

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 7, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1378 by Flynn (relating to the fiscal transparency of political subdivisions.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB1378, Committee Report 2nd House, Substituted: a negative impact of (\$486,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|---|
| 2016 | (\$243,000) |
| 2017 | (\$243,000) |
| 2018 | (\$243,000) |
| 2019 | (\$243,000) |
| 2020 | (\$243,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>General Revenue Fund</i> 1 | Change in Number of State Employees from FY 2015 |
|-------------|--|---|
| 2016 | (\$243,000) | 3.0 |
| 2017 | (\$243,000) | 3.0 |
| 2018 | (\$243,000) | 3.0 |
| 2019 | (\$243,000) | 3.0 |
| 2020 | (\$243,000) | 3.0 |

Fiscal Analysis

The bill would amend the Local Government Code to require a political subdivision to compile and report certain financial and debt information. The bill would require a political subdivision to electronically submit the financial information to the Comptroller of Public Accounts by the 90th day after the last day of each fiscal year. Under the provisions of the bill, the Comptroller would be required to post the financial information on their website. The Comptroller would be required to maintain the reports at all times, update information on the website, and post the information in

a format that is appropriate. The bill would require a political subdivision to include on its website a link to the Comptroller's website where the financial and debt information is located. The bill would take effect January 1, 2016. The reporting requirements, as added by the bill, would apply only to a fiscal year ending on or after the effective date of the bill.

Methodology

The Comptroller estimates they would need 3 additional FTEs and \$243,000 per fiscal year to implement the provisions of the bill.

This administrative cost estimate reflects the funds that would be necessary to hire three program specialists to analyze, confirm, and organize financial debt data received from approximately 4,500 local governmental entities. This bill also requires the Comptroller's office to post the data on a searchable website. The Texas Bond Review Board (BRB) currently performs this task with 10 FTEs over the course of the state's fiscal year. The Comptroller's office would be responsible for ensuring that the data has been received from all entities and is correct. The agency currently repurposes and publicizes debt data from the BRB for approximately 2,500 entities as part of the agency's transparency efforts. This is done on an annual basis and requires 6 FTEs. Adding debt data from local entities would require three additional FTE's.

Local Government Impact

There could be costs to a political subdivision for implementing the bill depending on the resources of the political subdivision; costs could include employing additional personnel or modifying software to complete the report requirements.

School districts would be required to provide extensive additional information about debt obligations to the Comptroller electronically, including information through a link from the district's website to the Comptroller's website. There would be some administrative costs to districts to provide this additional information.

Dallas Community College reported the report requirements are already available in the annual financial report. Ector County reported the report requirements are readily available. No significant fiscal impact is anticipated.

Odessa College, Cooke County, Northeast Texas Municipal Water District, Denco Area 911 District, the City of Baytown and Tom Green County reported no significant fiscal impact is anticipated.

The Texas Municipal League reported there could be costs associated with smaller municipalities needing additional personnel to assist in assembling the required fiscal information; however, costs cannot be determined.

The Texas Organization of Rural and Community Hospitals reported possible costs to districts would be changes in accounting system software to meet the report requirements; however, costs cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts, 352 Bond Review Board, 592 Soil and Water Conservation Board, 701 Central Education Agency

LBB Staff: UP, KK, SD, EK, JBi, ED, CL, LCO