

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 22, 2013

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB14 by Pitts (relating to the fiscal transparency and accountability of certain entities responsible for public money.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB14, Committee Report 1st House, Substituted: a negative impact of (\$915,314) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$537,132)
2015	(\$378,182)
2016	(\$389,527)
2017	(\$401,213)
2018	(\$413,250)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2013
	1	
2014	(\$537,132)	4.0
2015	(\$378,182)	4.0
2016	(\$389,527)	4.0
2017	(\$401,213)	4.0
2018	(\$413,250)	4.0

Fiscal Analysis

The bill would amend the Education Code, Chapter 46 to require a school district or open-enrollment charter school to report data elements to the Texas Student Data System and provide a

link to the Texas Student Data System on the district's or school's website. The bill would establish the Taxpayer Value and School Facilities Usage Advisory Committee to develop recommendations regarding the data that should be considered in evaluating a school district's or open-enrollment charter school's facility usage and taxpayer value with regard to school facility construction and renovation.

The bill would amend the Education Code, Chapter 51 to require each institution of higher education to post their most recent annual financial report and include a description of any debt issued by the university system for or on behalf of the institution during the fiscal year covered by the report.

The bill would amend the Government Code, Chapter 1202 by requiring the Attorney General to submit financial information to the Bond Review Board (BRB) five days before approving public securities. In the event that bonds are approved and the fiscal information is not accurate or complete, the BRB will contact the issuer to seek additional information. If the issuer is not responsive to the BRB request, the bill would require the issuer to be added to a noncompliance list. The Attorney General would be prohibited from approving public securities submitted by an issuer so long as it remains on the noncompliance list.

The bill would amend the Government Code, Chapter 1231 to define the term local security as a public security other than a state security, revise the required debt statistics included in the Biennial Debt Statistics Report, and require the BRB to compile a Local Securities Annual Report that includes multiple local debt statistics such as debt outstanding. The bill would require the agency to publish the Biennial Debt Statistics Report online for all local securities for the preceding year.

Methodology

The estimated total cost to comply with the provisions of the bill would be \$537,000 in General Revenue in fiscal year 2014, and would range from \$378,00 to \$413,00 per year in General Revenue in subsequent fiscal years.

The Bond Review Board (BRB) estimates that it would need to review an additional 100 to 200 conduits and 4,250 transactions per fiscal year to comply with the bill. The agency would be required to submit information to the Office of the Attorney General (OAG) prior to OAG approval of local security transactions; to produce an annual Local Securities Report and online statistics report; and include tax-supported debt per capita statistics for more than 4,500 local governmental entities. The BRB indicates a need to hire 4.0 additional full-time equivalent positions (FTEs) - two Financial Analyst III and two Accountant I - to handle the increase in transactions reviewed, ensure all issuers are compliant in sending debt data to BRB, and address any backlog necessary to compile the reports in a timely manner. The BRB estimates the costs associated with these additional FTEs would be approximately \$338,182 in the first year and \$308,182 in each subsequent fiscal year for salary, benefits and other operating costs. The agency estimates additional costs for software, as well as IT services and consulting fees of \$198,950 in fiscal year 2014 and \$70,000 in subsequent fiscal years.

Multiple agencies including the OAG, the Comptroller of Public Accounts, the Secretary of State, and several institutions of higher education indicate that any costs associated with the bill could be absorbed within each agency's existing resources. The Texas Education Agency, Texas Higher Education Coordinating Board and the University of Texas System estimate there would be a minimal cost associated with implementing the provisions of the bill. It is assumed for the

purposes of this analysis that those costs could be absorbed within existing resources.

Technology

Technology costs for BRB are estimated to be \$198,950 in the first year to obtain updated software licenses used to process debt issuance calculations and develop a database of information on non-compliant issuers who fail to provide complete and accurate debt data to BRB; in subsequent years the costs are estimated to be \$70,000 for maintenance and ongoing IT consulting fees.

Local Government Impact

The bill would require each junior college district to report building construction costs to the Texas Higher Education Coordinating Board (THECB) to determine the average cost per square foot, adjusted for inflation for the region it is located and average cost per student. THECB in consultation with the districts shall determine the format and reporting frequency. Based on responses from several community colleges surveyed, it is anticipated that any additional costs could be absorbed with existing resources.

The bill would require a political subdivision to submit information on each local security to the Bond Review Board before the Attorney General could approve the local security. El Paso County indicated this may cause delays and would require local entities to estimate the market and interest rates when presenting projects for a bond election.

The bill would also require a political subdivision with a population of 2,000 or more to report financial information on an Internet website.

If a political subdivision did not have an Internet website on January 1, 2013, the entity would be allowed to report the information on another website, including a free-of-charge social media site.

The Texas Association of Counties (TAC) reported that there could be costs for subdivisions that do not currently maintain websites to establish their own site. TAC estimates costs to establish a website are between \$5,000 and \$65,000, with annual maintenance costs between \$500 and \$10,000.

TAC also reported that they were unable to identify a social networking site that could support posting large documents as required by the bill. The Texas Municipal League noted that for a city opting to report via a social networking site, there would still be some costs associated with maintaining and updating information.

The bill would also require special districts to hold a public hearing at least every three years and post notice on their website and in a newspaper of general circulation in the county. Denton County anticipates new costs of \$5,000 per hearing to comply with this provision. The Association of Water Board Directors of Texas indicated there are 553 water district members and the average annual operating budget ranges from \$575,000 to \$950,000. The increased costs to an average water district would range from \$17,250 to \$29,250.

Cooke County estimated costs up to \$100,000 to comply with the provisions of the bill. The City of Houston reported that costs cannot be estimated, but are anticipated to be significant.

Source Agencies: 720 The University of Texas System Administration, 768 Texas Tech

University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 352 Bond Review Board, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System, 769 University of North Texas System Administration

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