

- SUBJECT:** State audit of the Texas Enterprise Fund
- COMMITTEE:** Economic and Small Business Development — committee substitute recommended
- VOTE:** 8 ayes — J. Davis, Vo, Bell, Isaac, Murphy, Perez, E. Rodriguez, Workman
0 nays
1 absent — Y. Davis
- SENATE VOTE:** On final passage, April 16 — 26-3 (Hancock, Nichols, Schwertner)
- WITNESSES:** None
- BACKGROUND:** Government Code, sec. 481.078 outlines provisions for the Texas Enterprise Fund, which provides grants for economic, infrastructure, community development, job training programs, and business incentives. The governor administers the fund on behalf of the state and must have the approval of the lieutenant governor and the speaker of the House before awarding grants.
- DIGEST:** CSSB 1390 would require that the state auditor conduct an audit of the Texas Enterprise Fund.
- The state auditor would have discretion as to the scope and objectives of the audit, consistent with generally accepted government auditing standards. The audit could address whether money from the Enterprise Fund was:
- disbursed in compliance with the Government Code and other relevant laws;
 - monitored to determine whether those awarded money complied with terms of applicable agreements; and
 - maintained in a manner providing adequate accountability to ensure the proper use of disbursed money.

The state auditor, to the extent practicable, also could assess the efficiency and effectiveness of the Enterprise Fund.

Not later than January 1, 2015, the state auditor would have to file an audit report with the lieutenant governor, the speaker of the House of Representatives, and committee chairs within the Senate and the House with jurisdiction over fiscal matters. The report could include information such as details on the grant approval process, grant recipients, and a synopsis of grant agreements amended for reasons related to the original job creation goals.

The bill would take effect September 1, 2013, and would expire September 1, 2015.

**SUPPORTERS
SAY:**

CSSB 1390 would require the state auditor to audit the Enterprise Fund, which has not been subjected to an external audit since its inception a decade ago. Transparency regarding the Enterprise Fund is important and would ensure that the fund was in keeping with the provisions that created it — namely, to provide grants to boost Texas' economy and workforce.

**OPPONENTS
SAY:**

The extent of the bill's usefulness would hinge on the scope of the audit, which would be left to the discretion of the state auditor. Any proper audit of the Enterprise Fund should look into specific areas, such as whether fund recipients had made good on their promises of creating a specific number of jobs.

NOTES:

CSSB 1390 differs from the Senate-engrossed version in that the committee substitute would make the provisions related to the audit and the audit report voluntary. The substitute also would grant the state auditor discretion as to the scope and objectives of the audit.

According to the Legislative Budget Board, the bill would result in a negative impact to general revenue of \$537,688 in the fiscal 2014 due to the cost of performing the audit.