer may authorize a certificate that the governing body is otherwise prohibited from authorizing under Subsection (d):

(1) in a case described by Sections 271.056(1)-(3); and

(2) to comply with a state or federal law, rule, or regulation if the political subdivision has been officially notified of noncompliance with the law, rule, or regulation.

SECTION 3. Section 140.006, Local Government Code, is repealed.

SECTION 4. (a) The governing body of a

No equivalent provision.

No equivalent provision.

SECTION 2.

school district or junior college district required to publish an annual financial statement under Section 140.006, Local Government Code, as that section existed immediately before the effective date of this Act, shall publish an annual financial statement for the last fiscal year ending before the effective date of this Act for which the district has not published an annual financial statement.

(b) Section 140.008, Local Government Code, as added by this Act, applies only to an annual financial report for a fiscal year ending on or after the effective date of this Act. An annual financial report for a fiscal year ending before the effective date of this Act is governed by the law in effect when the fiscal year ended, and the former law is continued in effect for that purpose.

SECTION 5. This Act takes effect September 1, 2015.

The requirements to compile and report information under Section 140.008, Local Government Code, as added by this Act, apply only to a fiscal year ending on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2016.