

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 20, 2015**

**TO:** Honorable Angie Chen Button, Chair, House Committee on Economic & Small Business Development

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB28** by Button (Relating to an audit by the state auditor of certain programs and funds providing economic development incentives to entities and other persons.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB28, Committee Report 1st House, Substituted: a negative impact of (\$450,000) through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	(\$450,000)
2017	\$0
2018	(\$900,000)
2019	(\$450,000)
2020	(\$1,350,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>	<b>Change in Number of State Employees from FY 2015</b>
	<b>1</b>	
2016	(\$450,000)	3.1
2017	\$0	0.0
2018	(\$900,000)	6.3
2019	(\$450,000)	3.1
2020	(\$1,350,000)	9.4

**Fiscal Analysis**

The bill would amend the Government Code to require the State Auditor's Office (SAO) to audit 21

specific economic development programs and funds within two years of specified dates. The bill would require that these programs and funds be audited again every 12 years thereafter. The bill would require the SAO to prepare a report of each audit and file each report with the Lieutenant Governor, the Speaker of the House, and with the presiding officer of each standing committee of the Senate and House of Representatives having primary jurisdiction over economic development by deadlines established in the bill.

The bill would require that the scheduling of audits specified by the bill would be subject to a risk assessment and to inclusion in the SAO's annual audit plan. If the SAO determines that an exception to the specified schedule is warranted, the bill would require the SAO 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.

The bill would take effect September 1, 2015.

### **Methodology**

The SAO determined that five of the programs specified in the Bill were inactive in fiscal year 2014. Based on information provided by the Department of Agriculture, as of March 23, 2015, the Rural Economic Development and Investment Program, Agricultural Biomass and Landfill Diversion Incentive Program, Rural Investment Fund Program, and Young Farmer Interest Rate Reduction Program were not active. In addition, the Office of the Governor reported that the Capital Access Program currently does not have any active loans and that the program has been inactive since 2006.

For the remaining 16 active economic development programs and funds the SAO anticipates the audits would be completed within the following time frames:

1. One audit to be completed between September 1, 2015 and September 1, 2017;
2. Three audits to be completed between September 1, 2017 and September 1, 2019;
3. Five audits to be completed between September 1, 2019 and September 1, 2021;
4. Three audits to be completed between September 1, 2021 and September 1, 2023; and
5. Four audits to be completed between September 1, 2023 and September 1, 2025.

This analysis and the table above reflect costs for audits conducted through fiscal year 2020 and do not consider costs for the five inactive identified above.

Based on information provided by SAO, it is assumed that the audits could include, but are not limited to, financial-related, compliance, or performance audits; each audit would require 5,000 hours to complete; the SAO's 2014 billing rate of \$90 per hour would be used to determine the costs for the audits. It is assumed that the number of auditor positions needed to complete the work would include 3.1 in 2016 and 2019; 6.3 positions in 2018; and 9.4 positions in 2020. The SAO estimates General Revenue costs of \$450,000 in 2016; \$900,000 in 2018; \$450,000 in 2019; and \$1,350,000 in 2020. These amounts include costs for salaries, benefits, travel, and other operating costs. No costs are anticipated in fiscal year 2017.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 308 State Auditor's Office, 301 Office of the Governor, 304 Comptroller of Public Accounts

**LBB Staff:** UP, CL, MW, LBe