



# Testimony

## SB 1437

### *Testimony Before the Senate Committee on Local Government*

by James Quintero, Policy Director

Mr. Chairman and Members of the Committee:

My name is James Quintero, and I represent the Texas Public Policy Foundation. Thank you for the opportunity to address the committee today. I am here to testify in support of [Senate Bill 1437](#).

As introduced, SB 1437 would amend current law to require cities and counties of a certain size to conduct an efficiency audit before holding an election to exceed the voter-approval tax rate.\* Those entities affected\*\* by the bill's requirements would be expected to undergo a thorough examination prior to a tax increase election, using an approved auditor procured at the entity's expense, and make public the results by discussing the auditor's findings at an open meeting and posting any reports online.

The proposed reform would bring an extra measure of transparency, accountability, and assurance to taxpayers, many of whom are still recovering from the after-effects of the government lockdown.

My written remarks below will explore the efficiency audit concept and discuss the fruits of its successful implementation in other states and localities.

### **What Is an Efficiency Audit?**

An efficiency audit is a comprehensive examination of a governmental entity's budget and operations conducted for the purpose of identifying ways to reduce expenditures and better deploy use limited resources. These audits provide decision-makers with ideas on how to improve existing programs and services as well as the management processes that undergird them. When efficiency audit findings are made publicly available, the information uncovered also arms community stakeholders with the suggestions needed to hold their elected officials accountable and inform policy discussions.

The embrace of the efficiency audit concept has already taken root in Texas government. In 2019, the Texas Legislature passed [House Bill 3](#), which contained a provision that "[requires the board of trustees of a school district to conduct an efficiency audit](#) before seeking voter approval to adopt a tax rate for the maintenance and operations (M&O) of the district." Under HB 3—which enjoyed broad bipartisan support—school districts are likewise required to pay for the cost of any audit. As made explicit in the final version of HB 3, the overarching goal is "[to examine fiscal management, efficiency, and utilization of resources.](#)" That is an aim worthy of any public institution, not just school districts.

### **Do Efficiency Audits Work?**

The concept is highly regarded by policymakers and practitioners alike. In fact, two former Austin city councilmembers remarked: "[Efficiency audits are a national best practice.](#) Governmental entities including Travis County, City of Seattle, the states of Rhode Island and Wyoming, among others, have utilized audits to great success. Audits have saved other government entities a minimum 4 percent of their annual budget." Another well-regarded practitioner stated said that: "the savings identified through efficiency audits are consistently at least [10 times the cost.](#)"

\* According to the Texas Comptroller of Public Accounts, the voter-approval tax rate is the "[calculated maximum rate allowed by law without voter approval](#) ... The voter-approval tax rate is the sum of no-new-revenue M&O and debt service rates, plus the unused increment rate (if applicable)."

\*\* The bill's requirements would apply to cities with a population of 500,000 or more and counties with a population of 1 million or more. According to the [Texas Demographic Center's Texas Population Estimates Program](#), entities that could expect to be impacted include the city of Houston (2,325,489); the city of San Antonio (1,555,370); the city of Dallas (1,358,328); the city of Austin (993,129); the city of Fort Worth (899,597); the city of El Paso (687,690); Harris County (4,703,708) Dallas County (2,647,627); Tarrant County (2,063,496); Bexar County (2,006,193); Travis County (1,285,526); and Collin County (1,047,901).

The actual on-the-ground experience of other states and localities also speaks well. Examples of jurisdictions that have implemented efficiency audits with a measure of success include:

- *Detroit Public Schools*: Facing a deficit of more than \$300 million, Detroit’s distressed public school system initiated a wide-ranging performance audit that “[identified \\$53 million in annual savings](#).”
- *The State of Kansas*: In 2016, efficiency auditors [provided 105 separate recommendations](#) that were estimated to generate more than \$2 billion over 5 years.
- *The State of Wyoming*: In 2017, Wyoming legislators created the [Wyoming Spending and Government Efficiency Commission](#), an entity that oversaw the administration of a third-party audit of certain state agencies’ budget and operations. This limited review identified “[between \\$12.9 million and \\$17.7 million in one-time savings and to \[sic\] between \\$112 million and \\$227 million in savings](#) over each two-year state budget cycle.”

As the evidence shows, efficiency audits have the potential to fine-tune the structure of government and benefit the taxpayer. Now is the time for Texas’s large cities and counties to embrace the concept, especially given how quickly property taxes have risen, how fast local debt has grown, and how much federal aid is coming our way. We must do a better job to make sure that our house is in order.

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

## ABOUT THE AUTHORS



**James Quintero** is the policy director for the Government for the People campaign at the Texas Public Policy Foundation. Quintero focuses extensively on state and local government spending, taxes, debt, public pension reform, annexation, and local regulations. His work has been featured in the *New York Times*, *Forbes*, the *Huffington Post*, Fox News, and Breitbart. He is currently a bi-weekly contributor to the *Austin American-Statesman*.

Quintero received an MPA with an emphasis in public finance from Texas State University and a BA in sociology from the University of Texas at Austin. He currently serves on Texas State University’s MPA Program Advisory Council.

## About Texas Public Policy Foundation

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

