



## On Transparency of Federal Funds

### *Testimony supporting SB 446*

by Thomas K. Lindsay, Ph.D.

Dear Members of the Committee:

I appear today to testify in support of SB 446.

#### **Purpose of SB 446:**

SB 446 endeavors to make more transparent the amount of federal funds that go directly to political subdivisions of Texas, and this with the view to enhancing the Legislature's knowledge of and ability to deal with the effects of these funds on the Texas economy as a whole. Representation of and responsibility for the Texas economy as a whole is the duty and power of Texas' state government alone, not that of any political subdivision.

#### **Why the Need for SB 446?**

- Federal funds that go directly to Texas' political subdivisions ineluctably affect the Texas economy as a whole. But regulation of Texas' internal economy is, under the Tenth Amendment to the U.S. Constitution, a power that belongs to the state government, not the federal government. Therefore, to preserve the meaning and intention of the Tenth Amendment—and with it, the rightful duties of Texas' statewide officeholders—an accounting must be made of the amounts, purposes, and conditions governing federal funds to local governments.
- Texas' state government needs to take a full reckoning of federal grants sent directly to local governments because these funds are never “free”—they come with federal requirements, e.g., matching components, which build spending requirements into the system. These programs are tailored to the federal government's priorities, which may or may not be the priorities of the citizens of the local government recipients and/or of the state as a whole. Moreover, federal funds that go directly to local governments can produce budgetary redundancies.
- Therefore, through monitoring and evaluating federal funding to local governments, the state of Texas will have at its disposal the information available to be more strategic in its partnerships with the federal government.
- With the national debt standing now at roughly \$20 trillion, there will come the time when that debt will begin to have to be paid or, at the least, no longer be able to expand. When that time comes, the ability of the federal government to maintain its current funding of local governments will lessen or even cease. To avoid a nightmare scenario for these local governments when that day comes, the state government needs to know the amounts of money received and the purposes it currently serves. In this way, it will be better able to plan for any coming contraction in federal spending.

#### **Facts about National Debt**

- At \$20 trillion, the national debt now amounts to \$169,000 for every taxpayer in America.<sup>1</sup>
- **China's treasury holdings amounted to about \$1.28 trillion, or 7.6 percent of the total U.S. debt.** China is the United States' *largest overseas creditor*, ahead of Japan, which holds more than \$1.1 trillion in Treasuries.<sup>2</sup>

<sup>1</sup> [U.S. Debt Clock](#), 2017, Accessed on November 2, 2017.

<sup>2</sup> Drew Desilver, “[5 facts about the national debt: What you should know](#),” *Fact Tank*, Pew Research Center, October 9, 2013. Accessed March 31, 2017.

- The U.S. national debt on January 1, 1791, was just \$75 million dollars. Today, the U.S. national debt rises by that amount about **once an hour**.<sup>3</sup>
- The U.S. government has to borrow 41 cents of every dollar that it currently spends.<sup>4</sup>
- The U.S. government spent *over \$474.5 billion* just on interest on the national debt during FY 2017.<sup>5</sup>
- If the federal government began right at this moment to repay the U.S. national debt at a rate of one dollar per second, it would take over 470,000 years to pay off the national debt.<sup>6</sup> ★

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By: *Burton*

S.B. No. 446

A BILL TO BE ENTITLED

AN ACT

*relating to the acceptance or expenditure of federal funds by a political subdivision.*

*BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:*

*SECTION 1. Chapter 140, Local Government Code, is amended by adding Section 140.012 to read as follows:*

*Sec. 140.012. ACCEPTANCE AND EXPENDITURE OF FEDERAL FUNDS. (a) Before a political subdivision may accept or expend a federal grant or other federal funds that have not been appropriated by the legislature, the political subdivision shall report to the comptroller:*

*(1) the total amount of federal funds to be received or expended; and*

*(2) the proposed use of the federal funds.*

*(b) The comptroller:*

*(1) may develop and maintain an online reporting system for the submission of information required to be reported under Subsection (a); and*

*(2) shall make available to the public, on the comptroller's Internet website, a searchable database of information reported under Subsection (a).*

*SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2017.*

<sup>3</sup> Jill Schlesinger, "[18 Scary US Debt Facts](#)," *Money Watch*, CBS News, November 18, 2010, last updated July 13, 2011.

<sup>4</sup> *Ibid.*

<sup>5</sup> "Drew Desilver, "[Five Facts About the National Debt](#)," *Fact Tank*, Pew Research Center, August 17, 2017.

<sup>6</sup> *Business Insider*, "[34 Facts About The National Debt That Should Set America On Fire With Rage](#)."

## About the Texas Public Policy Foundation

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