

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 12, 2011

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3361 by Hochberg (Relating to financial oversight of junior college districts.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would implement a recommendation in the Legislative Budget Board's Government Effectiveness and Efficiency Report entitled "Strengthen Financial Oversight of Community Colleges," submitted to the Eighty-second Legislature, 2011. The bill amends language in Chapter 2102, of the Government Code, to incorporate junior college districts into the Texas Internal Auditing Act.

Section 1 would add junior college districts to the definition of a state agency.

Section 2 would require the internal auditor of a junior college district to submit an annual report before November 1 of each year to the State Auditor's Office (SAO) and the Texas Higher Education Coordinating Board (THECB).

Section 3 would require that a copy of each internal audit report submitted to the district's governing board be filed with the SAO and the THECB. The bill would also require that the junior college district file any action plan or other response issued by the district's governing board to the internal auditor's report with the SAO and the THECB.

Section 4 would require junior college districts that do not meet applicability requirements specified under Section 2102.004(a) Government Code to provide a copy of its annual risk assessment to the THECB.

The provisions of this bill would apply to the 2014 - 2015 fiscal year. The SAO and the THECB indicate that costs associated with implementing the provisions of this bill could be met using existing resources. In accordance with Government Code 321.013, all additional duties and responsibilities prescribed by the bill would be proposed in the SAO's annual audit plan for Legislative Audit Committee approval.

This bill would take effect September 1, 2011.

Local Government Impact

The Texas Internal Auditing Act requires state agencies that meet certain criteria under Section 2102.004(a) to be required to conduct a program of internal auditing. These requirements include: having an annual operating budget that exceeds \$10 million; having more than 100 full-time equivalent employees as authorized by the General Appropriations Act; or receiving and processing more than \$10 million in cash in a fiscal year. According to LBB analysis, 11 junior college districts, in addition to the 35 districts that already have an internal auditor, would be required to establish an internal audit program. The THECB estimates that the expected costs would be \$80,000 to \$90,000 per year for each of those 11 districts.

Source Agencies: 308 State Auditor's Office, 781 Higher Education Coordinating Board
LBB Staff: JOB, KK, JI, SDE