



Testimony

More Government Transparency Needed

Testimony on Local Debt in Support of HB 1399

by The Honorable Ernest Angelo

Mr. Chairman and Members of the Committee:

My name is Ernest Angelo, Jr. and I am a board member of the Texas Public Policy Foundation, a nonprofit, free-market think tank based here in Austin, Texas.

Individuals, organizations and government all will be more inclined to borrow and spend the easier it is to do so. I was the mayor of Midland for eight years and I saw the truth of that statement over and over again. I found one sure way to reduce spending is to reduce available funds by cutting taxes, but I also learned that utilizing Certificates of Obligation (CO) made acquiring debt much too easy.

As you know, COs allow cities, counties, and certain special purpose districts to issue debt without voter approval “to pay for the construction of a public work; purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way; and to pay for professional services such as engineers, architects, attorneys, and financial advisors,” according to the Texas Bond Review Board.

I’m supporting HB 1399 because it brings significant added transparency and accountability to the CO process. We know that not all of our citizens are as involved in government issues as are we. In fact, most of them are not, but that is no excuse to fail to do everything we can to see that voters are informed and that local officials are held accountable for their decision to borrow. HB 1399 and the Senate version, SB 310, helps this cause by advancing three key reforms:

- *Requires a Longer Public Notification Period.* Expands the public notification period from 30 days before the date tentatively set for the passage of the order or ordinance authorizing the issuance of the certificate to 45 days. Also, it requires a notice of intention be posted continuously on the issuer’s website.
- *Provides the Public with Basic Financial Information.* Along with each notice of intention, the public is to be provided with:
 - o Total and per capita amounts for current debt obligations;
 - o Total and per capita amounts for proposed debt obligations;
 - o The maturity date of the COs; and
 - o The process by which a petition may be submitted.
- *Restrict a Local Governing Authorities’ Ability to Circumvent Voters.* Under normal circumstances, it would prohibit a local government from issuing a certificate of obligation on matters that voters have rejected at the ballot box.

My city has fairly recently approved around \$50MM of COs and, as much as I think I am an informed citizen, I just learned about it by talking to a council member regarding HB 1399. I think more can and should be done to engage the public on matters of public finance, especially as it pertains to nonvoter approved debt.

I also want to let you all know that, despite what you may hear today, local officials around the state are in support of this kind of legislation. For example, a majority of the Midland City Council is behind this legislation.

As presently constituted, COs are contributing to a rapidly mounting debt problem for our local government entities. It's time to put some reasonable measures in place to begin educating and informing the public on these kinds of issues.

Thank you for your time. I look forward to answering any questions that you may have. ★

