

BILL ANALYSIS

C.S.S.B. 1390

By: Davis

Economic & Small Business Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Enterprise Fund was established in the last decade to bring jobs and investment to Texas. According to interested parties, despite the fund's investment of hundreds of millions of dollars in more than a hundred projects, there has not been an external audit of the fund since its creation to ensure the fund's efficiency, effectiveness, and accountability. The absence of such an audit has raised concerns regarding whether money from the fund is efficiently and effectively disbursed in compliance with the requirements of certain state laws, whether recipients of grants awarded from the fund fully comply with the terms of any agreements entered into as a condition of the award, and whether the fund's protocols ensure accountability for the proper use of state funds. C.S.S.B. 1390 seeks to address the issues raised by such concerns.

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.S.B. 1390, in temporary provisions set to expire September 1, 2015, requires the state auditor to conduct an audit of the Texas Enterprise Fund. The bill authorizes the state auditor to establish the scope of the audit and objectives for the audit that are consistent with generally accepted government auditing standards and with other audits conducted by the state auditor. The bill authorizes the audit to determine whether money from the fund is disbursed in compliance with the requirements of the Government Code and other relevant laws or standards, is monitored to determine whether the persons or entities awarded money from the fund comply with the terms of any applicable agreements and with the requirements of the Government Code and other relevant laws or standards, and is maintained in a manner that provides adequate financial control systems to ensure accountability for the proper use of the disbursed money. The bill authorizes the state auditor, to the extent practicable, to assess the efficiency and effectiveness of the fund.

C.S.S.B. 1390 requires the state auditor to prepare a report of the audit and to file the report not later than January 1, 2015, 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 having primary jurisdiction over fiscal matters. The bill authorizes the report to include details on the grant approval process, details on the compliance of past and present grant recipients with the terms of applicable agreements and with the requirements of the Government Code and other relevant laws or standards, a synopsis of grant agreements that have been amended to reduce the job creation goals established in the original agreement or to extend the time allotted to achieve job creation goals, and an itemization of grant money returned to the state, including a summary of the reasons the money was returned.

EFFECTIVE DATE

September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.S.B. 1390 may differ from the engrossed version in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

SENATE ENGROSSED

SECTION 1. (a) The state auditor shall conduct an audit to determine the efficiency and effectiveness of the Texas Enterprise Fund established under Section 481.078, Government Code.

(b) The audit, at a minimum, must determine whether money from the fund is efficiently and effectively:

- (1) disbursed in compliance with the requirements of the Government Code and other relevant laws or standards;
- (2) monitored to determine whether the persons or entities awarded money from the fund comply with the terms of any applicable agreements and with the requirements of the Government Code and other relevant laws or standards; and
- (3) maintained in a manner that provides adequate financial control systems to ensure accountability for the proper use of the disbursed money.

(c) The state auditor shall prepare a report of the audit conducted under this section. Not later than January 1, 2015, 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 having primary jurisdiction over fiscal matters. The report must include:

- (1) details on the grant approval process;
- (2) details on the compliance of past and present grant recipients with the terms of applicable agreements and with the

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. (a) The state auditor shall conduct an audit of the Texas Enterprise Fund established under Section 481.078, Government Code. The state auditor may establish the scope of the audit and objectives for the audit that are consistent with generally accepted government auditing standards and with other audits conducted by the state auditor under Chapter 321, Government Code.

(b) The audit may determine whether money from the fund is:

- (1) disbursed in compliance with the requirements of the Government Code and other relevant laws or standards;
- (2) monitored to determine whether the persons or entities awarded money from the fund comply with the terms of any applicable agreements and with the requirements of the Government Code and other relevant laws or standards; and
- (3) maintained in a manner that provides adequate financial control systems to ensure accountability for the proper use of the disbursed money.

(c) To the extent practicable, the state auditor may assess the efficiency and effectiveness of the Texas Enterprise Fund.

(d) The state auditor shall prepare a report of the audit conducted under this section. Not later than January 1, 2015, 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 having primary jurisdiction over fiscal matters. The report may include:

- (1) details on the grant approval process;
- (2) details on the compliance of past and present grant recipients with the terms of applicable agreements and with the

requirements of the Government Code and other relevant laws or standards;
(3) a synopsis of grant agreements that have been amended to reduce the job creation goals established in the original agreement or to extend the time allotted to achieve job creation goals; and
(4) an itemization of grant money returned to this state, including a summary of the reasons the money was returned.

SECTION 2. This Act expires September 1, 2015.

SECTION 3. This Act takes effect September 1, 2013.

requirements of the Government Code and other relevant laws or standards;
(3) a synopsis of grant agreements that have been amended to reduce the job creation goals established in the original agreement or to extend the time allotted to achieve job creation goals; and
(4) an itemization of grant money returned to this state, including a summary of the reasons the money was returned.

SECTION 2. Same as engrossed version.

SECTION 3. Same as engrossed version.