

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 29, 2013

TO: Honorable Bob Deuell, Chair, Senate Committee on Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1392 by Davis (Relating to an audit by the state auditor and a study by the comptroller of the events trust funds.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1392, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Major Events Trust Fund No. 869</i>	Probable Savings/(Cost) from <i>Events Trust Fund No. 830</i>	Change in Number of State Employees from FY 2013
2014	(\$153,294)	(\$472,394)	4.4
2015	\$0	\$0	0.0
2016	\$0	\$0	0.0
2017	\$0	\$0	0.0
2018	\$0	\$0	0.0

Fiscal Analysis

The bill would require the State Auditor's Office (SAO) and Comptroller of Public Accounts (Comptroller) to conduct, respectively, an audit and study related to certain events trust funds, including the Major Events Trust Fund, Motor Sports Racing Trust Fund and Events Trust Fund. The bill would specify that the audit conducted by the SAO include a determination on whether money from an events trust fund is: disbursed in compliance with relevant laws or standards; monitored so that the recipients of events funding comply with applicable agreements, laws, or standards; and maintained to provide for financial controls and accountability regarding use of the money.

The bill would specify that the study required by the Comptroller determine the economic impact of events which qualify for funding through the affected events trust fund and whether the events would likely be held in this state absent incentives provided through the trust funds. Both the audit by the SAO and the study by the Comptroller would be due by January 1, 2015 to the Lieutenant Governor, Speaker of the House of Representatives, and the presiding officer of each standing committee over the Senate and House of Representatives having primary jurisdiction over fiscal matters or matters related to tourism and recreation.

The bill would require that, notwithstanding any other law, the Comptroller reimburse the SAO for the cost of the audit required under the bill using any balances available in the fiscal year 2014 from the affected events trust funds. The reimbursement would be paid proportionally from the established funds based on the maximum balances in the funds during fiscal year 2014.

Methodology

Based on the analysis of the SAO, the cost for the agency to conduct the audit is anticipated to be \$625,688 in fiscal year 2014, which reflects the agency's 2013 billing rate of \$90 per hour applied to 7,000 hours of audit. The cost reflects salaries for 4.4 auditor positions (\$406,000) and associated benefits (\$120,744); travel expense of \$9,688; and other operating expenses of \$89,256.

Pursuant to the bill, the SAO would be proportionally reimbursed for their audit expenses from any balances available from affected events trust funds. The Comptroller indicated that the balances of the affected trust funds at the end of fiscal year 2012 were \$3.7 million in the Major Events Trust Fund; \$11.4 million in the Events Trust Fund; and \$0 in the Motor Sports Racing Trust Fund. Assuming the same proportion of balances and the availability of sufficient balances, it is assumed that \$153,294 would be paid out of the Major Events Trust Fund and \$472,394 would be paid out of the Events Trust Fund to reimburse the SAO's audit expenses at the end of fiscal year 2014. Although not specified by the bill, it is assumed that all balances at the end of fiscal year 2014 would be eligible to fund reimbursements to the SAO in addition to disbursements for events-related expenses to participating local entities. In the event that sufficient balances are not available, it is also assumed no reimbursements would be made to the SAO.

The Comptroller estimates there would also be a cost associated with conducting the study required by the bill. It is anticipated that the additional costs could be absorbed within existing resources.

Local Government Impact

There would be a negative fiscal impact to cities and counties which have an established events trust fund at the end of fiscal year 2014. This analysis assumes that reimbursements to the SAO

would reduce the amount of trust fund dollars available for reimbursements for expenses related to hosting an affected event or would reduce the balances of local matching funds remaining after event-related payments are disbursed which would otherwise be returned to the contributing local entities.

Source Agencies: 304 Comptroller of Public Accounts, 308 State Auditor's Office

LBB Staff: UP, RB, EP, LCO