HB 28
Button, Nevárez
(CSHB 28 by Johnson)

SUBJECT: Requiring regular audits of the state's economic development programs

COMMITTEE: Economic and Small Business Development — committee substitute recommended

VOTE: 9 ayes — Button, Johnson, C. Anderson, Faircloth, Isaac, Metcalf, E. Rodriguez, Villalba, Vo

0 nays

WITNESSES: For — (*Registered, but did not testify*: Jay Barksdale, Dallas Regional Chamber; Bill Hammond, Texas Association of Business; Carlton Schwab, Texas Economic Development Council; Max Jones, The Greater Houston Partnership)

Against — None

On — (*Registered, but did not testify*: John Young)

BACKGROUND: Government Code, ch. 321 provides the powers and duties of the state auditor. The state auditor is required to consider recommendations concerning coordination between the Legislative Budget Board, the Sunset Advisory Commission, and the State Auditor's Office in determining an audit plan. The state auditor also is required to perform risk assessments as part of an audit, which involves determining what problems may occur in an operational or program area of a department and potential adverse effects.

HB 26 by Button, which is under consideration by the 84th Legislature, would create an Economic Incentive Oversight Board to assess the efficiency and effectiveness of the state's economic incentive programs. Several other bills before the 84th Legislature also would make changes to the oversight and operation of the state's economic development incentives.

DIGEST: CSHB 28 would create a schedule for the state auditor to audit 21 economic incentive programs administered by the Office of the Governor, the Office of the Comptroller of Public Accounts, the Department of Agriculture, and the Texas Workforce Commission. The schedule would require audits of different programs every two years beginning in September 2015. Each program would be audited every 12 years thereafter. Items to be audited would include the Moving Image Industry Incentive Program and the distribution of grants from the Texas Enterprise Fund.

The state auditor could establish a scope and objective for an audit consistent with accepted government auditing standards and could assess the efficiency and effectiveness of the program or fund. The state auditor would be required to present a report of each audit to the lieutenant governor, the House speaker, and the presiding officer of each standing committee of the Senate and House with primary jurisdiction over economic development. This report would have to be presented within two years after the audit was scheduled to begin.

CSHB 28 would stipulate that the audit schedule in the bill would be subject to risk assessment requirements and to inclusion in the annual audit plan. If the state auditor decided that an exception to the schedule was warranted, the auditor would be required to notify the Legislative Audit Committee and each standing committee of the Senate and House with primary jurisdiction over economic development of the reasons for the exception.

The bill would take effect September 1, 2015.

SUPPORTERS SAY:

CSHB 28 would be an important piece of the larger effort by the 84th Legislature to overhaul state economic incentive programs. HB 26 by Button appropriately would create the Economic Incentive Oversight Board to oversee economic development programs. In addition to increasing oversight, it is important to require an independent audit of these programs and funds. By adding another layer of accountability, CSHB 28 would help instill confidence in the state’s economic development programs.

OPPONENTS SAY:

CSHB 28 might not yield sufficient value to the state to justify its expense. Some of the high-profile programs scheduled for audit have been the subject of ongoing concerns about their transparency and accountability, while other programs are small or even inactive. Conducting these reviews at an estimated cost of $450,000 per audit would not necessarily be a wise use of state resources in every case.

NOTES:

According to the Legislative Budget Board's fiscal note, CSHB 28 would have an estimated negative net fiscal impact to general revenue of $450,000 through fiscal 2016-17.