

BILL ANALYSIS

Senate Research Center
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S.B. 446
By: Burton
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The federal government currently offers a multitude of grant programs aimed at local governments. According to the federal Government Accountability Office (GAO), non-Medicaid federal grant outlays to state and local governments reached nearly \$625 billion in 2015.

Under current state law, political subdivisions are not mandated to report to the state the number and size of grants received from the federal government.

While several federal grant programs follow a formula allocation to states, many take the form of competitive project grants to local governments. A major sphere of local government operations these grants occupy is transportation infrastructure. Some federal transportation grant programs reimburse the cost to a local government for the design and construction of new start infrastructure projects. Often these projects are financed by a combination of local debt, local revenue, and state monies.

Three major concerns state lawmakers possess regarding direct federal grant awards to local governments are the incentive toward additional local spending or debt generated by their existence, the impairment to state sovereignty represented by conditions of the grant, and the massive size of the national debt.

Additional local spending or debt is often needed to "draw-down" a federal grant, as many grants are awarded on a "matching funds" or "local leverage" basis—meaning that the local entities must shoulder a portion of the costs of a new project before the commitment of grant funds is authorized.

Numerous mandates and requirements placed on local governments as a condition of accepting a grant are a chief affront to state sovereignty embodied in direct federal grant making. These mandates also incur greater cost to a local government. Furthermore, many political subdivisions (especially school districts) depend on the state for a significant portion of their operating revenue. Given the constitutional responsibility of the state to dictate the powers, procedures, and limitation of local entities, the state has a compelling interest in possessing full information on this practice.

Given the size of the national debt of over \$19 trillion these grant programs directly contribute to future insolvency of the federal government.

These reasons provide ample cause for greater transparency and accountability in the local acceptance of federal grant funds.

S.B. 446 requires a political subdivision to directly report any federal grant award to the Texas comptroller of public accounts (comptroller). It requires that the comptroller compile a database of these award reports by political subdivisions.

S.B. 446 greatly increases information citizens and the legislature possess regarding the grants received by local governments. Local control and accountability depend on the ability of citizens to be informed. S.B. 446 ensures that this information is plainly available to citizens.

Supporters of this legislation contend that the legislature and the public must be made aware of federal grant awards to local governments on the grounds that such grant programs reflect the full cost footprint of local operations.

Opponents of the bill cite the mandate as an unfunded reporting requirement placed on local entities.

As proposed, S.B. 446 amends current law relating to the acceptance or expenditure of federal funds by a political subdivision.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.012, as follows:

Sec. 140.012. ACCEPTANCE AND EXPENDITURE OF FEDERAL FUNDS. (a) Requires a political subdivision, before the political subdivision may accept or expend a federal grant or other federal funds that have not been appropriated by the legislature, to report to the Texas comptroller of public accounts (comptroller) the total amount of federal funds to be received or expended and the proposed use of the federal funds.

(b) Authorizes the comptroller to develop and maintain an online reporting system for the submission of information required to be reported. Requires the comptroller to make available to the public, on the comptroller's Internet website, a searchable database of information.

SECTION 2. Effective date: upon passage or September 1, 2017.