

BILL ANALYSIS

C.S.H.B. 28
By: Button
Economic & Small Business Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Findings by the Select Committee on Economic Development Incentives during the last interim reveal that many of the state's economic development incentive programs do not currently have any type of formal review or audit process to determine the success of a program or whether a program is being administered effectively. C.S.H.B. 28 seeks to remedy this situation by requiring many of the state's economic development incentive programs to undergo a regularly scheduled, independent audit.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 28 amends the Government Code to require the state auditor, beginning on the following dates, to conduct an audit of each of the following programs once every 12 years:

- beginning September 1, 2015, the rural economic development and investment program and the young farmer grant program;
- beginning September 1, 2017, the agricultural biomass and landfill diversion incentive program, the defense economic adjustment assistance grant program, the agricultural loan guarantee program, the young farmer interest rate reduction program, and the interest rate reduction program;
- beginning September 1, 2019, the rural investment fund program, the capital access program, the linked deposit program, the moving image industry incentive program, the product development program, the small business incubator program, and the certified capital company program;
- beginning September 1, 2021, the program to provide grants of money from the Texas Enterprise Fund, the program to provide disbursements from events trust funds for event support contracts, and the program to provide disbursements from major events trust funds for game support contracts or event support contracts; and
- beginning September 1, 2023, the program to provide disbursements from motor sports racing trust funds for motor sports racing events support contracts or event support contracts, the program to provide disbursements from special event trust funds, the program to provide allocations of money for emerging technology from the Texas emerging technology fund, and the skills development fund program.

C.S.H.B. 28 authorizes the state auditor to establish the scope of an audit and objective for an audit conducted under the bill's provisions that are consistent with generally accepted government auditing standards and with other audits conducted by the state auditor and, to the extent practicable, to assess the efficiency and effectiveness of the program or fund subject to such an audit. The bill requires the state auditor to prepare a report of each such audit and, not later than the second anniversary of the date on which such an audit is scheduled to begin, to file the report with the lieutenant governor, the speaker of the house of representatives, and the presiding officer of each standing committee of the senate and house of representatives with primary jurisdiction over economic development.

C.S.H.B. 28 establishes that the scheduling of such audits is subject to a risk assessment performed by the state auditor and to inclusion in the state auditor's annual audit plan. The bill requires the state auditor, if the state auditor determines that an exception to the schedule specified by the bill's provisions is warranted, to notify the Legislative Audit Committee and each standing committee of the senate and house of representatives with primary jurisdiction over economic development of the reasons for the exception.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 28 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Chapter 321, Government Code, is amended by adding Section 321.0139 to read as follows:

Sec. 321.0139. AUDIT OF CERTAIN ECONOMIC DEVELOPMENT PROGRAMS AND FUNDS. (a)

Beginning September 1, 2015, and once every 12 years after that date, the state auditor shall conduct an audit of the following:

(1) the rural economic development and investment program established under Section 12.0271, Agriculture Code; and

(2) the young farmer grant program under Subchapter G, Chapter 58, Agriculture Code.

(b) Beginning September 1, 2017, and once every 12 years after that date, the state auditor shall conduct an audit of the following:

(1) the agricultural biomass and landfill diversion incentive program established under Chapter 22, Agriculture Code;

(2) the defense economic adjustment assistance grant program;

(3) the agricultural loan guarantee program

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Chapter 321, Government Code, is amended by adding Section 321.0139 to read as follows:

Sec. 321.0139. AUDIT OF CERTAIN ECONOMIC DEVELOPMENT PROGRAMS AND FUNDS. (a)

Beginning September 1, 2015, once every 12 years the state auditor shall conduct an audit of each of the following:

(1) the rural economic development and investment program established under Section 12.0271, Agriculture Code; and

(2) the young farmer grant program under Subchapter G, Chapter 58, Agriculture Code.

(b) Beginning September 1, 2017, once every 12 years the state auditor shall conduct an audit of each of the following:

(1) the agricultural biomass and landfill diversion incentive program established under Chapter 22, Agriculture Code;

(2) the defense economic adjustment assistance grant program;

(3) the agricultural loan guarantee program

established under Subchapter E, Chapter 58, Agriculture Code;

(4) the young farmer interest rate reduction program established under Subchapter F, Chapter 58, Agriculture Code; and

(5) the interest rate reduction program established under Section 44.007, Agriculture Code.

(c) Beginning September 1, 2019, and once every 12 years after that date, the state auditor shall conduct an audit of:

(1) the rural investment fund program under Section 12.046, Agriculture Code;

(2) the capital access program established under Subchapter BB, Chapter 481;

(3) the linked deposit program established under Section 481.193;

(4) the moving image industry incentive program under Subchapter B, Chapter 485;

(5) the product development program under Subchapter D, Chapter 489;

(6) the small business incubator program under Subchapter D, Chapter 489; and

(7) the certified capital company program established under Chapter 228, Insurance Code.

(d) Beginning September 1, 2021, and once every 12 years after that date, the state auditor shall conduct an audit of:

(1) the program to provide grants of money from the Texas Enterprise Fund under Section 481.078;

(2) the program to provide disbursements from events trust funds established under Section 5C, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for event support contracts; and

(3) the program to provide disbursements from major events trust funds established under Section 5A, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for game support contracts or event support contracts.

(e) Beginning September 1, 2023, and once every 12 years after that date, the state auditor shall conduct an audit of:

(1) the program to provide disbursements from motor sports racing trust funds established under Section 5B, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for motor sports racing events support contracts or event support contracts;

established under Subchapter E, Chapter 58, Agriculture Code;

(4) the young farmer interest rate reduction program established under Subchapter F, Chapter 58, Agriculture Code; and

(5) the interest rate reduction program established under Section 44.007, Agriculture Code.

(c) Beginning September 1, 2019, once every 12 years the state auditor shall conduct an audit of each of the following:

(1) the rural investment fund program under Section 12.046, Agriculture Code;

(2) the capital access program established under Subchapter BB, Chapter 481;

(3) the linked deposit program established under Section 481.193;

(4) the moving image industry incentive program under Subchapter B, Chapter 485;

(5) the product development program under Subchapter D, Chapter 489;

(6) the small business incubator program under Subchapter D, Chapter 489; and

(7) the certified capital company program established under Chapter 228, Insurance Code.

(d) Beginning September 1, 2021, once every 12 years the state auditor shall conduct an audit of each of the following:

(1) the program to provide grants of money from the Texas Enterprise Fund under Section 481.078;

(2) the program to provide disbursements from events trust funds established under Section 5C, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for event support contracts; and

(3) the program to provide disbursements from major events trust funds established under Section 5A, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for game support contracts or event support contracts.

(e) Beginning September 1, 2023, once every 12 years the state auditor shall conduct an audit of each of the following:

(1) the program to provide disbursements from motor sports racing trust funds established under Section 5B, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), for motor sports racing events support contracts or event support contracts;

(2) the program to provide disbursements from special event trust funds established under Section 398.007, Local Government Code;

(3) the program to provide allocations of money for emerging technology from the Texas emerging technology fund established under Chapter 490; and

(4) the skills development fund program established under Chapter 303, Labor Code.

(f) The state auditor may establish the scope of an audit and objective for an audit conducted under this section that are consistent with generally accepted government auditing standards and with other audits conducted by the state auditor under this chapter.

(g) To the extent practicable, the state auditor may assess the efficiency and effectiveness of the program or fund subject to an audit under this section.

(h) The state auditor shall prepare a report of each audit conducted under this section. Not later than the second anniversary of the date on which an audit required to be conducted under this section is scheduled to begin, the state auditor shall file the report with the lieutenant governor, the speaker of the house of representatives, and the presiding officer of each standing committee of the senate and house of representatives with primary jurisdiction over economic development.

SECTION 2. This Act takes effect September 1, 2015.

(2) the program to provide disbursements from special event trust funds established under Section 398.007, Local Government Code;

(3) the program to provide allocations of money for emerging technology from the Texas emerging technology fund established under Chapter 490; and

(4) the skills development fund program established under Chapter 303, Labor Code.

(f) The state auditor may establish the scope of an audit and objective for an audit conducted under this section that are consistent with generally accepted government auditing standards and with other audits conducted by the state auditor under this chapter.

(g) To the extent practicable, the state auditor may assess the efficiency and effectiveness of the program or fund subject to an audit under this section.

(h) The state auditor shall prepare a report of each audit conducted under this section. Not later than the second anniversary of the date on which an audit required to be conducted under this section is scheduled to begin, the state auditor shall file the report with the lieutenant governor, the speaker of the house of representatives, and the presiding officer of each standing committee of the senate and house of representatives with primary jurisdiction over economic development.

(i) The scheduling of the audits specified by this section is subject to a risk assessment in accordance with Chapter 321 and to inclusion in the annual audit plan under Section 321.013(c). If the state auditor determines that an exception to the schedule specified by this section is warranted, the state auditor shall notify the Legislative Audit Committee and each standing committee of the senate and house of representatives with primary jurisdiction over economic development of the reasons for the exception.

SECTION 2. Same as introduced version.