

- SUBJECT:** Requiring political subdivisions to publish annual debt reports online
- COMMITTEE:** Investments and Financial Services — committee substitute recommended
- VOTE:** 7 ayes — Parker, Longoria, Capriglione, Flynn, Landgraf, Pickett, Stephenson
- 0 nays
- WITNESSES:** For — Jess Fields, Texas Public Policy Foundation; Peggy Venable, Americans for Prosperity; (*Registered, but did not testify:* Jeffrey Brooks, Texas Conservative Coalition)
- Against — Johnny Hill, Lake Travis ISD
- On — Jim Allison, County Judges and Commissioners Association of Texas; Thomas Canby, Texas Association of School Business Officials; Howard Cohen, Schwartz, Page & Harding, L.L.P.; John Dahill, Texas Conference of Urban Counties; David Edgar, Eanes ISD; James Hernandez, Harris County and Harris County Toll Road Authority; Bill Longley, Texas Municipal League
- DIGEST:** CSHB 1378 would require political subdivisions to publish online annual financial reports related to debt. The bill would define “political subdivision” to mean a county, municipality, school district, junior college district, or other special district or subdivision of state government.
- Reporting of funds.** The annual financial report would contain the following information for each fund under the political subdivision’s authority:
- total itemized receipts and disbursements;
 - the balance at the end of the fiscal year; and
 - any other information required by law to appear in a comparable annual financial statement prepared by the political subdivision.

Reporting of debt obligations. The report also would have to contain, as of the end of the preceding fiscal year, debt obligation information stating:

- the amount of all authorized obligations, the principal of each outstanding obligation, and the total principal of all outstanding obligations;
- for each debt obligation, the issued and unissued amount, the spent and unspent amount, the maturity date, and the purpose for which it was issued;
- the combined principal and interest needed to pay each debt and all debts on time and in full; and
- the amounts above secured by property taxes expressed as a total amount and — for a municipality, county, or school district — as a per capita amount.

A political subdivision would need to include in the report any other information it considered relevant or necessary with regard to debt obligations, including:

- for a subdivision other than a municipality, county, or school district, the amounts above secured by property taxes expressed as a per capita amount;
- the amounts above expressed as a projected per capita amount as of the last day of the maximum term of the most recent obligation issued by the political subdivision; and
- explanations of payment sources for each debt.

Website reporting requirements. The bill would require a county or municipality with more than 2,000 people, a school district, and a junior college to post the annual financial report on a website it maintained and to ensure that the report was posted continuously and available for public inspection, along with the political subdivision's contact information.

If a political subdivision in another category chose not to maintain its own website, it could post the annual financial report on a third-party website, including a social media site, on which the subdivision controlled the

content posted.

CSHB 1378 would require open-enrollment charter schools to maintain websites and to post annual financial reports on those sites.

Reporting alternatives. If any of the information required by CSHB 1378 was already available online in a different report, such as its annual fiscal audit report, the local government could provide in its report to comply with the bill a direct link to the information on its website under the conditions described above.

In addition, the political subdivision could provide the information required in the annual financial report to the comptroller for publication on the comptroller's website. The political subdivision would be required to link to the financial information on the comptroller's website from its own website or from a third-party website under the conditions described above.

This bill would take effect September 1, 2015.

**SUPPORTERS
SAY:**

CSHB 1378 would help to impose consistent standards for financial transparency at the local government level. It also would ensure that such information was readily available to the public.

Debt at the local level is a problem in many Texas communities, comprising some 83 percent of the state's outstanding debt. According to the Texas Bond Review Board, the total local outstanding bond debt in Texas approaches \$200 billion. This bill would ensure that voters knew about the levels of debt carried by units of local government by requiring them to disclose information about these obligations and the associated per capita burden on an annual basis.

Concerns that local governments would be burdened by requirements to calculate and report the information required by the bill are outweighed by the need for financial transparency and open government. Posting information online is easy and inexpensive, even for smaller units of local

government. For example, creating and maintaining a blog on WordPress takes minimal time and effort.

OPPONENTS
SAY:

CSHB 1378 would be a one-size-fits-all measure that did not take into account differences in the types of local governments. Although improved transparency is an admirable goal, the bill would excessively burden local governments by requiring them to report financial information already reported in other places in a slightly different form. Governments that have the resources to post financial reports to web are already doing so, while governments that do not already post fiscal reports do not have the resources to keep a website updated.

In addition, some of the information that CSHB 1378 would require would be difficult for some local governments to calculate. For example, a school district might not be able to easily compute its per capita debt because districts are not responsible for assessing their taxes.