

BILL ANALYSIS

Senate Research Center
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S.B. 1437
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Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

It is prudent for state lawmakers to assist cities and counties with restoring fiscal responsibility to local public finance. One way to encourage greater prudence is by requiring large cities and counties to perform third-party efficiency audits. Waste, fraud, and abuse are a common occurrence at the local level, especially among large urban governments. The misappropriation of local tax dollars is forcing tax bills higher and causing government to grow.

Following the model of H.B. 3 from last session, S.B. 1437 would expand efficiency audits to counties and municipalities, not just school districts. Currently, if a school district wants to exceed the voter-approval rate, they must first complete an efficiency audit. If a city or a county seeks to exceed the voter-approval rate, an efficiency audit would be required to be completed prior to the election by S.B. 1437.

A third-party efficiency audit is a comprehensive examination of a governmental entity's budget and operations. It is conducted for the purpose of identifying opportunities to reduce expenditures and better use resources.

According to one prominent practitioner, "the savings identified through an efficiency audit are consistently at least 10 times the cost."

S.B. 1437 seeks to find efficiencies and savings prior to asking voters to approve a tax rate increase.

As proposed, S.B. 1437 amends current law relating to the requirement that certain municipalities and counties conduct an efficiency audit before holding an election to approve the adoption of certain ad valorem tax rates.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the state auditor in SECTION 1 (Section 140.013, Local Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 140, Local Government Code, by adding Section 140.013, as follows:

Sec. 140.013. EFFICIENCY AUDITS OF CERTAIN MUNICIPALITIES AND COUNTIES. (a) Provides that this section applies only to a municipality with a population of 500,000 or more, and a county with a population of one million or more.

(b) Defines "efficiency audit."

(c) Requires that the governing body of a municipality or county conduct an efficiency audit before seeking voter approval under Section 26.07 (Automatic Election to Approve Tax Rate of Taxing Unit Other Than School District), Tax Code, of an adopted ad valorem tax rate. Prohibits the municipality or county from holding the election without complying with the requirements of this section.

(d) Requires a municipality or county to pay for the costs associated with an efficiency audit.

(e) Requires the governing body of a municipality or county to select an auditor to conduct an efficiency audit:

(1) from the list of auditors approved by the state auditor as required by Subsection (g); and

(2) not later than three months before the date on which the municipality or county holds an election under Section 26.07, Tax Code.

(f) Requires that the state auditor's office establish guidelines identifying the scope and areas of investigation of an efficiency audit, including identification of resources being used effectively and efficiently and identification of cost savings or reallocations. Requires the auditor selected by the governing body to follow the guidelines established by the state auditor's office.

(g) Requires the state auditor to create and maintain a list of approved auditors from which a municipality is required to choose an auditor to conduct an efficiency audit. Requires the state auditor to select auditors to include on the list based on an auditor's experience examining fiscal management and efficiency of municipalities, counties, or other governmental entities, and ability to minimize expenses associated with an efficiency audit.

(h) Requires an auditor selected to be included on the state auditor's list under Subsection (g) to provide the state auditor with information regarding fees and expenses, including the methods for calculating audit fees. Requires the state auditor to make this information available to the governing body of a municipality or county on request.

(i) Requires an auditor selected by the governing body of a municipality or county to maintain independence from the municipality or county and complete the efficiency audit not later than the 60th day after the date the auditor is selected.

(j) Requires the governing body of the municipality or county, before an election at which a municipality or county seeks voter approval under Section 26.07, Tax Code, of an adopted ad valorem tax rate, to hold an open meeting to discuss the results of the efficiency audit conducted under this section. Requires that the results of an efficiency audit conducted under this section, not later than the 30th day before the date of the election, be posted on the municipality's or county's Internet website.

(k) Requires that a municipality or county provide all documents, records, and personnel requested by the auditor as needed to conduct the audit in an efficient manner.

(l) Authorizes the state auditor to adopt rules necessary to implement this section.

SECTION 2. Requires that the state auditor's office, not later than December 1, 2021, establish the guidelines and create the list of auditors required by Section 140.013, Local Government Code, as added by this Act.

SECTION 3. Provides that Section 140.013, Local Government Code, as added by this Act, applies only to an election to approve the adoption of an ad valorem tax rate required to be held by Section 26.07, Tax Code, that is held on or after January 1, 2022.

SECTION 4. Effective date: September 1, 2021.