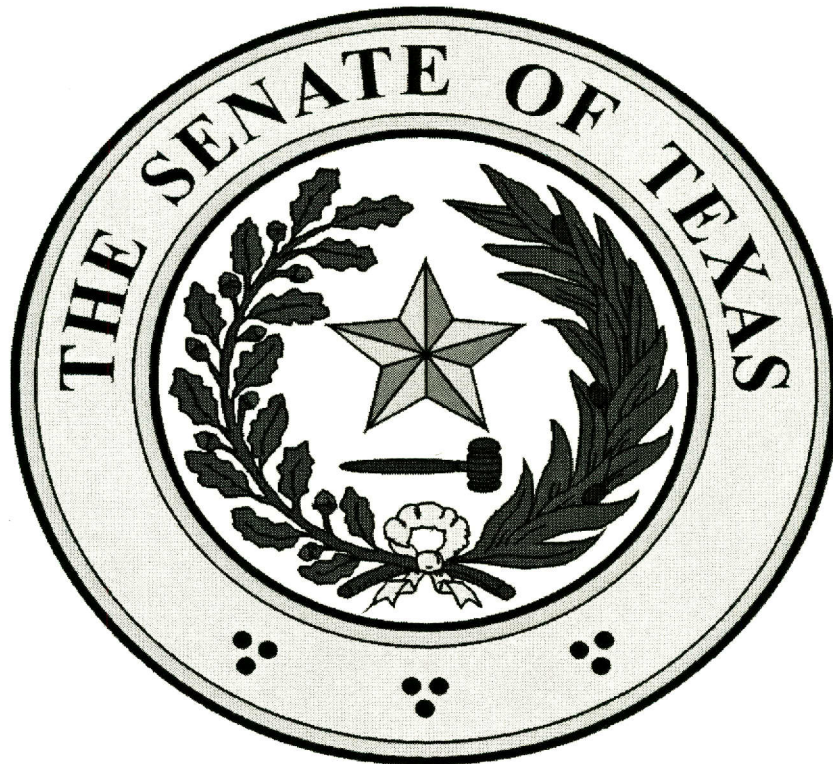


TEXAS SENATE COMMITTEE ON ECONOMIC DEVELOPMENT



INTERIM REPORT TO THE 84TH LEGISLATURE

January 2015



January 9, 2015

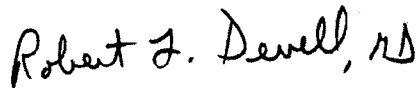
The Honorable David Dewhurst
Lieutenant Governor of Texas
P.O. Box 12068
Austin, Texas 78711

Dear Governor Patrick:

The Senate Committee on Economic Development hereby submits its 83rd interim report. The report reflects testimony and input from various state agencies, organizations and other interested entities.

The Committee appreciates the opportunity to address these important charges. It is our sincere hope that the work of this Committee will assist in resolving some of these challenging issues. We thank you for your continued leadership and support.

Respectfully Submitted,



Senator Robert F. Deuell, Chairman

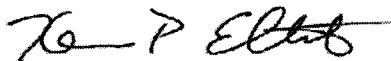


Senator Kelly Hancock, Vice Chairman



Senator Brian Birdwell

Senator Wendy Davis



Senator Kevin Eltife

Senator Troy Fraser



Senator Kirk Watson

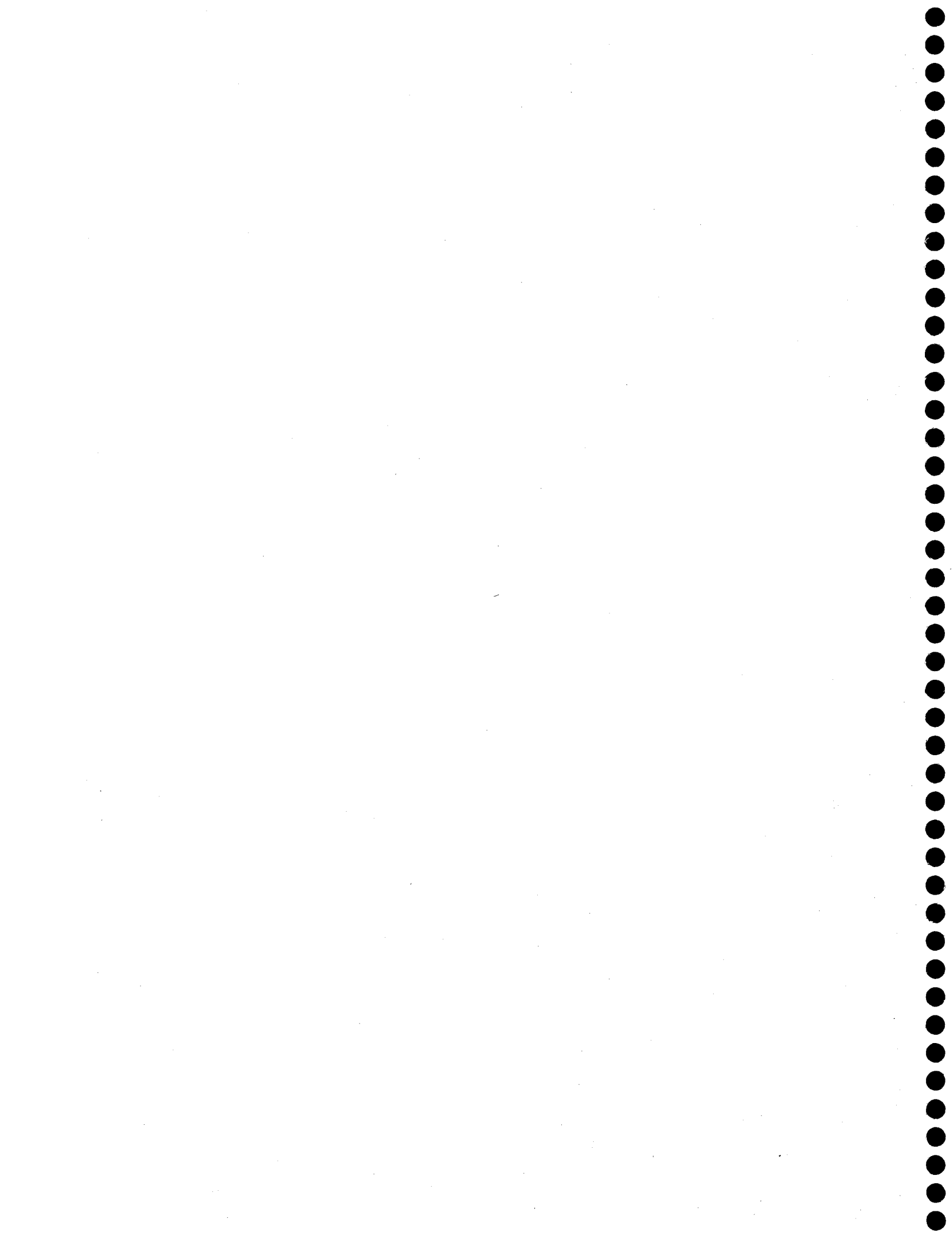


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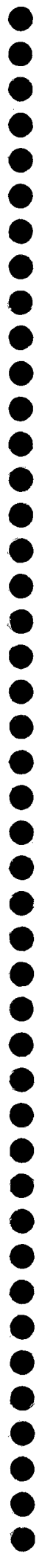
 Appendix A: Letter from Senator Kirk Watson To Senator Robert Deuell

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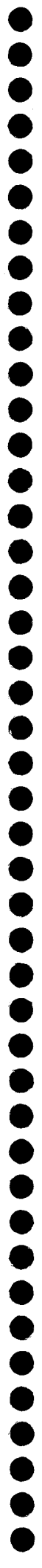
 Appendix E: September 22, 2014 Interim Hearing Related Information



TEXAS SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

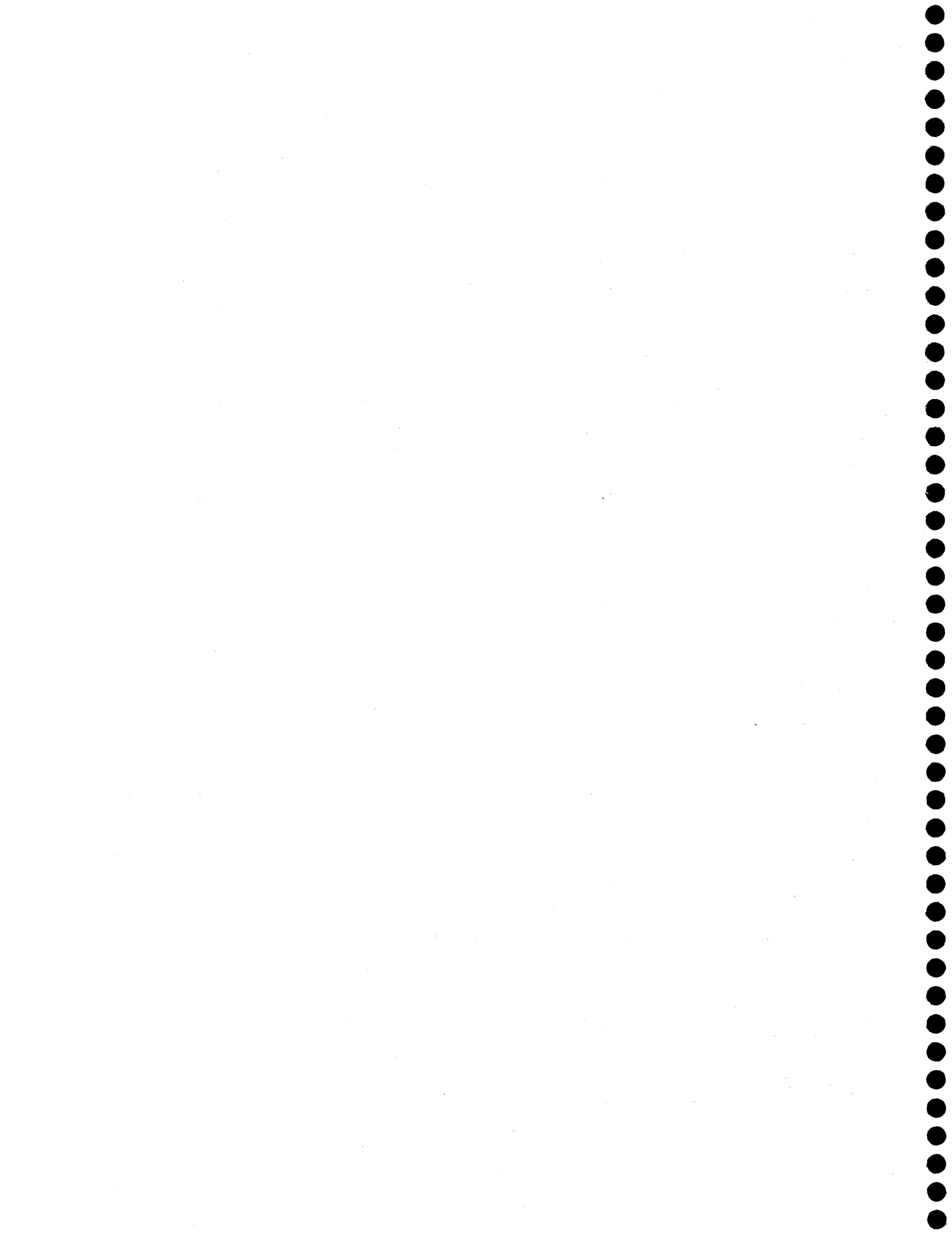
Interim Charges

1. Study current legislative and regulatory barriers that could impede capital investment, growth, and expansion of Texas businesses. Make recommendations for reducing barriers to entry for professions regulated by Texas Department of Licensing and Regulation, including deregulation, additional reciprocity, and credit for military service.
2. Project and examine the costs and economic impact to Texas businesses in complying with the federal health care law. Make recommendations on options for state government intervention to reduce the negative impact of the federal health care law on Texas businesses.
3. Study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely. As a part of this study, the committee should review processes used in other states related to the analysis and reporting requirements for economic development programs.
4. Monitor implementation of SB 21 (83-R), which requires drug testing for unemployment insurance claimants. Investigate options to begin implementation of the rule without relying on U.S. Department of Labor regulations. Make recommendations to ensure that unemployment insurance claimants are actively seeking work and not using illegal drugs.





Executive Summary of Recommendations



Committee Charge 1:

Study current legislative and regulatory barriers that could impede capital investment, growth, and expansion of Texas businesses. Make recommendations for reducing barriers to entry for professions regulated by Texas Department of Licensing and Regulation, including deregulation, additional reciprocity, and credit for military service.

Recommendations:

1. Consolidate the Vehicle Product Protection Warrantor program into the Service Contract Providers program.
2. Clarify that the Vehicle Storage Facilities Act and the Booting Act do not apply to municipalities, educational institutions and other governmental entities that store or boot vehicles. Amend the Vehicle Towing, Booting and Storage Facilities Acts to remove duplicative provisions already regulated by federal and state laws – OSHA, federal and state transportation codes. Study the possibility of streamlining and refocusing the Vehicle Towing, Booting and Storage Facilities Acts to increase consumer protection elements and eliminate unnecessary business practice provisions.
3. Align the services that may be performed by Manicurist/Esthetician dual license holders with those performed by individual Manicurist license holders and Esthetician license holders.
4. Remove the unnecessary 90-day Texas residency requirement for applicants seeking a water well driller license.
5. Put money back in the pockets of consumers and not the coffers of the State, by amending Chapter 51, Occupations Code, to allow the agency to use a wider range of enforcement tools, including restitution and performance of corrective services in addition to assessing administrative penalties against a licensee that violates the law or rules. Evaluate the benefits of amending Chapter 51, Occupations Code, to allow the agency to develop alternative methods to document and verify applicants' experience requirements, as well as permit the agency to provide notice to our licensees by alternative methods such as email.
6. Change the four-year mandatory readmission requirement on Cosmetology Schools to a more reasonable 24 months or less for students who have withdrawn or were terminated. Amend 1603.351 to permit the Texas Commission of Licensing and Regulation to explore the creation of a pilot program allowing students to earn a portion of their practical hours under the Barber or Cosmetology curriculum through an agency-approved internship program.
7. Enhance the safety of elevators and escalators by providing the agency with quick response, or "Out of Public Use," authority for equipment that is not in compliance with key safety code provisions. This authority could eliminate the timely and costly process

of assessing fines and penalties to the business owner and provide a quicker path to remove dangerous elevators, escalators and other equipment from operation.

8. Review the statutes TDLR administers to identify changes that will eliminate unnecessary and burdensome provisions, leverage economies of scale, and create greater efficiencies.

Committee Charge 2:

Project and examine the costs and economic impact to Texas businesses in complying with the federal health care law. Make recommendations on options for state government intervention to reduce the negative impact of the federal health care law on Texas businesses.

Recommendations:

The Senate Committee on State Affairs was issued a substantially similar interim charge which, in part, asked the committee to study the federal health care law's "overall effect on Texas employers and insurance consumers," and to "evaluate free-market alternatives." The Committee on State Affairs held a public hearing and took testimony on the charge on September 15, 2014.

Due to the work done on the charge by the Committee on State Affairs, and in consultation with the Chairman and staff in the Office of the Lieutenant Governor, the committee will make no formal recommendations on Charge #2.

Committee Charge 3:

Study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely. As a part of this study, the committee should review processes used in other states related to the analysis and reporting requirements for economic development programs.

Recommendations:

1. Establish a set review and audit schedule in which the State Auditor's Office periodically examines the state's economic development and incentive programs. The structure of this review should be similar to the model used by the Sunset Advisory Commission for reviewing state agencies and programs.
2. The Legislature should set the time between scheduled audits at its discretion, but programs should be reviewed at a minimum of every six years. The Legislature should determine, at its discretion, which programs should be subject to periodic review but any schedule should include:
 - a. Economic development and incentive programs within the Office of the Governor, including specifically: the Enterprise Fund, the Emerging Technology Fund and the Texas Moving Image Industry Incentive Program.
 - b. Economic development, incentive and abatement programs within the office of the Comptroller of Public Accounts, including specifically: any and all Event Trust Fund programs, the Texas Economic Development Act (Chapter 313, Tax Code) and other programs as the legislature sees fit.

*** Please See Appendices A-C ***

Committee Charge 4:

Monitor implementation of SB 21 (83-R), which requires drug testing for unemployment insurance claimants. Investigate options to begin implementation of the rule without relying on U.S. Department of Labor regulations. Make recommendations to ensure that unemployment insurance claimants are actively seeking work and not using illegal drugs.

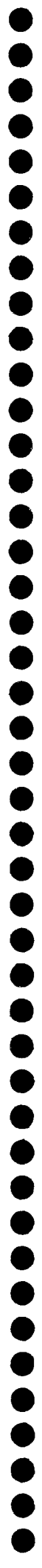
Recommendations:

1. Continue to monitor federal implementation of rules. If necessary, the State of Texas should make whatever legislative changes are necessary to ensure the full implementation of SB 21, (83-R).





Appendices





Appendix A





KIRK WATSON
STATE SENATOR
DISTRICT 14

COMMITTEES:
TRANSPORTATION
BUSINESS & COMMERCE
ECONOMIC DEVELOPMENT
HIGHER EDUCATION - VICE-CHAIR
NOMINATIONS

CAPITOL ADDRESS
P.O. Box 12068
ROOM E1.606
AUSTIN, TEXAS 78711
512/463-0114
FAX 512/463-5949

November 25, 2014

Senator Robert Deuell
P. O. Box 12068
Austin, TX 78711

Dear Chairman Deuell:

During the interim, the Senate Economic Development Committee was instructed to "study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely."

Our committee has not met since the State Auditor's Office released its scathing report on the Enterprise Fund in October. Nor have we had the opportunity to discuss the testimony from representatives of the Governor's Office who suggested prior to the auditor's report that the oversight was robust and dismissed questions related to alternative means of oversight.

In light of these developments, I respectfully ask that the committee's interim report include a recommendation to remove oversight of the state's main economic development funds from the Governor's Office. Moving oversight to the State Auditor's Office would instill the independence needed to restore public trust in the economic development programs.

I believe our state's economic development programs are valuable, but they must also be effective and accountable to the public. The Economic Development Committee has a responsibility to taxpayers to propose thoughtful solutions to ensure that accountability.

Please let me know if I can be of further assistance. Thank you for your leadership of this committee and your service to our great state.

Sincerely,

A handwritten signature in black ink that reads "Kirk Watson". The signature is written in a cursive, flowing style.

Kirk Watson





Appendix B





SENATE RESEARCH CENTER

April 4, 2014

TO: Hillery Stephens, Senate Committee on Economic Development

FROM: Kurt Ahlhorn, Jordan Deathe, Samm Osborn, and William Wright, Research Associates

SUBJECT: Analysis and Reporting Requirements for Economic Development Programs

You requested information regarding other states' analysis and reporting requirements for economic development programs. The following is submitted in response to that request.

Attached is a chart entitled *50-State Survey: Analysis and Reporting Requirements for State Economic Development Programs*. The background and supporting information upon which that chart is based is included below.

Alabama

According to Section 41.9.202 (Powers, duties, and functions of Department of Commerce), Code of Alabama, the Alabama Department of Commerce (ADC) is the principal staff agency of the executive branch that plans with the other departments of state government and with other governmental units for the comprehensive development of the state's human, economic and, physical resources and their relevance for programs administered by the state and the governmental structure required to put such programs into effect. ADC must provide information, assistance, and staff support by all appropriate means. ADC must perform all the duties and exercise all the powers and authority relative to state regional and local planning and industrial development previously vested in the Alabama Development Office.

ADC is authorized to:

- formulate a long-range state comprehensive plan, to be submitted by the governor to the legislature for its consideration;
- formulate, for approval by the governor and the legislature, long-range plans and policies for the orderly and coordinated growth of the state, including, but not limited to, functional plans;

- prepare special reports and make available the results of the agency's research, studies, and other activities through publications, memoranda, briefings, and expert testimony;
- analyze the quality and quantity of services required for the continued orderly and long-range growth of the state, taking into consideration the relationship of activities, capabilities, and future plans of local units of government, area commissions, development districts, private enterprise, and the state and federal governments;
- encourage the coordination of the planning and programming activities of all state departments, agencies, and institutions, local levels of government, and other public and private bodies within the state;
- advise and consult with regional, county, and local planning and development agencies;
- work with the state budget agency and other state departments, agencies, and institutions to study and review plans, programs, and federal aid applications filed with the federal government;
- survey, review, and appraise the accomplishments of state government in achieving its goals and objectives at the direction of the governor and in cooperation with the state budget agency;
- apply for and accept advances, loans, grants, contributions, and any other form of assistance from the federal government, the state or other public body, or from any sources, public or private, for the purposes of this article and to enter into and carry out contracts or agreements in connection therewith and to include in any contract for financial assistance with the federal government such conditions imposed pursuant to federal laws as it may deem reasonable and appropriate and which are not inconsistent with the purposes of this article;
- review and comment on all local and area-wide applications for federal planning assistance or to delegate such authority to a regional planning and development commission; and
- exercise all other powers necessary and proper for the discharge of its duties, including the promulgation of reasonable rules and regulations.

Section 41-5-14 (Periodic Examinations and Audits of State and County Offices, Departments, Boards, etc.), Code of Alabama 1975, requires that the books, records, vouchers, and accounts of every state and county office, officer, bureau, board, commission, corporation, institution,

department and agency be examined and audited at least once in every period of two years and more frequently or continuously if that is deemed necessary or desirable by the chief examiner of the Department of Examiners of Public Accounts.

Section 41-5-18 (Legislative Committee on Public Accounts - Established; Supervisory Agency; Membership; Chairman and Vice-Chairman; Election and Terms of Members; Filling of Vacancies), Code of Alabama 1975, creates a Legislative Committee on Public Accounts to exercise general supervision and control over the actions of the Chief Examiner and the Department of Examiners of Public Accounts.

The Legislative Committee on Public Accounts must have 12 members. Five members are required to be elected by the house of representatives from its membership and five members must be elected by the senate from its membership. The president of the senate is required to be a member of the committee and the chairman thereof. The speaker of the house of representatives is required to be a member of the committee and the vice-chairman thereof. Members of the committee must be elected at the first regular session of each legislature and hold office, as long as they remain legislators, until their successors are elected at the next regular session. Vacancies are filled by the remaining members of the committee from members of the house of representatives or the senate, depending upon in which representation the vacancy occurs, until the next session of the legislature, organizational, regular or special, at which time they are filled by the proper house.

Section 41-5-20 (Legislative Committee on Public Accounts - Reports), Code of Alabama 1975, requires the Legislative Committee on Public Accounts to report its findings and recommendations and concerning the work of the Department of Examiners of Public Accounts to the senate and house of representatives at each session of the legislature and to the governor.

Alaska

According to Section 24.20.151 (The Legislative Budget and Audit Committee), Alaska Statutes, the Legislative Budget and Audit Committee (LBAC) is a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for full-time technical assistance in accomplishing the fiscal analysis, budget review, and post-audit functions. The LBAC is responsible for:

- monitoring and reporting the performance of the agencies of the state that perform lending or investment functions; the extent to which the performance of these agencies has contributed to the fiscal, financial, economic, and social improvement of the state and its citizens; the extent to which these agencies and the executive have prepared and coordinated short-term and long-term economic, fiscal, investment, and financial planning;
- holding these agencies accountable to statutory intent in their performance by recommending, where appropriate, changes in policy to the agencies or changes in legislation to the legislature; and

- annually reviewing the extent of capitalization of the investment funds of the state and alternative investment policy for the general fund surplus and recommending needed legislation.

The LBAC has the power to:

- organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review, and post-audit functions;
- hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents, and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;
- require all state officials and agencies of state government to give full cooperation to the committee or its staff in assembling and furnishing requested information;
- review revenue projections, state agency appropriation requests, the expenditure of state funds, including the relationship between state agency program accomplishments and legislative intent, and the fiscal policies and procedures of state government;
- review and approve proposed changes to agency-authorized budgets;
- make recommendations concerning appropriations, their expenditure, and the fiscal policies and procedures of state government to the governor when appropriate, and to the legislature;
- prepare and distribute reports, memoranda, or other necessary materials;
- sue in the name of the legislature during the interim between sessions if authorized by majority vote of the full membership of the committee;
- make recommendations to the legislature and to agencies of the state that perform lending or investment functions concerning the structure and operating practices of the agencies;
- enter into and enforce all contracts necessary or desirable for the functions of the committee; and
- provide for annual post audits of the Alaska Housing Finance Corporation, the Alaska Aerospace Corporation, and the Alaska Industrial Development and Export Authority.

The LBAC may delegate the powers to the legislative fiscal analyst and the legislative auditor.

The LBAC is required to:

- annually review the long-range operating plans of all agencies of the state that perform lending or investment functions;
- review periodic reports from all agencies of the state that perform lending or investment functions;
- prepare a complete report of investment programs, plans, performance, and policies of all agencies of the state that perform lending or investment functions and notify the legislature on or before the first day of each regular session that the report is available;
- in conjunction with the finance committee of each house, recommend annually to the legislature the investment policy for the general fund surplus and for the income from the permanent fund;
- provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs;
- provide for an annual operational and performance evaluation of the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority; the performance evaluation must include, but is not limited to, a comparison of the effect on various sectors of the economy by public and private lending, the effect on resident and nonresident employment, the effect on real wages, and the effect on state and local operating and capital budgets of the programs of the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority; and
- provide assistance to the trustees of the trust in carrying out their duties.

Arizona

According to the Arizona Commerce Authority website (<http://www.azcommerce.com/about-us>), the Arizona Commerce Authority (ACA) is the economic development organization that oversees economic development in the state. Projects requiring approval pass through ACA, which determines performance standards and reviews reports from various businesses. The rules governing eligibility and public reporting requirements vary for programs. For small businesses, information such as what product or service will be offered, the marketing approach, and type of business are certain factors that are examined by ACA.

According to Section 41-1504 (Powers and duties; e-verify requirement), Arizona Revised Statutes, ACA is required to:

- assess and collect fees for processing applications and administering incentives. The board of directors of ACA shall adopt the manner of computing the amount of each fee to be assessed. Within thirty days after proposing fees for adoption, the chief executive officer must submit a schedule of the fees for review by the Joint Legislative Budget Committee. It is the intent of the legislature that a fee not exceed one per cent of the amount of the incentive;
- determine and collect registry fees for the administration of the allocation of federal tax exempt industrial development bonds and student loan bonds authorized by the authority. Such monies collected by ACA must be deposited, pursuant to Sections 35-146 (Deposit of receipts by budget units) and 35-147 (Treasurer's deposits; preparation and disposition), in an authority bond fund. Monies in the fund are to be used, subject to annual appropriation by the legislature, by the authority to administer the allocations provided in this paragraph and are exempt from the provisions of section 35-190 (Incurring obligations after close of fiscal year; lapsing appropriations; exceptions) relating to the lapsing of appropriations;
- determine and collect security deposits for the allocation, for the extension of allocations and for the difference between allocations and principal amounts of federal tax exempt industrial development bonds and student loan bonds authorized by ACA. Security deposits forfeited to ACA shall be deposited in the state general fund;
- at the direction of the board of directors of ACA, establish and supervise the operations of full-time or part-time offices in other states and foreign countries for the purpose of expanding direct investment and export trade opportunities for businesses and industries in this state if, based on objective research, the authority determines that the effort would be beneficial to the economy of this state;
- establish a program by which entrepreneurs become aware of permits, licenses or other authorizations needed to establish, expand or operate in this state; and
- be the state registration agency for apprenticeship functions prescribed by the federal government.

Arizona also utilizes the Arizona Competitiveness Package. To qualify for this program, a company will need to achieve certain performance measures, provide average wages above the county's average wage, and meet (or, comply with) other requirements similar to the existing Job Training

program. The Arizona Competes Fund will generate dollars for investment in business projects that stimulate and promote industries that provide stable, high-wage jobs. The program will be funded through increases in corporate income tax withholding, capped at \$25 million. An economic impact analysis by an independent third party will be conducted on all projects to determine potential return on investment benefits to the state. All are awarded with contractual provisions for performance and "claw-back" of funds for non-performing projects.

The Quality Jobs Tax Credit replaces Arizona's expiring Enterprise Zone Program for new job creation statewide. This tax credit is based on new job creation with discreet eligibility qualifications for urban and rural businesses.

Arkansas

According to the Arkansas Economic Development Commission website (<http://www.arkansasedc.com>), the New Markets Jobs Act of 2013 created a state New Market Tax Credit program to be administered by the Arkansas Economic Development Commission (AEDC). New market tax credits, against state premium tax liability, may be earned by corporations, limited liability companies, associations, partnerships, or other business entities that make qualified equity investments in qualified community development entities (QCDE) that invest capital and equity in eligible qualified active low-income community businesses.

A QCDE submits a completed application and requisite fees to AEDC seeking certification of an equity investment or long-term debt security for new market tax credits. Within 30 days after receipt of a completed application, AEDC grants or denies the application in full or in part. If any part of the application is denied, AEDC informs the applicant of the grounds for denial. If the application is denied as incomplete, and the applicant provides the additional information or documentation required by AEDC, or otherwise completes its application within 15 days of the notice of denial, the application is considered completed as of the original date of submission. If the applicant fails to provide the requested information or complete its application within the 15 day period, the application remains denied and must be resubmitted in full with a new submission date.

If AEDC determines that the application is complete and meets all application requirements, AEDC provides written notice to the applicant certifying that the proposed equity investment or long-term debt security is eligible for a New Market Tax Credit. Within 30 days of receiving the AEDC notice of certification, the QCDE or any transferee issues the qualified equity investment and receives cash in the amount certified by AEDC. The QCDE provides AEDC with:

- evidence of the receipt of the cash investment within ten business days after receipt;

- identifying information for each entity that will utilize the tax credits earned; and
- the allocation agreement between the QCDE and the equity investors setting out each investor's allocated share of total credits earned.

If the QCDE or any transferee does not receive the cash investment and issue the qualified equity investment within 30 days following receipt of the certification notice, the certification lapses, and qualified equity investments may not be issued without reapplying to AEDC for certification. For each qualified low-income community investment, and reinvestments whenever job creation and retention projections with respect to the initial investments were not met; the QCDE submits to AEDC an information summary sheet. AEDC will review the information summary sheet and issue a non-binding conditional letter to proceed to the QCDE acknowledging that the business meets the criteria established under the rules as set out in the Eligible Business Definition section, and the project is eligible to generate a stated dollar value amount of tax credits, subject to all the restrictions, terms and conditions set out herein. The conditional letter to proceed will not be an approval of the project, and will contain provisions that expressly exclude any legal opinion by AEDC as to SBA size criteria or US Treasury or IRS rules and qualifications.

Once AEDC has received:

- a) confirmation of closing, including documents evidencing that the project has been funded and that the 85 percent test has been met; and
- b) designation of the tax credit recipient(s) (i.e., the equity investor(s); use Federal IRS Form 8874) from the QCDE/Sub-QCDE, the AEDC will issue a premium tax credit certificate on paper for the appropriate amount in the name that are assigned by the QCDE/Sub-QCDE.

The tax credit will have identifying numbers to reflect the QCDE and Sub-QCDE, if applicable, and project identifier. AEDC will send the original certificate to the QCDE and copies to the Arkansas Department of Finance and Administration and the Arkansas Insurance Department.

A QCDE that issues a qualified equity investment under Section 15-4-3601 et seq. submits a report to the AEDC within five business days after the first anniversary of the initial credit allowance date and subsequent annual reports within five business days after each of the next six anniversaries of the credit allowance date thereafter.

Section 15-4-219 (Annual Report), Arkansas Code, requires AEDC to present a report annually on AEDC's work during the previous calendar year in these areas of concern:

- (1) An accounting of:

- a. each project that was offered incentives in the previous calendar year, including:
 - i. the number of jobs proposed by each project and the average hourly wage or annual salary for each project;
 - ii. for each job creation project that receives funds from the Economic Development Incentive Quick Action Closing Fund, an indication of whether each project contains a repayment requirement;
 - iii. each project that received funds from the Economic Development Incentive Quick Action Closing Fund.
 - iv. the location of each project; and
 - v. the elements of the AEDC's incentive packages that were used;
- b. each project that was offered incentives but that did not accept incentives, including without limitation:
 - i. an assessment of the reasons why each offered project failed to open; and
 - ii. any proposals the General Assembly should consider that would have assisted AEDC in its negotiations regarding each project;
- c. each factory and plant that closed in the previous calendar year, including without limitation:
 - i. the number of jobs lost as the result of the closure of each factory or plant;
 - ii. the location of each factory or plant that closed; and
 - iii. an assessment of the reasons for each factory or plant closing; and
- d. AEDC's strategies and recommendations for the coming year, including:
 - i. an assessment of the relative risk of loss of factories, plants, and jobs in the state; and
 - ii. plans for:
 - 1. preventing future closings of factories and plants;
 - 2. preventing future losses of jobs;
 - 3. increasing the number of economic development proposals within

the state;

4. drawing an increasing number of economic development proposals into the state; and

5. creating new incentives for economic development proposals; and

(2) The AEDC executive director's assessment of AEDC's performance, including a comparison to:

a. AEDC's performance over the past two years;

b. AEDC's own projections; and

c. economic development in neighboring states.

Section 15-4-220 (Audit of economic incentive programs), Arkansas Code, requires the Division of Legislative Audit to prepare annually a cost-benefit analysis of the projects in order to provide information to the General Assembly regarding the benefits of certain economic incentive programs.

This analysis is authorized to include:

(1) the dollar amount of incentives actually provided;

(2) the direct, indirect, and induced state tax benefits associated with each project, including:

a. Estimated tax revenues;

b. Full-time equivalent jobs created;

c. Wages; and

d. Investment; and

(3) The safeguards to protect noneconomic influences in the award of incentives.

This analysis is authorized to be conducted on a rotating basis. If the staff of the division is insufficient to conduct the scheduled analysis in a given year, the executive committee of the Legislative Joint Auditing Committee may establish the priority and number of projects that can be reasonably analyzed with the available resources for a particular year.

All records, data, and other information from whatever source that the legislative auditor deems necessary in the examination of the incentive programs must be made available to the division. The division and AEDC is required to enter into a memorandum of understanding concerning the need for common definitions and rules for evaluating economic incentive projects.

California

According to Section 12096.2, California Constitution, the Governor's Office of Business and Economic Development, also known as "GO-Biz," is established in state government within the governor's office. That section requires the office to be under the direct control of a director, who is responsible to the governor.

Section 12096.3, California Constitution, requires the governor to appoint the Director of the Governor's Office of Business and Economic Development who must perform all duties, exercise all powers, assume and discharge all responsibilities, and carry out and effect all purposes vested by law in the office, including contracting for professional or consultant services in connection with the work of the office.

According to Section 12096.3, California Constitution, GO-Biz is required to serve the governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. In this capacity, the office may:

- recommend to the governor and the legislature new state policies, programs, and actions, or amendments to existing programs, advance statewide economic goals and respond to emerging economic problems and opportunities, and ensure that all state policies and programs conform to the adopted state economic and business development goals;
- coordinate the development of policies and criteria to ensure that federal grants administered or directly expended by state government advance statewide economic goals and objectives;
- market the business and investment opportunities available in California by working in partnership with local, regional, federal, and other state public and private institutions to encourage business development and investment in the state;
- provide, including, but not limited to, all of the following:
 - economic and demographic data;
 - financial information to help link businesses with state and local public and private programs;

- workforce information, including, but not limited to, labor availability, training, and education programs;
 - transportation and infrastructure information;
 - assistance in obtaining state and local permits;
 - information on tax credits and other incentives; and
 - permitting, siting, and other regulatory information pertinent to business operations in the state.
- establish a well-advertised telephone number, an interactive Internet website, and an administrative structure that effectively supports the facilitation of business development and investment in the state;
 - encourage collaboration among research institutions, startup companies, local governments, venture capitalists, and economic development agencies to promote innovation;
 - in cooperation with the federal government, foster relationships with overseas entities to improve the state's image as a destination for business investment and expansion;
 - conduct research on the state's business climate, including, but not limited to, research on how the state can remain on the leading edge of innovation and emerging sectors; and
 - support small businesses by providing information about accessing capital, complying with regulations, and supporting state initiatives that support small business.

Section 11090, Government Code, requires the head of each state agency, on order of the governor, to make a report to the governor giving an account of all matters pertaining to the agency covering the period specified by the governor. The head of each state agency is required to make a written report of its activities to the governor at least biennially, a copy of which is required to be filed with the secretary of state. No biennial or annual reports of agency activities shall be printed without the approval of the Department of General Services.

Colorado

According to Holly Shrewsbury, communications manager and legislative liaison, Colorado Office of Economic Development and International Trade, all state agencies are required to report to the legislature annually. Most reports are due November 1 of each year, but some may be required to report on different dates. The Colorado Office of Economic Development and International Trade

(OEDIT) reports to the general assembly for review, as do any other economic development incentive programs or financing programs implemented by the general assembly.

The report outlines the activities of the Colorado Economic Development Commission (EDC). EDC is a sub-agency of OEDIT that is specifically responsible for administration of economic development programs in Colorado. The report details the activities of all economic development programs administered during the preceding year as well as a short description of any companies awarded incentives during that year. However, the report does not make any recommendations to the general assembly for improving the efficiency or transparency of economic development programs in Colorado.

In 2010, Colorado passed the State Measurements for Accountable Responsive & Transparent Government Act (SMART Act). The SMART Act requires that certain government agencies, including OEDIT, be subject to annual performance audits by the Office of the State Auditor (OSA). OSA presents its findings to the Legislative Audit Committee. Information from the performance review of OEDIT by OSA is used by the Colorado Office of State Planning and Budgeting (OSPB) to make recommendations for modifications to agencies' budgets. Those budgets are submitted by OEDIT to the Joint Budget Committee for consideration, and OEDIT's regulatory agenda is submitted to the Joint Business Committee and the general assembly for consideration.

The performance review of OEDIT by OSA is statutorily required to:

- be indexed to a baseline;
- specify the period over which successful performance is to be measured; and
- be reasonably understandable to the public; and
- should be developed with the input of employees and any certified employee organizations.

Connecticut

Section 32-1m (Annual Report re Activities of Department of Economic and Community Development), Connecticut Statutes, requires the commissioner of economic and community development (commissioner) to submit an annual report to the governor and the General Assembly. The commissioner is required to post the report on the website of the Department of Economic and Community Development not later than 30 days after submission to the governor. The report must include, but is not limited to, the following information with regard to the activities of the department during the preceding state fiscal year:

- (1) A brief description and assessment of the state's economy during such year, utilizing the most recent and reasonably available data, and including:
 - a. Connecticut employment by industry;

- b. Connecticut and national average unemployment;
 - c. Connecticut gross state product, by industry;
 - d. Connecticut productivity, by industry, compared to the national average;
 - e. Connecticut manufacturing activity;
 - f. Identification of economic and competitive conditions affecting Connecticut's industry sectors, problems resulting from these conditions and state efforts to address the problems;
 - g. A brief summary of Connecticut's competitiveness as a place for business, which shall include, but not be limited to, an evaluation of:
 - i. how the programs and policies of state government affect the state economy and state business environment;
 - ii. the ability of the state to retain and attract businesses;
 - iii. the steps taken by other states to improve the competitiveness of such states as places for business; and
 - iv. programs and policies the state could implement to improve the competitiveness of the state in order to encourage economic growth; and
 - h. Any other economic information that the commissioner deems appropriate.
- (2) A statement of the department's economic and community development objectives, measures of program success and standards for granting financial and nonfinancial assistance under programs administered by the department.
- (3) An analysis of the economic development portfolio of the department, including:
- a. A list of the names, addresses and locations of all recipients of the department's assistance; and
 - b. The following information concerning each recipient of such assistance:
 - i. business incentives;
 - ii. standard industrial classification codes or North American industrial classification codes;
 - iii. number of full-time jobs and part-time jobs at the time of application;

- iv. number of actual full-time jobs and actual part-time jobs during the preceding state fiscal year;
 - v. whether the recipient is a minority or woman-owned business;
 - vi. a summary of the terms and conditions for the assistance, including the type and amount of state financial assistance, job creation or retention requirements and anticipated wage rates;
 - vii. the amount of investments from private and other nonstate sources that have been leveraged by the assistance;
 - viii. the extent to which employees of the recipient participate in health benefit plans offered by such recipient;
 - ix. the extent to which the recipient offers unique economic, social, cultural or aesthetic attributes to the municipality in which the recipient is located or to the state; and
 - x. the amount of state investment; and
- c. A portfolio analysis, including:
- i. an analysis of the wages paid by recipients of financial assistance;
 - ii. the average portfolio wage, median portfolio wage, highest and lowest portfolio wage;
 - iii. portfolio wage data by industry; and
 - iv. portfolio wage data by municipality; and
- d. An investment analysis, including:
- i. total portfolio value;
 - ii. total investment by industry;
 - iii. portfolio dollar per job average;
 - iv. portfolio leverage ratio; and
 - v. percentage of financial assistance which was provided to high performance work organizations in the preceding state fiscal year; and
- e. An analysis of the estimated economic effects of the department's economic development investments on the state's economy, including:

- i. contribution to gross state product for the total economic development portfolio and for any investment activity occurring in the preceding state fiscal year;
- v. direct and indirect employment created by the investments for the total portfolio and for any investment activity occurring in the preceding state fiscal year;
- ii. productivity of recipients of financial assistance as a result of the department's investment occurring in the preceding state fiscal year;
- vi. directly or indirectly increased property values in the municipalities in which the recipients of assistance are located; and
- vii. personal income.

(4) An analysis of the community development portfolio of the department, including:

- a. A list of the names, addresses and locations of all recipients of the department's assistance;
- b. The following information concerning each recipient of such assistance:
 - iii. the amount of state investment,
 - iv. a summary of the terms and conditions for the department's assistance, including the type and amount of state financial assistance, and
 - v. the amount of investments from private and other nonstate sources that have been leveraged by such assistance; and
- c. An investment analysis, including:
 - i. total active portfolio value,
 - ii. total investments made in the preceding state fiscal year,
 - iii. total portfolio by municipality,
 - iv. total investments made in the preceding state fiscal year categorized by municipality,
 - v. total portfolio leverage ratio, and
 - vi. leverage ratio of the total investments made in the preceding state fiscal year; and

- d. An analysis of the estimated economic effects of the department's economic development investments on the state's economy, including:
 - i. contribution to gross state product for the total portfolio and for any investment activity occurring in the preceding state fiscal year;
 - ii. direct and indirect employment created by the investments for the total portfolio and for any investment activity occurring in the preceding state fiscal year;
 - iii. productivity of recipients of financial assistance as a result of the department's investment occurring in the preceding state fiscal year;
 - iv. directly or indirectly increased property values in the municipalities in which the recipients are located; and
 - v. personal income.
- (5) A summary of the department's economic and community development marketing efforts in the preceding state fiscal year, a summary of the department's business recruitment strategies and activities in such year, and a summary of the department's efforts to assist small businesses and minority business enterprises in such year.
- (6) A summary of the department's international trade efforts in the preceding state fiscal year, and, to the extent possible, a summary of foreign direct investment that occurred in the state in such year.
- (7) Identification of existing economic clusters, the formation of new economic clusters, the measures taken by the commissioner during the preceding state fiscal year to encourage the growth of economic clusters and the amount of bond funds expended by the department during the previous fiscal year on each economic cluster.

According to Michael Lattieri, community development director, Connecticut Department of Economic and Community Development, the review and analysis of individual economic development programs in Connecticut is not coordinated by a single governmental entity. However, as economic development programs are established, they may be required to report to an appropriate legislative committee.

Economic development programs are required to be revenue neutral and are often subject to results-based accountability review that are designed for the specific program, but there exists no common standard of effectiveness that is applied to economic development programs in Connecticut. The frequency with which economic development programs are to report on its effectiveness is determined at the time the program is established.

Delaware

According to Bernice Whaley, deputy director, Delaware Economic Development Office, entities (businesses) applying for financial assistance and entities that have received financial assistance report to the Delaware Economic Development Office (DEDO). These businesses are required to submit financial statements, employment reports, and capital expenditure reports on a case-by-case basis.

Delaware uses estimated tax revenue and IMPLAN analysis to evaluate business plans. IMPLAN provides economic analysis data and tools for customer states of every expertise level. IMPLAN provides data and tools that help businesses and local governments create accurate economic impact studies quickly. IMPLAN began creating economic impact modeling data in 1976. Since then, IMPLAN has provided data to help government agencies and businesses conduct studies and make decisions. More information on IMPLAN can be found online at <http://implan.com>.

Businesses are required to report to DEDO on a case-by-case basis at least annually and some as often as quarterly. Grants are measured by employment performance and loans are measured by repayment. Employment performance on grants is measured upon disbursement request, annually and at maturation.

Section 5016 (Reports), Chapter 50 (State Economic Development), Title 29 (State Government), Delaware Code, requires DEDO to submit an annual report to the governor and the General Assembly on or before October 15 of each year. This report must contain summaries of important accomplishments of DEDO and summaries of the work of the Council on Development Finance and of the Tourism Advisory Board.

DEDO must also submit special reports upon the request of the governor, the general assembly, the Council on Development Finance or the Tourism Advisory Board or, at the discretion of the director of DEDO, of those aspects of DEDO's work that may be deemed of current interest. Copies of all reports must be made available for general distribution or sale.

Florida

Under Section 20.60 (Department of Economic Opportunity; creation; powers and duties), Chapter 20 (Organization Structure), Florida Statutes, the Department of Economic Opportunity (DEO) includes the following divisions:

- Strategic Business Development,
- Community Development,
- Workforce Services,
- Finance and Administration, and
- Information Technology.

The purpose of DEO is to assist the governor in working with the legislature, state agencies, business leaders, and economic development professionals to formulate and implement coherent and consistent policies and strategies designed to promote economic opportunities.

DEO is charged with ensuring that the state's goals and policies relating to economic development, workforce development, community planning and development, and affordable housing are fully integrated with appropriate implementation strategies.

DEO must manage the activities of public-private partnerships and state agencies in order to avoid duplication and promote coordinated and consistent implementation of programs in areas including, but not limited to, tourism; international trade and investment; business recruitment, creation, retention, and expansion; minority and small business development; rural community development; commercialization of products, services, or ideas developed in public universities or other public institutions; and the development and promotion of professional and amateur sporting events.

The Division of Strategic Business Development is required to:

- Develop measurement protocols for the state incentive programs and for the contracted entities which will be used to determine their performance and competitive value to the state. Performance measures, benchmarks, and sanctions must be developed in consultation with the legislative appropriations committees and the appropriate substantive committees, and are subject to the review and approval process provided in Chapter 261.177 (Appropriations acts, statement of intent, violation, notice, review and objection procedures), Florida Statutes. The approved performance measures, standards, and sanctions must be included and made a part of the strategic plan for contracts entered into for delivery of authorized programs.
- Develop a five-year statewide strategic plan, to be updated every five years. All other divisions are required to assist in the development of the five-year strategic plan.

DEO, with assistance from Enterprise Florida, Inc., is required to submit an annual report to the governor, the president of the senate, and the speaker of the house of representatives on the condition of the business climate and economic development in the state. The report must include the identification of problems and a prioritized list of recommendations and include annual reports of other programs, including:

- the displaced homemaker program;
- information provided by the Department of Revenue;
- information provided by enterprise zone development agencies and an analysis of the activities and accomplishments of each enterprise zone;
- the Economic Gardening Business Loan Pilot Program;
- the Economic Gardening Technical Assistance Pilot Program;

- a detailed report of the performance of the Black Business Loan Program and a cumulative summary of quarterly report data; and
- the Rural Economic Development Initiative.

DEO is required to establish annual performance standards for Enterprise Florida, Inc., Workforce Florida, Inc., the Florida Tourism Industry Marketing Corporation, and Space Florida and report annually on how these performance measures are being met in the annual report.

Georgia

Chapter 9 (Geo. L. Smith II Georgia World Congress Center), Title 10 (Commerce and Trade), Georgia Code, transfers the duties of the Department of Economic Development to the OneGeorgia Authority (authority).

According to Chapter 34 (OneGeorgia Authority), Title 50 (State Government), Georgia Code, the authority is required to facilitate economic development for enterprises throughout the state.

The authority uses the EDGE accountability agreement, which was established to insure that public benefit will be derived from EDGE incentives granted to local governments for businesses that locate or expand within the state. As such, the agreement provides for:

- each business assisted with EDGE financial assistance to be accountable for the delivery of appropriate public benefits that include private capital investment as well as a specific number of jobs to be created or retained;
- a standard clawback agreement to be executed between the local development authority and the business, that will be assigned without recourse to the authority for EDGE awards;
- benefits to be measured as an average of the percentages of the actual number of full time equivalent jobs created or retained (as applicable) and actual private capital invested;
- each assisted business to deliver at least 70 percent of the committed benefits within an established performance period which will generally end 24 months after the completion of the funded activity (as with current protocols, extensions of the performance period will be granted for good cause); and
- businesses that deliver less than 70 percent of their committed public benefits will be subject to a prorated repayment requirement.

According to the authority, a benefit analysis, where appropriate, may help to supplement and support the projected economic impacts identified by an applicant for EDGE funds. The analysis helps the applicant and the authority weigh the relative costs and benefits of the project.

Section 50-34-17 (OneGeorgia Authority Overview Committee Established; Duties), Georgia Code, provides that the OneGeorgia Authority Overview Committee (committee) is composed of:

- one member of the House of Representatives to be appointed by the Speaker of the House of Representatives;
- one member of the Senate to be appointed by the President of the Senate;
- the director of the Senate Budget Office or his or her designee;
- the director of the House Budget Office or his or her designee; and
- two members of the General Assembly to be appointed by the Governor.

The legislative members serve for terms as members of the committee concurrent with their terms of office as members of the General Assembly.

The Speaker of the House of Representatives must designate one of the members appointed by the Speaker as chairperson of the committee. The President of the Senate must designate one of the members appointed by the President of the Senate as vice chairperson of the committee. The members designated as chairperson and vice chairperson serve for terms as such officers concurrent with their terms as members of the committee.

The committee is required to periodically inquire into and review the operations, contracts, safety, financing, organization, and structure of the OneGeorgia Authority, as well as periodically review and evaluate the success with which said authority is accomplishing its legislatively created purposes.

Section 50-6-3 (Department to Audit All State Institutions; Other Auditing Agencies Not Authorized), Georgia Code, requires the Department of Audits and Accounts (department) to audit all state institutions.

Section 50-6-4 (Special Examinations, Audits, and Vulnerability Assessments), Georgia Code, provides that the governor, the Appropriations Committee of the House of Representatives, or the Appropriations Committee of the Senate have the right and authority to direct and require the state auditor to make a special examination into and audit of all the books, records, accounts, vouchers, warrants, bills, and other papers, records, financial transactions, and management of any department, institution, agency, commission, bureau, authority, or office of the state at any time.

The state auditor is authorized to conduct special examinations and audits which are, without limitation, financial audits (including financial related audits and financial statement audits), compliance audits, performance audits, and vulnerability assessments or reviews.

Section 50-6-23 (Cooperation With Appropriations Committees), Georgia Code, requires the state auditor to cooperate with and to furnish all information requested by the appropriations committees of the General Assembly.

Section 50-6-24 (Duties and Powers Generally), Georgia Code, provides that the duties and powers

of the state auditor are:

- to examine thoroughly all financial transactions of all the state departments, institutions, agencies, commissions, bureaus, authorities, and officers and to keep such accounting records as are necessary to provide and maintain a current check upon the fiscal affairs and transactions of all state departments, institutions, agencies, et cetera.;
- to examine and audit thoroughly, at least once a year and more frequently if possible, each and all of the books, records, accounts, vouchers, warrants, bills, and all other papers and records of each and every department, institution, agency, commission, bureau, authority, and officer of the state which or who receives funds from the state or which is maintained in whole or in part by public funds, fees, or commissions. Upon the completion of each audit the state auditor shall prepare a complete report of the same in triplicate, one copy of which must be filed with the official in charge of the department, institution, et cetera, so examined, one copy of which must be transmitted to the Governor, and the third copy of which must be filed in the office of the state auditor as a permanent record and for the use of the press of the state. In any such report, the state auditor must call special attention to any illegal, improper, or unnecessary expenditures; all failures to keep records and vouchers required by the law; and all inaccuracies, irregularities, and shortages and must make specific recommendations for the future avoidance of the same;
- to prepare annual and, whenever required, special reports to the Governor and the General Assembly showing the general financial operation and management of each state department, institution, agency, commission, authority, and bureau; showing whether or not the same is being handled in an efficient and economical manner; and calling special attention to any excessive cost of operation or maintenance, any excessive expense, and any excessive price paid for goods, supplies, or labor by any such department, institution, agency, et cetera.; and
- to make special examination into and report of the place and manner in which the funds of the state are kept by the several departments, institutions, agencies, commissions, bureaus, authorities, and officers after the same have been drawn from the state treasury or after the same have been collected and to report who has possession of the same or where the same are deposited, whether the same draw interest, the rate of interest, and whether the same are properly protected by bond, provided that this chapter shall not be construed so as to authorize the state auditor to remove or in any way interfere with any funds so deposited.

Hawaii

Section 40-2 (Accounting Systems and Internal control; Enforcing the Use of and Inspection of The Same), Hawaii Revised Statutes, requires the departments and agencies of the executive branch to be charged with the responsibility to maintain an adequate system of internal control and with the further responsibility to see that the internal control system continues to function effectively as designed. The comptroller must make such investigations and audits from time to time to enforce the use of the accounting system and internal control systems in the executive branch.

Section 40-4 (Publication of Statements), Hawaii Revised Statutes, requires the Comptroller of Public Accounts of the State of Hawaii (comptroller) to report to the governor, at the conclusion of each fiscal year, a statement of income and expenditure by funds, showing the principal sources of revenue, the function or purpose for which expenditures were made, together with a consolidated statement showing similar information for all funds. The comptroller must also present a statement showing the balance in each fund at the beginning of the fiscal year, plus the receipts, minus the disbursements, and the balance on hand at the close of the fiscal year after deducting outstanding warrants and vouchers.

Section 40-5 (Annual Reports), Hawaii Revised Statutes, requires the comptroller to make an annual report to the governor and to the legislature. The comptroller may, in the comptroller's yearly report, or in any special report which the comptroller may at any time think fit to make, recommend any plans and suggestions that the comptroller may think fit or worthy of adoption for the better collection, custody, and payment of the public moneys and the more economical auditing and examining of the public accounts, and any improvements in the mode of keeping these accounts that may at any time be brought to the comptroller's notice, and generally report upon all matters relating to public accounts.

Section 23-4 (Duties), Hawaii Revised Statutes, requires the state auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the state and its political subdivisions. The postaudits and all examinations to discover evidence of any unauthorized, illegal, irregular, improper, or unsafe handling or expenditure of state funds or other improper practice of financial administration shall be conducted at least once in every two years after the close of a fiscal year, and at any other time or times during the fiscal year as the auditor deems necessary or as may be required by the legislature for the purpose of certifying to the accuracy of all financial statements issued by the respective accounting officers and of determining the validity of expenditures of state or public funds.

Each department, office, or agency of the State or political subdivision thereof that is the subject of an audit performed pursuant to this chapter must provide updates on its progress in implementing the recommendations made by the auditor, at intervals prescribed by the auditor. The auditor, in conducting postaudits, to the extent practicable and applicable to the audit scope and objectives, shall review and assess the audited agency's rules.

Section 23-7.5 (Audit Recommendations; Annual Report), Hawaii Revised Statutes, requires the state auditor to submit a report to the legislature of each audit recommendation the auditor has made that is more than one year old and that has not been implemented by the audited agency not later than twenty days prior to the regular session of 2009, and each regular session thereafter. The report is required to clearly identify:

- the state agency audited;
- the audit title and number that contained the recommendation;
- a brief description of the recommendation;

- the date that the audit was issued; and
- the most recent explanation provided by the agency to the auditor on the status of the recommendation.

Any agency that is notified by the auditor that it has not implemented a recommendation made pursuant to this chapter more than one year prior must submit a written report to the auditor, the president of the senate, and the speaker of the house of representatives not later than thirty days after the notification explaining why the audit recommendation was not implemented and the estimated date of implementation of the recommendation.

Section 23-9 (Reports), Hawaii Revised Statutes, requires the state auditor, at each regular session, to submit a report to the legislature of the audits and examinations conducted by the auditor for the immediately preceding fiscal year and all other audits and examinations conducted by the auditor during the current fiscal year, together with findings and recommendations relative to the expenditures made and financial transactions had by the departments, offices, and agencies of the state and its political subdivisions. Reports may also be submitted to the legislative council or any legislative interim committee then in existence. Certified copies of all audits and examinations made by the auditor must be sent to the governor and the director of finance. All reports are to be made available for public inspection.

Idaho

Section 67-702 (Audit Function of the Legislative Services Office), Idaho Statutes, provides that the Legislative Services Office, at the direction of the Legislative Council, has the authority to:

- Perform an annual audit of the statewide annual financial report prepared by the state controller in accordance with generally accepted government auditing standards.
- Perform an annual audit of federal financial assistance provided to the state that meets the requirements established by the federal government.
- Perform a management review of each executive department of state government at least once in a three-year period. Management reviews must cover the period since the last review and may include evaluation of internal controls over financial and program activities and other matters related to the department's operations.
- Provide audit services to any unit of state government or public institution that requests services, if authorized by the legislative council.
- Report to the attorney general all facts which may indicate malfeasance, illegal expenditure of public funds or misappropriation of public funds or public property for such investigation or action, civil or criminal, as the attorney general may deem necessary. The governor and state controller shall also be notified when the report is made to the attorney general pursuant

to this subsection. The legislature must be informed through the regular audit process.

- Be the official repository of all audit reports of the state and political subdivisions that are required to be audited.

Section 67-703 (Budget and Policy Analysis--Function of Legislative Services Office), Idaho Statutes, provides that the Legislative Services Office at the direction of the Legislative Council has authority to:

- provide the legislature with research and analysis of current and projected state revenue, state expenditure and state tax expenditures;
- review and evaluate requests for appropriations, including proposed plans and policies related to such requests, and make recommendations to the joint finance-appropriations committee and the legislature in relation thereto;
- have access, with or without prior notice, during regular operating hours to any records or other documents maintained by any state agency relating to their expenditures, revenues, operations, and structure;
- conduct research on matters of economic and fiscal policy and report to the legislature on the result of the research;
- provide economic reports and studies on the state of the state's economy, including trends and forecasts for consideration by the legislature;
- conduct budget and tax studies and provide general fiscal and budgetary information;
- review and make recommendations on the operation of state programs in order to appraise the implementation of state laws regarding the expenditure of funds and to recommend means of improving their efficiency;
- recommend to the legislature changes in the mix of revenue sources for programs, in the percentage of state expenditures devoted to major programs, and in the role of the legislature in overseeing state government expenditures and revenue projections; and
- conduct studies of state and local finances, analyzing and making recommendations to the legislature on issues including levels of state support for political subdivisions, basic levels of local need, balances of local revenues and options, relationship of local taxes to individuals' abilities to pay and financial reporting by political subdivisions.

Section 67-4736 (Annual Report by Director), Idaho Statutes, requires the director of the Department of Commerce (director) (department) to annually publish a report regarding the state of the Idaho Opportunity Fund and cause the same to be made available to the public. The report must contain information on the commitment of funds, disbursement and use of funds, the number of jobs

committed and created, the total capital expenditures resulting from grant funds, and the median wage of total jobs created as result of grant funds distributed in the prior year.

The report is due no later than the last day of September each year. The director is required to also provide such report to the governor and the Joint Finance-Appropriations Committee during each regular session of the Idaho Legislature. In addition, the director must provide reports on the grant activity and performance to the Economic Advisory Council on a quarterly basis during the year.

Section 67-4704 (Economic Advisory Council--Appointment of Members--Qualifications), Idaho Statutes, requires the economic advisory council to advise the department in the preparation and execution of plans, projects and programs in the furtherance of its powers and duties. The director must consult, confer and advise with the Economic Advisory Council in connection with all decisions concerning the administration and development of such plans, projects and programs. The approval of the Economic Advisory Council must be a condition precedent to the undertaking of action in the implementation of such plans, projects and programs by the department. The Economic Advisory Council must consist of seven persons, who are to be appointed by and serve at the pleasure of the governor, and who serve for three-year terms. One person shall be appointed to represent each of the six planning regions of the state, and one member must serve in a statewide capacity. No more than four members of the Economic Advisory Council shall be from any one political party.

Illinois

Under the Fiscal Control and Internal Auditing Act, Section 2001 (30 ILCS 10/2001) (from Ch. 15, par. 2001), Illinois Compiled Statutes, each state agency is required to maintain a full-time program of internal auditing. The chief executive officer of a state agency is not relieved from the responsibility for maintaining an effective internal control system merely because that state agency is not designated and required to have a full-time program of internal auditing under this Act. Agencies that do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services.

The Legislative Audit Commission Act, Section 1 (25 ILCS 150/1) (from Ch. 63, par. 104), Illinois Compiled Statutes, requires the Legislative Audit Commission (commission) to ascertain facts, review reports and take action thereon, and make recommendations and reports to the General Assembly and to the houses thereof concerning the audit, revenues and expenditures of the State, its departments, subdivisions, and agencies whether created by the Constitution or otherwise, and such related matters as may be directed by the Joint Committee on Legislative Support Services.

Section 3 (25 ILCS 150/3) (from Ch. 63, par. 106), Illinois Compiled Statutes, requires the commission to receive the reports of the auditor general and other financial statements and to determine what remedial measures, if any, are needed, and whether special studies and investigations are necessary. The commission may direct the auditor general to undertake such studies or investigations if the commission deems such studies and investigations to be necessary.

When a disagreement between the commission and an agency under the governor's jurisdiction arises in the process of the commission's review of audit reports relating to such agency, the commission

must promptly advise the governor of such areas of disagreement. The governor must respond to the commission within a reasonable period of time, and in no event later than 60 days, expressing his views concerning such areas of disagreement and indicating the corrective action taken by his office with reference thereto or, if no action is taken, indicating the reasons therefor.

The commission must also promptly advise all other responsible officials of the executive, judicial, and legislative branches of the state government of areas of disagreement arising in the process of the commission's review of their respective audit reports. With reference to his particular office, each such responsible official must respond to the commission within a reasonable period of time, and in no event later than 60 days, expressing his view concerning such areas of disagreement and indicating the corrective action taken with reference thereto or stating the reasons that no action has been taken.

The commission shall report its activities to the General Assembly, including such remedial measures as it deems to be necessary. The report of the commission must be made to the General Assembly not less often than annually and not later than March 1 in each year.

The requirement for reporting to the General Assembly shall be satisfied by filing copies of the report with the Speaker of the House of Representatives, the Minority Leader, and the Clerk of the House of Representatives; the President of the Senate, the Minority Leader, and the Secretary of the Senate; the Legislative Research Unit; and the State Government Report Distribution Center for the General Assembly.

Indiana

According to Garth Brazelton, director, Operations and Business Systems, Indiana Economic Development Corporation, recipients of Indiana's performance-based tax credits or grants are required to submit data annually to the Indiana Economic Development Corporation (IEDC) per their contracts. All performance data is submitted to the Business Account Management and Incentives team, which is part of the IEDC.

At its core, all businesses with current incentive contracts are required to submit employment and payroll data in the form of a spreadsheet containing line-item information on residency, hourly wage, payroll, tax withholdings, hire dates, and separation date for each full-time employee. In the case of the capital investment tax credit, additional line-item information is provided for every invoiced or expensed investment made. For training grants, similar line-item information is required in order to gauge the types and timing of training being expensed, as well as summary data regarding the number of employees trained. In addition to required reports reviewed in-house, IEDC maintains a field-monitoring group who schedules on-site company visits as needed to substantiate any reports received by IEDC.

Prior to contracts being signed between a company and IEDC, all business projects are run through Indiana's standardized cost-benefit model to ensure the sound use of incentives provided by IEDC. Because tax credits and grants are not provided until the associated program is initiated (e.g., payroll tax credit is not provided until payroll is created, investment tax credit is not provided until the investment is made, and a training grant is not paid until after training occurs), IEDC's economic

risks are minimized. In addition, a contractual compliance team reviews any business closings or exits from the state that might violate the terms of a contract held between the state and the business.

In cases such as these, recovery of incentives may be an option. IEDC will work in conjunction with the state Department of Revenue to investigate available options when attempting to recover incentives. This depends on the type of incentives provided for a given project. Most projects are required to report to IEDC for up to 12 years but this requirement is variable dependent upon which incentives are provided for a given project. IEDC reports to the legislature annually for the Economic Incentive and Compliance Report.

Iowa

According to Anita Lemons, administrative assistant, Iowa Department of Economic Development, the Iowa Economic Development Authority (IEDA) is the state of Iowa's agency dedicated to economic development efforts. Each year IEDA is required by the Iowa Code to report on its programs and their effects during the course of the year. Reports are provided to the governor and the legislature.

The report is required to list qualifying businesses that have received assistance, jobs created, capital invested, and wages paid for all incented jobs. This information is required to be provided for any direct financial assistance or tax credit programs that IEDA administers.

IEDA operates incentive programs "on the front end." There is much program administration that happens before a company is ever allowed to claim incentives. Iowa's incentive programs are designed by the legislature to require implementation of a multi-step process that includes a project eligibility assessment, a financial need assessment, an incentive negotiation, a discretionary award from the IEDA board, a contract term negotiation, a compliance period, a project maintenance period, and a project closeout process. If a project does not achieve the requirements contained in the contract, there is a default procedure that can include the recapture of tax incentives and, in the case of loan-based assistance, the foreclosure of securitized assets.

IEDA is required to provide its report to the legislature once a year. A report on performance is due annually. In addition, the legislature reviews all tax expenditures on a rolling basis annually.

Kansas

According to Christine Clark, audit manager, Legislative Division of Post Audit (LDPA), the Kansas Department of Commerce (KDC) is required to submit an annual report to the legislature on KDC's Promoting Employment Across Kansas (PEAK), and Job Creation Program Fund (JCF) programs. Specifically, Section 74-50,216 (Annual Report), Kansas Statutes Annotated, says the PEAK annual report should be provided to the governor, the Senate Committee on Assessment and Taxation, the Senate Committee on Commerce, the House Committee on Taxation and Economic Development, the House Committee on Tourism, and the Joint Committee on Economic Development. Section 74-50,224 (Job Creation Program Fund; Expenditures; Purposes; Annual Report), Kansas Statutes Annotated, requires a report on JCF to be submitted in January of each year

to the president of the senate, the speaker of the house, the senate minority leader, the house minority leader, the House Committee on Taxation, the Senate Committee on Assessment and Taxation, the Senate Committee on Commerce, and the House Committee on Commerce and Economic Development. Similar reporting requirements existed for two programs, Investments in Major Projects and Comprehensive Training (IMPACT) and Kansas Economic Opportunity Initiatives Fund (KEOIF), which have since been eliminated.

The Kansas Department of Revenue processes several tax credits and sales tax exemptions related to economic development. Per Section 74-99b35 (Income Tax Credit and Sales Tax Exemption Cost Effectiveness; Annual Report to Legislature), Kansas Statutes Annotated, the department must produce an annual tax credit effectiveness report to the House Committee on Taxation and Economic Development and Senate Committee on Assessment and Taxation. The report was not necessarily comprehensive of all tax credits that could be considered economic development (e.g., the Angel Tax Credit was not included).

According to Clark, these reports are used for information, usage, and accountability rather than for analysis. The annual PEAK report includes, among other things, information such as the types of companies that qualified for the program, their location, number of new employees hired, wages paid, and an estimate of the multiplier effect on the Kansas economy.

Kansas used ad hoc legislative audits or contracted private audits for effectiveness analyses of KDC economic development programs. Kansas does not require routine reporting. Auditors gather any needed data on their own, based for the most part on available records at the audited agency, such as the departments of commerce or revenue.

LDPA is currently conducting a three-part economic development audit. The last audit, a comprehensive review of tax credits and exemptions, was released in three parts in early 2010. KDC contracted with the Docking Institute at Fort Hays State University to review the PEAK program within this past year.

Kentucky

According to Section 154.10-010 (Kentucky Economic Development Partnership--Membership--Vacancies--Meetings), Kentucky Revised Statutes, the Kentucky Economic Development Partnership (KEDP) is a board governing the Cabinet for Economic Development (cabinet), performing essential governmental and public functions and purposes essential to improving and promoting the health and general welfare of the people of the commonwealth through sustainable economic development.

KEDP establishes objective benchmarks to measure the performance of Kentucky's economy and progress toward achievement of the mission statement, goals, and guiding principles. Criteria used in establishing the benchmarks must include, but not be limited to:

- use of the statistical information commonly provided by governmental agencies, or specific data gathered by authorization of KEDP;

- comparison of regions and areas within the commonwealth;
- comparisons of Kentucky to other states, the nation, and international areas;
- inclusion of measures of income, earnings, and employment; and
- goals for achievement of appropriate levels over time.

Examples of appropriate benchmarks include, but are not limited to:

- Kentucky's gross state product as compared with the Midwestern and Southeastern states and the United States gross national product;
- personal income data used to compare Kentucky to national income and an average of benchmark states;
- wage and salary growth compared by counties, regions, and states; and
- earnings-weighted job indices to compare metropolitan areas, rural areas, and other subdivisions of the commonwealth.

The University of Kentucky, Center for Business and Economic Research, and the University of Louisville, Bureau of Economic Research, are required annually to prepare jointly and submit to the governor, the general assembly, and KEDP a report detailing and grading Kentucky's progress with regard to each benchmark. KEDP is required to publish the report and make it available to the public at no cost.

KDEP is required to evaluate the effectiveness of established implementation activities and conduct periodic evaluations of projects funded or otherwise assisted by the cabinet to determine the return on cabinet investments and to ensure compliance with commitments made as conditions of cabinet investment. Results of the evaluations shall be reported to KDEP, the general assembly, and the public.

KDEP may retain outside independent agencies to evaluate the effectiveness of economic development programs and systems and to certify the results of reports.

Louisiana

Section 935.1 (Unified Economic Development Budget Report), Title 51 (Trade and Commerce), Louisiana Revised Statutes, requires the Louisiana Department of Economic Development (LED) to issue an annual unified economic development budget report which shall be submitted to the governor, the president of the Senate, the speaker of the House of Representatives, every member of the legislature electronically, and the David R. Poynter Legislative Research Library. The report in each year shall include at least 25 percent of the economic development programs within LED. Each

economic development program within LED shall be included in the report at least once every four years. New economic development programs created within LED shall be included in the report not later than two years after the year of creation.

The report must include, as applicable, the following:

- a list of all state economic development programs within LED, including program title and statutory citation;
- a description of the economic development programs covered by the report, including the purposes of the programs, qualifying businesses, type of incentive, and how administered;
- for the immediately prior fiscal year, if it is the initial report on a program, and for all fiscal years since the last report on the program, if it is a subsequent report, based upon actual data to the extent available and upon estimates to the extent actual data is not available:
 - the amount of incentives issued;
 - the administrative cost of the program;
 - the number of permanent, new, and retained full-time and part-time jobs, amount of associated payroll, amount of capital investment, and any other economic benefit associated with utilization of the program;
 - the economic impact of the program, including impact on state tax revenues; and
 - the overall impact of the program.
- for the current and next fiscal year, estimates of all of the following:
 - the amount of incentives to be issued;
 - the administrative cost of the program;
 - the number of permanent, new, and retained full-time and part-time jobs, amount of associated payroll, amount of capital investment, and any other economic benefit associated with utilization of the program;
 - the economic impact of the program, including impact on state tax revenues; and
 - the overall impact of the program.

The legislative auditor must conduct an annual performance audit designed to evaluate the management controls, accuracy, and reliability of the reported information on at least three economic development programs. The economic development programs that are to be audited are to be

selected by the legislative auditor.

The auditor is authorized to require the division of administration and LED to provide such data, information, and reports that the auditor determines is reasonably necessary. In addition, and notwithstanding any other law to the contrary, the Department of Revenue and the Louisiana Workforce Commission must provide to the auditor any data, information, or reports relative to the programs being audited that the auditor may reasonably require, and only where such programs require that such data be reported. The law also provides that such data, information, or report is subject to the provisions of Section 47:1508 (Confidential Character of Tax Records), Louisiana Revised Statutes, and may only be used in a manner that prevents the identification of a particular employer.

The auditor is required to include in the audit a conclusion as to the material correctness and sufficiency of the reports, data and information concerning the programs which are used in the unified economic development budget report and as to the material correctness of the report concerning the programs audited.

In addition to the Legislative Audit Advisory Committee, the performance audit must be submitted to the Economic Estimating Conference, every member of the legislature, and the legislative fiscal office.

Maine

According to Doug Ray, legislative liaison/communications director, Maine Department of Economic and Community Development, all companies certified under the Employment Tax Increment Financing (ETIF) and Pine Tree Development Zone (PTDZ) programs are required to provide reports to the Department of Economic and Community Development (DECD) annually. All companies located at the former Brunswick Naval Air Station property are required to provide annual reports to DECD under the Brunswick Naval Air Station Jobs Increment Financing (BNAS JIF) program.

DECD is required to provide information on the ETIF and BNAS JIF programs to the Department of Administrative and Financial Services, Maine Revenue Services, which is the entity with the authority to audit companies involved in these programs. DECD is required to file a biennial report with the state legislature on the PTDZ program.

For the ETIF and BNAS JIF, the individual reports submitted by the participating companies are provided to the Department of Administrative and Financial Services, Maine Revenue Services, every year. ETIF reports include individual employee information, such as hire dates, earnings, and position titles, while BNAS JIF reports include aggregate qualified employees, earnings, and withholding data.

For the PTDZ, aggregate hiring, payroll, and investment numbers are provided to the legislature biennially. These numbers are based upon the required annual reports.

Biennial comprehensive evaluation is required of all economic development programs. ETIF and BNAS JIF data are provided to the Department of Administrative and Financial Services, Maine Revenue Services annually, and PTDZ report data is provided to the legislature biennially. Economic projects have performance evaluations biennially.

Maryland

According to Nancy McCrea, director of research, Marketing and Communications, Maryland Department of Business and Economic Development, the Maryland Office of Legislative Audits conducts audits and evaluations of Maryland state government agencies and local school systems. Economic development programs report to the Maryland Department of Business and Economic Development (DBED) as required. Program reports are performed on every economic development program administered by DBED as required by law or are provided voluntarily.

In 2012, the Tax Credit Evaluation Act of 2012 (Section 1-301 through 1-311, Code of Public General Laws of Maryland), was passed. The Tax Credit Evaluation Committee created by this legislation provides legislative evaluation and review of certain tax credits to determine whether the tax credit continues to be viable and in the public interest. The Department of Legislative Services (DLS) reports to the General Assembly on:

- the purpose of the tax credit under review;
- whether its original intent is still appropriate; and
- whether it still meets its objective.

DLS also considers whether the purpose of the tax credit could be achieved more effectively through an alternative method; and the cost of the tax credit, including administrative costs and lost revenue. The report is available to the public and, after its submission (or, remittal), is followed by a public hearing. During the legislative session, the Tax Credit Evaluation Committee also reports to the General Assembly on the tax credit under review, and recommends that it be continued, modified, or terminated.

The Maryland Jobs Development Act of 2013 (Section 2-123, Code of Public General Laws of Maryland), requires DBED to report data on certain finance programs and tax incentive programs administered by the Department by the end of each year. The report includes data on the number of jobs created, jobs retained, and other reported outcomes. The analysis uses IMPLAN to estimate the multiplier effect of the jobs and wages and also estimated the amount of state revenue generated. The information is provided both in the aggregate by program as well as by each recipient.

Massachusetts

According to Section 1 (Massachusetts Office of Business Development; Director; Grants; Financial Reports), Chapter 23A (Department of Economic Development), Title II (Executive and Administrative Officers of the Commonwealth), General Laws of Massachusetts, within the

executive department, but not within the governor's cabinet, there shall be a Massachusetts office of business development (MOBD), which is under the control of the director of the Massachusetts office of business development. MOBD must serve as the principal agency of the government of the commonwealth for the following purposes:

- promoting, developing and expanding all sectors of the economy by capitalizing on and fostering the technological, industrial, manufacturing, educational, cultural and geographic advantages of the commonwealth in the world economy;
- providing a full and effective range of business services to Massachusetts' businesses, including assuring the availability of the capital and human resources required for growth and development in the commonwealth;
- preparing functional plans for the economic development of all areas within the commonwealth to assure the full utilization of the skills and potentials of all its citizens and public and private agencies affecting such plans;
- promoting the development and commercial use of new technologies important to the commonwealth's economic future;
- assisting manufacturing industries in the state to improve their long-term competitiveness through continuous technological, managerial and workforce upgrading;
- attracting new and expanding manufacturing industries to Massachusetts, especially to those regions of the commonwealth with an eroding traditional manufacturing base;
- developing a rapid economic response team, herein referred to as the team. The team shall consist of the director of MOBD or his designee, the director of the industrial service program or his designee and the division coordinators as designated by the director of MOBD. The purpose of the team shall be to aggressively market the commonwealth to attract prospective business and to intervene in situations where there exists a possibility of job loss. The team shall create and disseminate promotional information concerning available economic assistance programs offered through any state, quasi-public, public, nonprofit corporation or other entity as deemed necessary. The director of MOBD shall also be empowered to adopt rules and regulations regarding expenditures including travel expenses, lines of communication and other activities consistent with these provisions. Marketing and disseminating promotional information to mutual fund service corporations based both within and without the commonwealth. Such information shall include, but not be limited to, details concerning changes in the tax structure of the commonwealth as it affects the mutual fund industry; and
- to increase access to affordable and reliable broadband services across the commonwealth.

Section 3B (Economic Assistance Coordinating Council), Chapter 23A, Title II, General Laws of Massachusetts, requires the establishment of an economic assistance coordinating council (EACC),

within MOBD. The EACC is required to administer the economic development incentive program and, in so doing, is empowered to exercise the following powers and duties:

- promulgate rules and regulations and prescribe procedures;
- review applications from municipalities for the designation of areas as economic target areas and economic opportunity areas and to make such designations;
- certify projects for participation in the economic development incentive program and establish regulations for evaluating the proposals of said projects;
- assist municipalities in obtaining state and federal resources and assistance for economic opportunity areas and for certified projects within economic opportunity areas;
- provide appropriate coordination with other state programs, agencies, authorities, and public instrumentalities to enable activity within economic opportunity areas to be more effectively promoted by the commonwealth;
- monitor the implementation and operation of the economic development incentive program; and
- conduct a continual evaluation of economic opportunity areas and the projects certified for participation in the economic development incentive program.

EACC is required to annually submit to the attorney general, the department of environmental protection, and the office of brownfields revitalization established by Section 19 (Office of Brownfields Revitalization) of Chapter 21E (Massachusetts Oil and Hazardous Material Release Prevention and Response Act), a list of areas or municipalities that qualify as economically distressed areas as defined in Section 2 (Definitions) of said Chapter 21E.

Within MOBD a director of economic assistance must be appointed and is responsible for administering the recommendations of the EACC. The director of housing and community development is required to designate a staff person who serves as a liaison to the EACC and who shall meet with the director of economic assistance on a regular basis.

The EACC is required to annually submit to the governor, the senate and the house ways and means committees, and the joint committee on commerce and labor, within ninety days after the end of its fiscal year, a complete and detailed report setting forth its operations and accomplishments, including a listing of all projects certified under the EDIP. Two years after the first meeting of the EACC, and every two years thereafter, the EACC is required to prepare a report which evaluates the relative effectiveness of the EDIP, and make recommendations to the director of economic development as necessary or advisable to improve such effectiveness. Each such report must be made available to the senate and house ways and means committees and to the joint committee on commerce and labor.

Section 7 (Annual Reports), Chapter 23A, Title II, General Laws of Massachusetts, requires the director of economic development to prepare and submit to the governor and the general court an annual report containing the description of organization of MOBD, and such other matters as he deems appropriate. The director is required to also include in such annual report such information as may be required by the commissioner of administration. The director is required from time to time submit such other reports as the commissioner of administration may require.

Massachusetts also has performance measures in place for economic development programs providing access and opportunity.

Performance measures for disadvantaged, minority, and women business enterprises (D/M/WBEs) on horizontal construction which track the amount of spending with firms certified as disadvantaged business enterprises (DBEs) pursuant to federal regulations as well as minority and women business enterprise on horizontal construction (e.g., roads, bridges, et cetera) DBE targets for participation are established pursuant to federal regulations and apply to projects that have federal financial assistance. M/WBEs targets are established pursuant to Executive Order 524 (Establishing the Massachusetts Supplier Diversity Program). Future targets will be developed pursuant to a disparity study.

Performance measures for economic development programs for M/WBEs on vertical construction track the amount of spending with W/WBEs on vertical construction (i.e., buildings). The target has been established pursuant to the findings of a disparity study.

Performance measures for economic development programs for minority business enterprises (MBEs) for goods and services track the amount of spending with firms that are certified by the supplier diversity office as an MBE. An annual benchmark for spending with MBE firms is established by the operational services division pursuant to Executive Order 524 (Establishing the Massachusetts Supplier Diversity Program).

Michigan

According to Doug Smith, senior vice president, Governmental Affairs and Strategic Partnerships, Michigan Economic Development Corporation (MEDC), any award in the form of a grant, loan, or other funding program that receives funding from the Michigan Strategic Fund (MSF) or MEDC is required to provide information about the use of the funds and any other contractual requirement.

MSF and MEDC require information to be reported for audit and oversight purposes. MEDC has internal compliance and audit requirements and is also subject to external audit by the Michigan Office of the Auditor General (OAG) and various federal agencies for federal programs. MSF is also required by statute to report at least annually to the Michigan Legislature on program activities. The information required varies by program, but generally includes job creation and retention, capital investment, and leveraged private investment.

Section 125.2009 (Status Report; Audit), Michigan Compiled Laws, requires MSF to transmit to the legislature annually a status report of its activities. The report must include, but not be limited to, information on:

- the name and location of all applicants;
- the amount and type of financial assistance being requested;
- the type of project or product being financed;
- the number of net jobs created or retained;
- the duration of financial assistance;
- the amount of financial support other than state resources; and
- the status of any loans of the fund, excluding industrial development revenue loans, which are in default.

The auditor general or a certified public accountant appointed by the auditor general annually must conduct and remit to the legislature an audit of the fund and, in the conduct of the audit, must have access to all records of the fund at any time, whether or not confidential. Each audit required by this section must include a determination of whether the fund is likely to be able to continue to meet its obligations, including a report on the status of outstanding loans and agreements made by the fund. MSF is required to transmit the status report and audit to the chairperson and minority vice-chairperson of the Senate Appropriations Subcommittee on General Government and the House of Representatives Appropriations Subcommittee on General Government. The fund must make the status report and audit available to the public on the fund's website.

Each MSF or MEDC program develops a set of metrics and reports internally on a monthly basis for the purpose of publishing a monthly scorecard of MEDC current primary activities. Trend analysis is done. Every fiscal year, goals are set for each major program area and results are measured at the end of the fiscal year to determine effectiveness. If the program is not effective, it goes through a program rationalization process to make adjustments or terminate the program. Monitoring continues through the award life cycle for any awards granted.

The reporting frequency varies by program but generally economic development recipients of awards are required to report to the MSF and the MEDC at least annually. The goal is to evaluate programs periodically, culminating in an annual program review of agency agendas.

Minnesota

According to Bob Isaacson, director, Office of Business Finance, Department of Employment and Economic Development, any subsidy provided by a state or local agency must be reported if it meets the requirements noted in Minnesota Statutes 116J.997 (Program Accountability Requirements). Those requirements state that the commissioner of employment and economic development shall develop a uniform accountability report for economic development or workforce-related programs for programs administered directly by the commissioner or administered by other employment organizations under a grant.

By December 31 of each even-numbered year, the commissioner of employment and economic development must report to the chairs and the ranking minority members of the committees of the house of representatives and the senate having jurisdiction over economic development and workforce policy and finance.

Certain information is required for each individual program. This information includes the target population, the number of jobs affected by the program, the number of individuals leaving the Minnesota Family Investment Program support, the number of individuals leaving the unemployment compensation program, the region of the state in which the program operated, the amount of state or federal funds allocated to the program, the amount of state or federal funds allocated to the program, the return on investment as calculated by the formula developed by the commissioner, and the dollar amount and percentage of the total grant used for administrative expenses.

The economic effectiveness evaluation is done by the entity administering the transaction and varies by jurisdiction. At the state level, each project is evaluated using a variety of economic and business factors. Certain criteria must be met in a report regarding goals and results.

Information included in this report includes:

- the type, public purpose, and amount of subsidies and type of district, if the subsidy is tax increment financing;
- the hourly wage of each job created with separate bands of wages;
- the sum of the hourly wages and cost of health insurance provided by the employer with separate bands of wages;
- the date the job and wage goals will be reached;
- a statement of goals identified in the subsidy agreement and an update on achievement of those goals;
- the location of the recipient prior to receiving the business subsidy;
- the number of employees who ceased to be employed by the recipient when the recipient relocated to become eligible for the business subsidy; and
- any other information the commissioner may request.

The Department of Employment and Economic Development must publish a compilation and summary of the results of the reports for the previous two calendar years by December 1 of every year. The commissioner of the department will include pertinent information, including the total amount of subsidies awarded in each development region of the state; distribution of business

subsidy amounts by size of the business subsidy; percent of all business subsidies that reached their goals; total dollar amount of business subsidies that did not meet their goals after two years from the benefit date; list of recipients that have failed to meet the terms of a subsidy agreement in the past five years and have not satisfied their repayment obligations; and any other information that is relevant for the program.

Economic development programs must report annually to the Department of Employment and Economic Development or more frequently if certain problems exist. Every state program provides annual data to help all stakeholders evaluate performance and determine effectiveness. At a program level, program performance is continually evaluated.

Mississippi

According to Section 57-1-55 (General powers and duties of Department of Economic and Community Development), Mississippi Code of 1972, the Department of Economic and Community Development has the following general powers and duties: to develop and manage programs which enhance the climate for economic growth through assistance to private sector businesses, local communities and individuals, and through an extensive national and international marketing effort.

According to the Mississippi Development Authority (MDA), MDA is Mississippi's lead economic and community development agency, with approximately 300 employees engaged in providing services to businesses, communities, and workers throughout Mississippi. The agency works to recruit new business to the state and retain and expand existing Mississippi industry and business. MDA also provides technical assistance to the state's entrepreneurs and small businessmen and women and oversees programs that support Mississippi's minority and women-owned businesses. MDA oversees actions by businesses and reports on information such as payroll and number of employees. MDA splits into different divisions in order to specialize in promoting various businesses.

MDA files annual reports with the governor, Secretary of the Senate, and Clerk of the House of Representatives describing all assistance provided under the Advantage Mississippi Initiative (which creates new jobs for the state) and quarterly reports with the Secretary of the Senate regarding the net economic impact of incentives or assistance.

Missouri

According to Section 29.185 (Conducting of Audits; Requirements), Missouri Revised Statutes, when conducting an audit under this chapter, the audit objectives established by the comptroller general of the United States are required to determine the type of audit to be conducted, which may include financial and performance audits. Neither the audit type nor the audit objectives are required to be mutually exclusive. An audit may include either financial or performance audit objectives or one or more objectives from both types of audits. A performance audit may include one primary objective, such as economy and efficiency, or a combination of objectives, such as internal control and compliance.

According to Section 29.200 (Audits to be Conducted at Discretion of Auditor or Request of

Governor--Auditor's Duties), Missouri Revised Statutes, the auditor, on his or her initiative and as often as he or she deems necessary, to the extent deemed practicable and consistent with the overall responsibility as contained in this chapter, is required to make or cause to be made audits of all or any part of the activities of the state agencies.

The auditor is authorized to contract with federal audit agencies, or any governmental agency, on a cost-reimbursement basis, to perform audits of federal grant programs administered by state departments and institutions in accordance with agreements negotiated between the auditor and the contracting federal audit agencies or any governmental agency. In instances where the grantee state agency must subgrant such federal funds to local governments, regional councils of government, other local groups, or private or semiprivate institutions or agencies, the auditor has the authority to examine the books and records of these subgrantees to the extent necessary to determine eligibility and proper use in accordance with state and federal laws and regulations.

In the auditor's reports of audits and reports of special investigations, the auditor is required to make any comments, suggestions, or recommendations deemed appropriate concerning any aspect of such agency's activities and operations. The auditor is required to audit the state treasury at least once annually.

Section 620.010 (Department of Economic Development Created--Divisions--Agencies--Boards and Commissions--Personnel--Powers and Duties--Rules, Procedure), Missouri Revised Statutes, requires biennial reports to be made by the Division of Commerce and Industrial Development and filed with the governor and members of the general assembly and to include suggestions and recommendations for the improvement and advancement of the economic welfare of the people of the state.

Montana

According to Karyl Tobel, assistant division administrator, Montana Department of Commerce, funded entities are required to report on contract progress including local governments (cities, towns, counties), Indian tribes, local development organizations, businesses that directly receive department funding. Local economic development organizations submit annual audit reports, or audited financial statements to the department. Local governments submit reports to the Department of Revenue.

Economic development programs receiving federal funding report directly to their funding agencies on an annual or semi-annual basis. Programs receiving state funding provide reports to the Montana Legislature as per the programs' reporting requirements. Other reporting requirements may include state reports by the governor that incorporate program information, special legislative reports, or other economic development reports as requested.

Program accomplishments including economic impacts of program investments, jobs created or retained by assisted businesses, amount of funds leveraged through private and public investment, number of jobs trained with public assistance.

Individual programs track accomplishments through agency databases, individual tracking methods, and reporting tools. Each agency has a list of goals and objectives that are tracked on agency

websites. Every two years, each agency reports to the legislature on what it has accomplished as part of the state budgeting process. The state's Census and Economic Information Center provides economic and demographic analyses as needed.

For federally funded programs, reports are required to be submitted annually or semi-annually. For state funded programs, reports are required to be submitted bi-annually or as per programs' requirements. Programs are evaluated for performance and effectiveness continually. Modifications are made as needed to ensure optimal effectiveness. Some modifications are driven by the state legislature, which convenes every two years.

Nebraska

The Nebraska Auditor is charged with initiating financial audits at its discretion of all state entities, including the Department of Economic Development, and associations supported by the state, including schools. Section 84-304 (Auditor; Powers and Duties; Assistant Deputies; Qualifications; Duties), Nebraska Revised Statutes, provides that the state auditor does not conduct performance audits but requires that potential problems related to performance that are discovered in the natural course of an audit be reported to the Legislative Performance Audit Committee.

The Nebraska Advantage Act [Sections 77-5701 (Act, How Cited) through 77-5735 (Changes to Sections; When Effective; Applicability), Nebraska Revised Statutes] created tax incentives to attract new businesses to Nebraska and encourage growth of existing businesses. Through agreements between the tax commissioner and a business, the law sets sales and use tax refunds based on the size of the investment a company makes in land or other capital. The tax commissioner (a post within the Department of Revenue) files an annual report with the legislature. That report is presented to a joint hearing of the Appropriations Committee and the Revenue Committee of the legislature.

Section 77-5731 (Reports; Joint Hearing), Nebraska Revised Statutes, requires that:

(1) the tax commissioner submit electronically an annual report to the legislature no later than July 15 of each year. The Department of Revenue must, on or before September 1 of each year, appear at a joint hearing of the Appropriations Committee of the legislature and the Revenue Committee of the legislature and present the report. Any supplemental information requested by three or more committee members must be presented within thirty days after the request.

(2) the report list:

- the agreements which have been signed during the previous year;
- the agreements which are still in effect;
- the identity of each taxpayer who is party to an agreement, and

- the location of each project.

(3) the report state, for taxpayers who are parties to agreements, by industry group:

- the specific incentive options applied for under the Nebraska Advantage Act;
- the refunds allowed on the investment;
- the credits earned;
- the credits used to reduce the corporate income tax and the credits used to reduce the individual income tax;
- the credits used to obtain sales and use tax refunds;
- the credits used against withholding liability;
- the number of jobs created under the act;
- the expansion of capital investment;
- the estimated wage levels of jobs created under the act subsequent to the application date;
- the total number of qualified applicants;
- the projected future state revenue gains and losses;
- the sales tax refunds owed;
- the credits outstanding under the act;
- the value of personal property exempted by class in each county under the act;
- the value of property for which payments equal to property taxes paid were allowed in each county; and
- the total amount of the payments.

(4) that in estimating the projected future state revenue gains and losses, the report detail the methodology utilized, state the economic multipliers and industry multipliers used to determine the amount of economic growth and positive tax revenue, describe the analysis used to determine the percentage of new jobs attributable to the Nebraska Advantage Act assumption, and identify limitations that are inherent in the analysis method.

(5) the report provide an explanation of the audit and review processes of the Department of Revenue in approving and rejecting applications or the grant of incentives and in enforcing incentive recapture. The report must also specify the median period of time between the date of application and the date the agreement is executed for all agreements executed by December 31 of the prior year.

(6) the report provide information on project-specific total incentives used every two years for each approved project. The report must also disclose:

- the identity of the taxpayer;
- the location of the project; and
- the total credits used and refunds approved during the immediately preceding two years expressed as a single, aggregated total.

The incentive information required to be reported under this subsection must not be reported for the first year the taxpayer attains the required employment and investment thresholds. The information on first-year incentives used must be combined with and reported as part of the second year. Thereafter, the information on incentives used for succeeding years is to be reported for each project every two years containing information on two years of credits used and refunds approved. The incentives used are to include incentives which have been approved by the department, but not necessarily received, during the previous two years.

(7) the report include an executive summary which shows aggregate information for all projects for which the information on incentives used in subsection (6) and be reported as follows:

- the total incentives used by all taxpayers for projects detailed in subsection (6) during the previous two years;
- the number of projects;
- the new jobs at the project for which credits have been granted;
- the average compensation paid employees in the state in the year of application and for the new jobs at the project; and
- the total investment for which incentives were granted. The executive summary must summarize the number of states which grant investment tax credits, job tax credits, sales and use tax refunds for qualified investment, and personal property tax exemptions and the investment and employment requirements under which they may be granted.

Through the Angel Investment Tax Credit Act (act) [Sections 77-6301 (Act, How Cited) through 77-

6310 (Rules and Regulations), Nebraska Revised Statutes] Nebraska makes cash investments into qualified small businesses in exchange for common stock or other ownership interest. Each year qualified businesses report to the Director of the Department of Economic Development (department) the amount of money invested in it under the act. The business's report must also certify that it has met the act's requirements. Biannually, the department reports to the legislature and the governor the number and location of qualified businesses, the size of each investment, an industry breakdown of investments, and the number of jobs created at each business.

Nevada

The Nevada Board of Economic Development (NBED), consists of the following voting members:

- the governor;
- the lieutenant governor;
- the secretary of state; and
- six appointed members who must be selected from the private sector.

The following are nonvoting members:

- the chancellor of the Nevada System of Higher Education or his or her designee; and
- the director of the Department of Employment, Training and Rehabilitation.

The executive director of the Nevada Office of Economic Development (NOED) serves as a nonvoting secretary of NBED.

NBED is required to:

- review and evaluate all programs of economic development in Nevada and make recommendations to the legislature for legislation to improve the effectiveness of those programs in implementing the State Plan for Economic Development (SPED).
- recommend to the executive director a state plan for economic development and make recommendations to the NBED executive director for carrying out the SPED, including, without limitation, recommendations regarding the development and implementation of a recruiting and marketing effort to attract professionals and businesses to Nevada.
- recommend to the NOED executive director the criteria for the designation of regional development authorities.

- make recommendations to the NOED executive director for the designation for the southern region of Nevada, the northern region of Nevada, and the rural region of Nevada, one or more regional development authorities for each region.
- provide advice and recommendations to the NOED executive director concerning:
 - the procedures to be followed by any entity seeking to obtain any development resource, allocation, grant, or loan from NOED.
 - the criteria to be used by the office in providing development resources and making allocations, grants, and loans;
 - the requirements for reports from the recipients of development resources, allocations, grants, and loans from NOED concerning the use thereof; and
 - any other activities of NOED.
- review each proposal by the NOED executive director to enter into a contract for more than \$100,000 or allocate, grant, or loan more than \$100,000 to any entity and, as NBED determines to be in the best interests of the state, approve or disapprove the proposed allocation, grant or loan. Notwithstanding any other statutory provision to the contrary, the NOED executive director is prohibited from entering into any contract for more than \$100,000 or make any allocation, grant, or loan of more than \$100,000 to any entity unless the allocation, grant or loan is approved by NBED.

According to Section 231.14075 (Office of Economic Development: Annual Report), Nevada Revised Statutes, NOED is required to report to the governor, the Director of the Legislative Counsel Bureau, and the legislature on:

- whether goals for establishing purchasing contracts with businesses were met;
- the number of local emerging small business that were solicited to submit a bid or proposal for a purchasing contract;
- the number of local emerging small businesses that submitted a bid;
- the number of purchasing contracts that were awarded; and
- the total dollar amount of purchasing contracts that were awarded.

Section 231.0685 (Office of Economic Development: Biennial Report to Director of Legislative Counsel Bureau, Contents of Report), Nevada Revised Statutes, requires NOED to report each odd-numbered year to the legislature through the Director of the Legislative Counsel Bureau. This report must outline tax abatements approved by NOED, including:

- the dollar amount of the abatement;
- the location of the business for which the abatement was approved;
- the value of infrastructure included as an incentive for the business;
- if applicable, the number of employees that the business for which the abatement was approved employs or will employ;
- whether the business for which the abatement was approved is a new business or an existing business;
- the economic sector in which the business operates, the number of primary jobs related to the business, the average wage paid to employees of the business and the assessed values of personal property and real property of the business; and
- any other information that the office determines to be useful.

New Hampshire

The New Hampshire Department of Resources and Economic Development (department) makes uniform reports on New Hampshire's economic development initiatives.

Section 12-A:33 (Reports on Economic Development Program Loans and Grants), New Hampshire Revised Statutes, requires the department to include as part of its annual report, or as a separate report published and made available to the public annually, the following information regarding each economic development program for which state grants and loans have been awarded:

- information regarding the number of jobs to be created or saved as a result of the award, and the related wages and benefits levels;
- the growth potential of the program;
- the environmental impact of the program; and
- the amount of the loan, grant, loan guarantee, bond guarantee, or tax incentives awarded.

The annual report must also include information regarding the criteria for the awarding of economic development assistance and the means by which the department tracks the progress that each awardee makes in meeting the job, wage, and benefit projections included in its application for assistance.

12-A:34 (Review of Reports Required), New Hampshire Revised Statutes, requires the department, in consultation with the legislative budget assistant, to periodically review reports on economic

development programs at least once every five years and make recommendations to be utilized by the agencies making such reports for an improved and consistent methodology for assessing the quantity and quality of jobs created and saved and the growth potential and environmental impacts of such programs.

New Jersey

Section 52:18-44 (Filing of Audited Financial Statements, Reports), New Jersey Revised Statutes, requires a New Jersey business that receives a total of \$50 million from any state entity for certain projects, to report within 30 days, and annually thereafter, to the state entity that disbursed funds and to the state treasurer.

New Jersey requires businesses to report concerning projects for which they have received funds and provide audited financial statements that include a balance sheet, statement of income or loss, and statement of changes in financial position. Businesses are also required to report any material changes to their financial positions or business operations to the state entity that disbursed funds.

Section 52:18-45 (Notification to State Treasurer of Contract, Designation of Lead Public Agency), New Jersey Revised Statutes, requires any state entity that enters into a contract with a business to notify the state treasurer of the contract and include the name of the project, and the nature of the project-related activity for which the financial assistance is to be given. The state governmental entity must document all activities associated with the project.

The governmental entity is also required to perform an assessment of the degree of risk that the business will be financially unable to complete the project and, based upon the results of that assessment, require that, before further disbursements of funds are made by the state, the business make an investment of its own funds in the project. The additional investment by the business is prohibited from being less than 10 percent of the cost of the total project.

Section 52:18-46 (Certification by Business Filing Financial Statement), New Jersey Revised Statutes, requires that each business filing a financial statement according to Section 52: 18-44 attach to that statement a certification that:

- the business officer signing the financial statement has reviewed the statement;
- based on the officer's knowledge, the financial statement does not contain any untrue statement of a material fact or omit the statement of a material fact necessary in order to ensure that the statements made, in light of the circumstances under which such statements were made, were not misleading;
- based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the business as of, and for, the periods presented in the report; and the signing officer:

- is responsible for establishing and maintaining internal controls;
- has designed such internal controls to ensure that material information relating to the business and its consolidated subsidiaries is made known to such business officers by others within those entities, particularly during the period in which the reports are being prepared;
- has evaluated the effectiveness of the business's internal controls as of a date within 90 days prior to the financial statement;
- has presented in the financial statement the officer's conclusions about the effectiveness of the business's internal controls based on the evaluation as of that date;
- has disclosed to the business's auditors and the audit committee of the board of directors or those persons fulfilling the equivalent function:
 - all significant deficiencies in the design or operation of internal controls which could adversely affect the business's ability to record, process, summarize, and report financial data and have identified for the business' auditors any material weaknesses in internal controls; and
 - any fraud, whether or not material, that involves management or other employees who have a significant role in the business's internal controls; and
- has indicated in the financial statement whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Section 52:18-47 (Duties of CPA Relative to Preparation of Audit Report), New Jersey Revised Statutes, requires that for a financial statement filed under Section 52: 18-44, an independent certified public accountant must:

- prepare, and retain for a period of not less than seven years, audit work papers, and other information related to the audit report, in sufficient detail to support the conclusions reached in the report;
- provide a concurring or second partner review and approval of the audit report and other related information, and concurring approval in its issuance, by a qualified person associated with the public accounting firm, other than the person in charge of the audit, or by an independent reviewer;
- describe in the audit report the scope of the auditor's testing of the internal control structure and procedures of the business, and present in such report or in a separate report:

- the findings of the auditor from such testing;
- an evaluation of whether such internal control structure and procedures:
 - include maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the business;
 - provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the business are being made only in accordance with authorizations of management and directors of the business; and
- a description, at a minimum, of material weaknesses in such internal controls, and of any material noncompliance found on the basis of such testing;
- provide a statement to the public entity that, contemporaneously with the audit:
 - the auditor has not provided the business any non-audit service, including any bookkeeping or other services related to the accounting records or financial statements of the business;
 - the lead or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has not performed audit services for that business in each of the five previous fiscal years of that business;
 - the auditor has provided a timely report to the audit committee of the business stating that:
 - all critical accounting policies and practices were used;
 - all alternative treatments of financial information within generally accepted accounting principles have been discussed with management officials of the business, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm;
 - other material written communications between the registered public accounting firm and the management of the business, such as any management letter or schedule of unadjusted differences, were reported to the business; and
 - concerning any audit service conducted under this section, whether a chief executive officer, controller, chief financial officer, chief accounting officer,

or any person serving in an equivalent position for the business, was employed by that registered independent public accounting firm and participated in any capacity in the audit of that business during the one-year period preceding the date of the initiation of the audit; and

- present the financial information included in any such financial statement in a manner that:
 - does not contain an untrue statement of a material fact or omit a material fact necessary in order to make the pro forma financial information, in light of the circumstances under which it is presented, not misleading; and
 - reconciles it with the financial condition and results of operations of the business under generally accepted accounting principles.

Section 52:18-48 (Internal Control Report), New Jersey Revised Statutes, requires that each audited financial statement prepared pursuant to the provisions of Section 52:18-44 contain an internal control report, which must state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and contain an assessment, as of the end of the most recent fiscal year of the business, of the effectiveness of the internal control structure and procedures of the business for financial reporting.

Each registered public accounting firm that prepares or issues the audit report for the business must attest to, and report on, the assessment made by the management of the business.

New Mexico

According to Section 6-3A-5 (Performance Measures), New Mexico Statutes Annotated, the State Budget Division of the Department of Finance and Administration (division), in consultation with the Legislative Finance Committee (committee), must develop instructions for the development of performance measures for evaluating approved programs before to June 15 of each year.

Each agency must submit to the division and committee proposed changes in its performance measures before to July 15 of each year. The agency must identify the outputs produced by each program, the outcomes resulting from each program and baseline data associated with each performance measure. The division, in consultation with the committee and the agency, must review the proposed changes, make necessary revisions and issue its approval or disapproval within thirty days of receipt. The division must then send a copy of its approval or disapproval to the committee. According to Section 6-3A-6 (Schedule for Submission of Performance-Based Program Budget Requests), New Mexico Statutes Annotated, agencies are required to submit performance-based program budget requests for the subsequent fiscal year to the division and to the committee no later than September 1 of each year.

Section 6-3A-7 (Performance-Based Program Budget Requests), New Mexico Statutes Annotated, requires that, for each agency, the governor's and the committee's proposed budget recommendations contain:

- a budget recommendation for each approved program;
- a summary, including the outputs and outcomes, of each approved program;
- performance measures and performance targets for each approved program;
- an evaluation of the performance of each approved program; and
- any other criteria deemed relevant by the governor or the committee.

Each agency is required to develop, in consultation with the division, a plan for monitoring and reviewing the agency's programs to ensure that performance data are maintained and supported by agency records.

Section 6-3A-9 (Quarterly Reporting), New Mexico Statutes Annotated, requires the division, in consultation with the committee, to select agencies and specify performance measures for those agencies that must be reported on a quarterly basis. Quarterly reports must compare actual performance for the report period with targeted performance and are required to be filed with the division and committee within thirty days of the end of a reporting period. The New Mexico Department of Economic Development publishes quarterly performance reports.

Section 12-6-3 (Annual and Special Audits; Financial Examinations), New Mexico Statutes Annotated, requires that the financial affairs of every agency be thoroughly examined and audited each year by the state auditor or a designee of the state auditor. Audits conducted must conform with generally accepted auditing standards and rules issued by the state auditor.

In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part, and is required to notify the committee if a state agency fails to submit a required audit report within 90 days of a due date or if the state auditor has attempted to negotiate with the agency but the state agency fails to make satisfactory progress toward compliance with the Audit Act.

Section 12-6-5 (Reports of Audits), New Mexico Statutes Annotated, requires the state auditor to cause a complete written report to be made of each annual or special audit and examination made. Each report must set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination, and include a list of individual deposit accounts and investment accounts held by each state agency audited. A copy of the report must be sent to the agency audited or examined; five days later, or earlier if the agency waives the five-day period, the report must become a public record, at which time copies must be sent to the secretary of finance and administration and the committee. The state auditor must also send a copy of reports of state agencies to the department of finance and administration.

Within 30 days after receipt of the report, the agency audited may notify the state auditor of any

errors in the report. If the state auditor is satisfied from data or documents at hand, or by an additional investigation, that the report is erroneous, the state auditor shall correct the report and furnish copies of the corrected report to all parties receiving the original report.

New York

Section 100 (General Powers of Department), Article 4 (General Powers of Department), Economic Development Law, Consolidated Laws of New York, requires the New York Department of Economic Development (NYDED) to:

- investigate, study and undertake ways and means of promoting and encouraging the prosperous development and protection of the legitimate interest and welfare of New York business, industry and commerce, within and outside the state;
- serve as a clearinghouse for industrial problems of the state;
- promote and encourage the expansion and development of markets for New York products;
- promote and encourage the location and development of new business in the state as well as the maintenance and expansion of existing business and for that purpose to cooperate with state and local agencies and individuals both within and outside the state;
- investigate and study conditions affecting New York business, industry, and commerce; collect and disseminate information; and engage in technical studies, scientific investigations, and statistical research and educational activities necessary or useful for the proper execution of the powers and duties of NYDED in promoting and developing New York business, industry, and commerce both within and outside the state;
- plan and develop an effective business information service both for the direct assistance of industry of the state and for the encouragement of industries outside the state to use business facilities within the state;
- compile, collect, and develop periodically, or otherwise make available, scientific indices and other information relating to current business conditions;
- encourage and develop commerce with other states and foreign countries, and to devise ways and means of removing trade barriers hampering the free flow of commerce between this state and other states, including such barriers as preferences and similar price distorting mechanisms and other forms of discrimination used in the procurement of goods and services by the public sector or influenced by the public sector;

- cooperate with interstate commissions engaged in formulating and promoting the adoption of interstate compacts and agreements helpful to business, industry and commerce;
- conduct or encourage research designed to further new and more extensive uses of the natural and other resources of the state, and designed to develop new products and industrial processes;
- study trends and developments in the industries of the state and to analyze the reasons underlying such trends; to study costs and other factors affecting successful operation of businesses within the state; and to make recommendations regarding circumstances promoting or hampering industrial development;
- compile periodically a census of business and industry in the state with the cooperation of other agencies; and to analyze and publish this information in such form as to be most valuable to the business and industry of the state;
- make to the governor and to the legislature, from time to time, recommendations for the study or improvement of any conditions, and for the elimination of any restrictions and burdens imposed by law, or otherwise existing, which adversely affect or retard the legitimate development and expansion of business, industry or commerce;
- publicize the material and economic advantages of the state which render it a desirable place for business and residence;
- collect, compile, and distribute information and literature as to the facilities, advantages, and attractions of the state, the historical and scenic points and places of interest within the state, and the transportation and highway facilities of the state;
- study changes in and to suggest policies for the economic development and conservation of the resources of the state and to develop an annual statewide economic development strategic plan;
 - Such strategic plan must include a statewide inventory of all industry associations and clusters; a list of industries that have a competitive advantage; and a list of industries that demonstrate the potential for growth. NYDED must work in cooperation with the New York State Foundation for Science, Technology and Innovation in creating the strategic plan. The annual statewide economic development strategic plan must be submitted to the

temporary president of the senate and the speaker of the assembly on January first, two thousand eight and every year thereafter. Program plans must be derived from and must be consistent with the annual economic development strategic plan and, accordingly, may be updated as necessary. Such plans must be transmitted to the agency or public authority or public benefit corporation responsible for administering the program and to the speaker of the assembly and the temporary president of the senate within ninety days of the effective date of any statute authorizing such program. With respect to existing economic development financial assistance programs, the commissioner of economic development (commissioner) must transmit program plans on or before July 1, 1988. Program plans must describe the goals, objectives and priorities of each financial assistance program, must guide the development of operating procedures and rules and regulations governing each financial assistance program, must set forth the manner in which the financial assistance program must be coordinated with other economic development programs and must set forth a description of the operating relationships with relevant agencies and regional and local public and private organizations;

- cooperate with and assist other state departments, boards, commissions, agencies, public benefit corporations, and public authorities in the preparation of policies for the economic development of the state and to assist in such entities' development of rules and regulations governing economic development financial assistance programs, and policies for the use and conservation of its resources;
- inquire into and report to the governor when requested, with respect to any program of public state improvements financing, and to request and obtain information from the state department of transportation and other state departments or agencies such information and data as may be needed properly to report;
- advise and cooperate with municipal, county, regional, and other local agencies within the state for the purpose of promoting coordination between the state and the localities as to economic development;
- confer and cooperate with the authorities of the United States and neighboring states and of the counties and municipalities of such neighboring states, for the purpose of bringing about a coordination between the economic development of such neighboring states, counties, and municipalities and the economic development of the state of New York;

- act as the agent of the state and its political subdivisions for the purpose of approving applicants for financial assistance from any federal agency for industrial development or redevelopment purposes, whenever the terms of any act of congress heretofore or hereafter enacted for such purposes require the state or any political subdivision thereof to approve applicants for such assistance, and to take any further action which may be required;
- act as the agent of the state to administer, carry out and coordinate any federal law now or hereafter enacted by the congress to promote economic growth by supporting state and regional centers to place the findings of science usefully in the hands of American enterprise and, for such purposes, to receive federal funds for technical services programs and enter into any necessary contracts or compacts in connection therewith, to take any further action which may be required under the terms of any such federal act, including but not limited to the establishment and operation of state or regional technical information centers;
- advise the governor, the legislature and other state agencies with regard to research and development and the establishment of state policies relating thereto, in connection with science oriented industry and applied research;
- review and evaluate the status and to encourage and promote the development of science oriented industry and applied research designed to further new and more extensive use of the resources and manpower of the state;
- adopt, amend, or rescind, in accordance with the state administrative procedure act, such rules, regulations, and orders as may be necessary or convenient to the performance of its functions, powers, and duties under this chapter;
- promote, publish, and disseminate the rules and regulations promulgated by the industrial commissioner;
- solicit research firms to evaluate the promotional effectiveness and economic impact of NYDED's tourism advertising campaigns;
 - The commissioner must require research firms to submit to NYDED and the legislative fiscal committees, at least six weeks prior to the conducting of their research, a research design indicating the techniques planned to measure such promotional effectiveness and economic impact; provided, however, that no firm selected must do both the promotional effectiveness and economic impact studies nor have participated in the development of marketing the tourism campaign. The commissioner must submit all preliminary reports of such firms to the legislative

fiscal committees within two weeks of receipt of such reports; the final reports must be submitted by the commissioner to the legislative fiscal committees and the tourism advisory council no later than December first of each year;

- review and evaluate the economic impact of the downhill ski industry on the state's economy and to advise the governor, legislature, and other state agencies of the results of such review and evaluation;
- assist the superintendent of banks to solicit, evaluate, develop, and provide information to banking corporations, principally engaged in doing business within the state, about various methods used by banking corporations to provide financing for businesses engaged in the export of products and services to foreign countries;
 - The commissioner must evaluate such information as may be available to NYDED and help identify local regional banking corporations currently serving the state exporters and must assist the superintendent of banks in determining the status of local and regional banking corporations in export financing;
- develop a plan to maximize the use of telecommuting to conserve energy otherwise used by the personnel of NYDED in commuting to their assigned workplace;
 - Within one year of the effective date of this subdivision, NYDED must submit a report to the governor and the legislature on the impact the plan to include, but not be limited to, energy conservation, air quality, workforce acceptance, office costs and potential cost savings; and
- prepare, in cooperation with the governor's office of regulatory reform, an annual summary for the small business community of the key legislative, budgetary and regulatory changes impacting small businesses. Agencies must cooperate with NYDED and the governor's office of regulatory reform in developing the annual summary. The annual summary must be written in plain language and provide specific contact information within the appropriate agency for inquiries regarding implementation and compliance. The annual summary must be posted on the NYDED website on or before September first of each year.

North Carolina

According to Steven Pennington, policy analyst, North Carolina Department of Commerce, the North Carolina Department of Commerce provides annual and quarterly reports for its major economic incentive programs, and the Department of Revenue also provides reporting on tax incentives.

The various Department of Commerce reports are submitted to:

- the General Assembly;
- the Joint Legislative Commission on Governmental Operations;
- the House Finance Committee;
- the Senate Finance Committee;
- the House Appropriations Subcommittee on Natural and Economic Resources;
- the Senate Appropriations Subcommittee on Natural and Economic Resources; and
- the General Assembly's Fiscal Research Division.

Where relevant for discretionary grant programs, the reports include information on the state's initial award amounts, companies' job and investment commitments, and actual grant disbursements. With respect to tax incentives, direct tax credit costs and associated business performance are reported biennially. In addition, the values of all individual tax expenditures are estimated biennially.

The Department of Commerce's incentive reports are posted online at:

www.nccommerce.com/research-publications/incentive-reports.

The Department of Revenue's economic development incentive reports are posted online at:

<http://www.dor.state.nc.us/publications/incentives/2013/index.html>.

Historically, the North Carolina General Assembly has occasionally requested special performance evaluations of the state's incentive programs although there is no codified system or schedule for these evaluations. However, various reports produced by departments include elements of evaluation. For example, the Department of Commerce reports on whether discretionary incentive grant recipients have met their minimum business performance commitments and cost-per-job created.

Discretionary grant programs are required to report quarterly and annual reporting schedules while tax incentives are required to report biennially to the appropriate entities for oversight. With regards to a schedule of performance evaluations, there is no codified system or schedule for performance evaluations of the state's economic development incentives.

Section 147-64.6 (Duties and Responsibilities), North Carolina General Statutes, authorizes the state auditor (auditor) to:

- on his own initiative and as often as he deems necessary, or as requested by the governor or the General Assembly, make or cause to be made audits of all or any part of the activities of the State agencies;
- in his reports of audits or reports of special investigations to make any comments, suggestions, or recommendations he deems appropriate concerning any aspect of such agency's activities and operations;
- examine the accounts and records of any bank or financial institution relating to transactions with the state treasurer, or with any state agency, or he may require banks doing business with the state to furnish him information relating to transactions with the state or state agencies;
- satisfy himself concerning the propriety of the data presented in the Comprehensive Annual Financial Report and express the appropriate auditor's opinion in accordance with generally accepted auditing standards; and
- be responsible for receiving reports of allegations of the improper governmental activities, and adopt policies and procedures necessary to provide for the investigation or referral of these allegations.

The state auditor must maintain for 10 years a complete file of all audit reports and reports of other examinations, investigations, surveys, and reviews issued under the auditor's authority. Audit work papers and other evidence and related supportive material directly pertaining to the work of the auditor's office must be retained according to an agreement between the auditor and State Archives. The auditor must also provide several ways of allowing people to report alleged instances of improper governmental activities.

Section 147-64.5 (Cooperation With Joint Legislative Commission on Governmental Operations and Other Governmental Bodies), North Carolina General Statutes, requires the auditor to furnish copies of any and all audits only when requested by the Joint Legislative Commission on Governmental Operations (commission). Accordingly, the auditor must, upon request by the chairmen, appear before the commission to present findings and answer questions concerning the results of these audits. The commission is authorized to use these audit findings in its inquiries concerning the operations of state agencies and is empowered to require agency heads to advise the commission of actions taken or to be taken on any recommendations made in the report or explain the reasons for not taking action.

Section 120-73 (Commission Established), North Carolina General Statutes, requires that the commission conduct evaluative studies of the programs, policies, practices and procedures of the various departments, agencies, and institutions of State government.

Section 120-74 (Appointment of Members; Terms of Office), North Carolina General Statutes, requires that the commission consist of 42 members. The President pro tempore of the Senate, the

Speaker pro tempore of the House, the Deputy President pro tempore of the Senate, the Majority Leader of the House of Representatives, and the Majority Leader of the Senate and the Speaker of the House must serve as ex officio members of the commission.

The Speaker of the House of Representatives appoints 21 members from the House, at least five of whom are members of the minority party. The President pro tempore of the Senate appoints 21 members from the Senate, at least five of whom are members of the minority party. Vacancies created by resignation or otherwise are filled by the original appointing authority. Members serve two-year terms beginning and ending on January 15 of the odd-numbered years, and are not disqualified from completing a term of service on the commission because they fail to run or are defeated for reelection. If a member resigns or is removed from the General Assembly, they have also resigned or been removed from membership on the committee.

Section 120-76 (Powers and Duties of the Commission), North Carolina General Statutes, provides that the commission has the authority to produce routine written reports of findings for general legislative and public distribution. Such reports must contain recommendations for appropriate executive action and when legislation is considered necessary to effect change, draft legislation for that purpose may be included. These reports must include, but not be limited to, recommendations on:

- ways in which the agencies may operate more economically and efficiently;
- ways in which agencies can provide better services to the state and to the people; and
- areas in which functions of state agencies are duplicative, overlapping, or failing to accomplish legislative objectives, or for any other reason should be redefined or redistributed.

In addition to the Joint Legislative Commission on Governmental Operations, North Carolina also utilizes a legislative entity called the Program Evaluation Division of the General Assembly (division). Section 120-36.11 (Program Evaluation Division Established), North Carolina General Statutes, provides that the purpose of the division is to assist the General Assembly in fulfilling its responsibility to oversee government functions by providing an independent, objective source of information to be used in evaluating whether public services are delivered in an effective and efficient manner and in accordance with law.

According to Section 120-36.13 (Work Plan and Requests for Program Evaluation), North Carolina General Statutes, requires the Joint Legislative Program Evaluation Oversight Committee, in consultation with the Director of the Program Evaluation Division, to establish an annual work plan for the division. The division must adhere to this annual plan, unless the Joint Legislative Program Evaluation Oversight Committee changes the annual plan to add a new evaluation or remove a planned evaluation. A member of the General Assembly may request a review of a governmental entity.

Section 120-36.14 (Content of Report of Program Evaluation Division), North Carolina General

Statutes, requires that a report of an evaluation of a program or an activity of a state agency by the Program Evaluation Division of the General Assembly include:

- the findings of the division concerning the program or activity;
- specific recommendations for making the program or activity more efficient or effective;
- any legislation needed to implement the division's findings and recommendations concerning the program or activity; and
- an estimate of the costs or savings expected from implementing the division's findings and recommendations concerning the program or activity.

North Dakota

In North Dakota, the Department of Commerce (department) is the governmental entity responsible for the administration of economic development projects within the state. According to Section 54-60-03 (Commissioner of Commerce-Duties), North Dakota Century Code, the commissioner of the Department of Commerce (commissioner) is required to report between the first and the tenth legislative days of each regular legislative session to a standing committee of each house of the legislative assembly as determined by legislative management, and report annually to the North Dakota Economic Development Foundation—a governmental entity composed of between 15 and 30 gubernatorial appointees from varying business backgrounds—on:

- the department's goals and objectives since the last report;
- the department's goals and objectives for the period until the next report;
- the department's long-term goals and objectives;
- the department's activities and measurable results occurring since the last report; and
- commerce benchmarks, including the average annual wage in the state, the gross state product exclusive of agriculture, and the number of primary sector jobs in the state.

Section 54-60-4 (North Dakota Economic Development Foundation - Executive Committee - Duties), North Dakota Century Code, requires that the North Dakota Economic Development Foundation (foundation) develop a strategic plan for economic development in the state and set accountability standards, measurements, and benchmarks to evaluate the effectiveness of the department in implementing the strategic plan. The foundation must also monitor the economic development activities and initiatives of the department.

In addition, Section 54-60.1-05 (State Grantor Receipt Reports), North Dakota Century Code, requires the department to create state grantor recipient report forms that include:

- the name and address of the recipient;
- the type, public purpose, and value of the business incentive;
- the number of new jobs to be created or retained in association with the business incentive;
- the average compensation of all jobs to be created or retained in association with the business incentive, including identification of the average benefits and the average earnings provided by the employer on all jobs created or retained in association with the business incentive;
- the date the job and average compensation goals are expected to be reached;
- a statement of goals identified in the business incentive agreement and an update on achievement of these goals, including the actual number of jobs created or retained and the average compensation of jobs created or retained at that point, including identification of the average benefits actually provided and the average earnings actually provided by the employer on all jobs created or retained;
- the location of the recipient prior to receiving the business incentive;
- the name and address of the parent corporation of the recipient, if any;
- a list of business incentives by all grantors for the project; and
- other information the department and grantor may request.

Each state grantor must also use recipient report forms created by the department to monitor the progress by each state grantor recipient in achieving business incentive agreement goals. At a minimum, each of these recipients must provide the state grantor with an annual recipient report for two years following the benefit date or until the goals are met, whichever is later. A grantor must file with the department a copy of each completed recipient report. Each March, a state grantor recipient is required to file with the state grantor a report for the previous calendar year.

Section 54-60.1-07 (Compilation and Summary - Report to Legislative Council), North Dakota Century Code, requires the department to publish a compilation and summary of the results of the state grantor reports for the previous calendar year. The department must file this report annually with the legislative council. This compilation and summary must be organized so that useful comparisons across time periods and across grantors can be made. The department may add other information to the compilation and summary as deemed necessary to evaluate business incentives.

Section 54-10-01 (Powers and Duties of the State Auditor), North Dakota Century Code, requires the state auditor to perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit is required to be done in accordance with generally accepted auditing standards applicable to performance audits.

Section 54-35-02.1 (Legislative Audit and Fiscal Review Committee), North Dakota Century Code, requires that legislative management appoint a Legislative Audit and Fiscal Review Committee (committee) charged with the studying and reviewing the financial transactions of North Dakota; to assure the collection and expenditure of its revenues and moneys in compliance with law and legislative intent and sound financial practices; and to provide the legislative assembly with formal, objective information on revenue collections and expenditures for a basis of legislative action to improve the fiscal structure and transactions of this state.

Section 54-35-02.2 (Powers and Duties of the Legislative Audit and Fiscal Review Committee), North Dakota Century Code, requires the committee to study and review audit reports as it chooses from those submitted by the state auditor.

Ohio

According to Jamie Beier-Grant, director, Ottawa County Improvement Corporation (OCIC), Ohio:

- Any private or public sector recipient of state/federal loan or grant dollars is required to report on the use of those public funds.
- Private/public sector recipients of state/federal funds have been required to report to the agency that is the source of the funds. There has also seen a shift to provide reports to the Ohio attorney general's office, which is now trying to monitor the use of public dollars for economic development-related activities. According to Beier-Grant, since there are several programs within the State of Ohio, it is difficult to list everyone who has a reporting requirement. In his role as Economic Development Director, Beier-Grant has specifically worked with the following entities at the state level on reporting:
 - Ohio Department of Development (now called Development Services Agency);
 - Jobs and Family Services (for workforce development/training related programs);
 - Auditor of State;
 - Division of Housing and Community Partnerships (administers community development block grant funds);
 - Ohio Department of Transportation;
 - Ohio Environmental Protection Agency; and
 - Ohio Public Works Commission;
- The majority of the information that is reported relates to the specific scope of project and use of funds, such as the typical progress reports on capital investment to date, number of

jobs created to date, number of jobs retained, proof of expenditures for public infrastructure improvements, LMI certifications, and training program completion and results.

- The Ohio attorney general is trying to create an economic effectiveness evaluation/analysis process through its annual reporting requirement.

Economic development programs are typically required to report either annually or at the time of project completion and economic programs are evaluated for performance/effectiveness every four to six years.

Section 122.011 (Development Services Agency; Powers and Duties), Ohio Revised Code, requires the Ohio Development Services Agency (ODSA) to develop and promote plans and programs designed to assure that state resources are efficiently used, economic growth is properly balanced, community growth is developed in an orderly manner, and local governments are coordinated with each other and the state, and for such purposes ODSA is authorized to:

- serve as a clearinghouse for information, data, and other materials that may be helpful or necessary to persons or local governments;
- prepare and activate plans for the retention, development, expansion, and use of the resources and commerce of the state;
- assist and cooperate with federal, state, and local governments and agencies of federal, state, and local governments in the coordination of programs to carry out the functions and duties of the agency;
- encourage and foster research and development activities, conduct studies related to the solution of community problems, and develop recommendations for administrative or legislative actions;
- serve as the economic and community development planning agency, which must prepare and recommend plans and programs for the orderly growth and development of this state and which shall provide planning assistance;
- cooperate with and provide technical assistance to state departments, political subdivisions, regional and local planning commissions, tourist associations, councils of government, community development groups, community action agencies, and other appropriate organizations for carrying out the functions and duties of the development services agency or for the solution of community problems;
- coordinate the activities of state agencies that have an impact on carrying out the functions and duties of the development services agency;
- encourage and assist the efforts of and cooperate with local governments to develop mutual and cooperative solutions to their common problems;

- study existing structure, operations, and financing of regional or local government and those state activities that involve significant relations with regional or local governmental units, recommend to the governor and to the general assembly such changes in these provisions and activities as will improve the operations of regional or local government, and conduct other studies of legal provisions; and
- create and operate a division of community development to develop and administer programs and activities that are authorized by federal statute or the Ohio Revised Code.

Oklahoma

Pursuant to Section 74-5003.7 (Five-Year Economic Development Plan and Updates), Oklahoma Statutes, the Oklahoma Department of Commerce (department) must prepare, with the cooperation of the Oklahoma business community, agricultural community, financial community, universities, labor and the state executive and legislative branches, a five-year economic development plan for businesses with annual updates for the State of Oklahoma.

The purpose of the plan is to identify significant economic, social, and demographic trends that may have both short-term and long-term impacts on the state and local economy and to present strategies and recommendations that the state and local political subdivisions might adopt to improve or stabilize the economy.

The plan must include as goals the development of a diversified state economy, increasing employment, the maximum use of federal, state, and local funds to achieve the goals or recommendations included in the plan, the maximum investment of capital in the economy of the state, and the improvement of the quality of life in the state. The plan wherever possible must make recommendations to encourage intergovernmental cooperation and public and private cooperation. Copies of the plan and the annual updates shall be submitted to the Oklahoma Advisory Committee on Intergovernmental Relations, the governor, the speaker of the House of Representatives, the president pro tempore of the Senate and the chairmen of the standing committees on economic development of the Senate and of the House of Representatives on the first day of each legislative session.

The department is required to develop and manage a complete economic information system that will support the five-year planning process and will make available complete and timely information on the state economy. The economic information system shall be operated by public or private Oklahoma universities or an Oklahoma enterprise capable of providing such services in a cost-effective manner.

The department, in conjunction with the Oklahoma Development Finance Authority, is authorized to develop an infrastructure program that will enable political subdivisions of this state to finance public works projects in order to modify or improve existing public facilities for purposes of bringing said facilities, and the operation thereof, into compliance with and maintaining compliance with federal, state and local laws and regulations pertaining to the protection of the public health and

the environment.

The director of the department (director) must develop an annual business plan for the department. The business plan shall include the need and mission of each division of the department created by law or the director and an analysis of past costs and benefits and future projected costs and benefits to the state of the programs of each division of the department. The business plan shall be consistent with the goals of the recurring five-year plan specified. The director shall distribute copies of the business plan by such means that will make it widely available to communities, firms, and local economic development managers throughout the state.

Section 74-5003.9 (Legislative Performance Review-Report of Review Information), Oklahoma Statutes, requires the Oklahoma Department of Commerce to submit to the Legislature performance review information for the programs it operates or funds. This information shall be compiled into a report that shall be submitted to the president pro tempore of the Senate, the speaker of the House of Representatives, the chairman of the Senate Appropriations Committee and the Chairman of the House of Representatives Appropriations and Budget Committee by February 1 of each year. The report must be designed to assist the appropriation committees in determining funding priorities and should provide the best available information regarding the effectiveness of these programs. This report must complement the department's annual budget request.

The report must be structured so that:

- the need for the program is clearly established;
- the goals of the program are clearly defined;
- measurable objectives are set forth;
- actual performance data is provided and explained;
- performance is evaluated against objectives; and
- future funding recommendations and program benefits are outlined.

Oregon

According to Section 284.570 (Development of state economic development strategy; advisory committee; rules; focus of strategy), Oregon Revised Statutes, the governor is required to direct the Oregon Business Development Commission, in consultation with the Economic Revitalization Team established pursuant to ORS 284.555 (Economic Revitalization Team; regulatory efficiency group; membership; purpose; reports) and other state agencies as appropriate, to appoint an advisory committee composed of representatives of local governments, ports, local economic development organizations and private industry and other individuals familiar with economic development strategies to assist the commission in developing a state economic development strategy. The commission must, by administrative rule, adopt and periodically update the strategy. The strategy

must focus on:

- creating, expanding, and retaining Oregon businesses;
- assisting in the development and growth of competitive industrial sectors;
- creating jobs by attracting new businesses to Oregon;
- providing economic development tools and resources to Oregon communities;
- assisting local communities and regions in developing and maintaining economic development plans that are coordinated with the state economic development strategy;
- providing an adequate supply of industrial, commercial, and retail sites available for immediate development inside urban growth boundaries;
- providing public infrastructure in a timely manner;
- resolving constraints on and removing barriers to the timely development of industrial and traded sector sites; and
- developing recommendations for prioritizing state loans, grants, and technical assistance to local governments that meet the objectives of the state economic development strategy.

According to Section 285A.050 (Biennial report; content), Oregon Revised Statutes, the Oregon Business Development Commission (commission) is to report biennially to the governor and the Legislative Assembly on the success of economic development efforts. The report must include the progress toward achievement of performance measures for the Oregon Business Development Department as adopted by the Legislative Assembly. At a minimum, the report must include the following:

- for the overall department and for identifiable programs and funding sources:
 - the number of jobs created and retained;
 - the average wage levels of jobs created and retained; and
 - other measures identified by the commission;
- the status of the Oregon economy as it relates to the economic strategy outlined in ORS 285A.020 (Legislative findings; purpose; declaration of economic strategy; principles for investment of resources; priorities for funding and assistance); and
- other issues identified by the commission.

Pennsylvania

Pursuant to Section 1.209 (Purpose), Title 4 (Administration), Pennsylvania Code, the Pennsylvania Human Resources Investment Council (council) is responsible for the commonwealth's economic development projects. Working with the Pennsylvania Department of Community and Economic Development (DCED), the council reports to the General Assembly and is supported by the commonwealth's workforce development system. The council sets standards for local career development marketplaces and workforce development system service provider participation, adopt an official workforce development system logo designation and develop a system-wide marketing program. The council reports to the governor, the general assembly, and the commonwealth generally upon the council's progress and the return on investment and the overall effectiveness of the state and federal human resource programs.

Among the information required to be submitted by all agencies:

- a clear and complete description of the boundaries of the proposed zone, accompanied by a map in which each item in the description is clearly legible. Copies of clear boundary descriptions and maps from the applicant's enterprise planning zone application are acceptable. Approximate total acreage or square mileage and the most recent population, employment and percentage of poverty figures for the proposed zone should be included;
- a summary of the description in the applicant's preceding enterprise planning zone application concerning particular area characteristics which either facilitate or impede business expansion. Representative case examples, from the small business survey interview results included in the strategy document, which either confirm or modify what was previously known about business expansion opportunities or constraints in the zone should also be listed. The general size of the firms in terms of small, medium, or large work force and the type of product or service provided by the firm should be indicated, although the names of individual firms do not need to be provided in the case example. The significance of the selected case examples to the earlier description should be briefly explained;
- the types and costs of resources needed to increase or redirect the economic development capacity of the applicant in order to implement the local business development strategy with continued funding for the designated enterprise zone. The amounts of funds needed and identification of funding source should be included under the proper column of the budget form for this application when expenditures for this purpose are required. Examples of budget items include establishment of a development corporation, hiring or reassignment of qualified staff, or contracting with an experienced consultant;
- a brief general summary of the methods and activities that will be used to accomplish the objectives of the strategy, including the types of assistance typically requested by firms in the proposed zone, and the activities to be implemented to respond to these requests. The strategy document should be the source of these descriptions;
- a project sheet for each item of assistance requested by individual firms as identified in the

strategy document and the enterprise zone program application budget sheet. Project sheets and the budget sheet are provided in the grant application package. A project sheet should be completed for each business assistance activity which is expected to account for a significant part of the anticipated enterprise zone program grant, and the budget sheet should reflect the activities as budget line items. A signed letter on the business letterhead of the prospective beneficiary firm requesting the assistance should be attached to the completed project sheet. The letter should contain contingent commitments to approximate amounts of new/additional business investment and new jobs. The project sheet should list the private and public resources identified as available, and additional private and public resources required for successful implementation of the project. For each required resource not yet available, an expected date of availability should be listed; and

- documentation from business survey findings of a need for business development finance services to justify a revolving loan fund work activity and budget line item. This work activity shall include provision for counseling and technical assistance in review and revision or preparation as needed of a creditable business plan for each prospective revolving loan fund applicant to ensure that conventional bank financing, Pennsylvania industrial development assistance, and other sources are available to the maximum extent and on the most advantageous terms possible. A local inter-bank commitment of pooled resources should be negotiated to supplement enterprise zone program capitalization of the revolving loan fund. Local bank commercial loan officers and local business people should comprise the bulk of the loan review committee. Effort should be made to secure participation from minority and women among local business firms and banks. Applicants without at least three years of successful experience in the administration of business loan funds shall name a cooperative agency with appropriate experience to administer the revolving loan fund. Documentation should be provided of the nature and length of the proposed administering agency's experience, a copy of the agency's loan policies, additional detail required to identify sources of capitalization in the revolving loan fund, the composition by qualification of the loan committee, and a general but quantitative review of performance of outstanding loans in terms of payment regularity, defaults and nonperforming loans.

Section 119.24 (Auditing of Grants), Title 12, Pennsylvania Code, requires DCED to audit grants made to the council with a review of council project records, periodical onsite evaluative inspection by DCED personnel, and other appropriate methods. The auditing of grants must assure that commonwealth funds have been expended appropriately, evaluate the success of council efforts where program grant monies are applied, and evaluate the effectiveness of councils in general and of each program in particular.

Rhode Island

In 2013, the Rhode Island Economic Development Tax Incentives Evaluation Act (act) became law. It requires that economic development tax incentives be evaluated for their cost-effectiveness as a tool for promoting economic development. The act requires Rhode Island's Office of Revenue

Analysis, a division of the Rhode Island Department of Revenue, to submit a report to the legislature every three years on whether incentives are fulfilling their intended purpose.

According to Section 44-48.2-5 (Economic Development Tax Incentive Evaluations, Analysis), State of Rhode Island General Laws, report analyses must include the following:

- (1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
- (2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
- (3) The number of taxpayers granted the tax incentive during the previous twelve-month period;
- (4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
- (5) An assessment and five-year projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
- (6) An estimate of the economic impact of the tax incentive including, but not limited to:
 - a. A cost-benefit comparison of the revenue foregone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
 - b. An estimate of the number of jobs that were the direct result of the incentive; and
 - c. A statement by the director of the economic development corporation as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;
- (7) The estimated cost to the state to administer the tax incentive, if such information is available;
- (8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
- (9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

- (10) Whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive's goals and intended purpose;
- (11) A recommendation as to whether the tax incentive should be continued, modified or terminated, the basis for such recommendation, and the expected impact of such recommendation on the state's economy; and
- (12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to numbers (1) through (8).

Each year the Rhode Island governor submits a budget. If an economic development tax incentive has been evaluated since the governor's last submission, the submission will identify that incentive and recommend continuing, modifying, or terminating it.

South Carolina

Section 13-1-1710 (Coordinating Council for Economic Development), South Carolina Code of Laws, creates the Coordinating Council for Economic Development (coordinating council) whose purpose is to develop, implement, monitor and review implementation of a strategic plan for economic development. Coordinating council is required to meet quarterly to evaluate, develop, and revise the agency's plan for economic development. The coordinating council is responsible for the evaluation of programs in terms of their compatibility with state objectives and priorities.

The coordinating council is composed of the secretary of commerce, the commissioner of agriculture, the executive director of the Department of Employment and Workforce, the director of the South Carolina Department of Parks, Recreation and Tourism, the chairman of the State Board for Technical and Comprehensive Education, the chairman of the South Carolina Ports Authority, the chairman of the South Carolina Public Service Authority, the chairman of the South Carolina Jobs Economic Development Authority, the director of the South Carolina Department of Revenue, and the chairman of the South Carolina Research Authority. The secretary of commerce serves as the chairman of the coordinating council.

Section 13-1-1730 (Reports), South Carolina Code of Laws, requires the coordinating council to report at least annually to the governor, chairman of senate finance and house ways and means committees, and to the general assembly on the status of economic development goals. The section requires the coordinating council to report annually on the commitments, expenditures, and balance of the Economic Development Account, and make recommendations.

Section 13-1-1740 (Recommendations by council; review of agency requests for appropriations), South Carolina Code of Laws, requires the coordinating council to make recommendations to the governor, the general assembly, and the State Budget and Control Board as to the policies and programs involved in the state's economic development it considers necessary to carry out the objectives of the strategic plan.

The section requires the coordinating council to review agency requests for legislative appropriations

for economic development and authorizes the coordinating council to make recommendations to the Budget and Control Board and the general assembly concerning requests compatible with the objectives of the strategic plan. It provides that these recommendations are not part of the formal budgeting process.

South Dakota

According to Martin Guindon, auditor general, South Dakota Department of Legislative Audit, South Dakota's economic development programs are administered almost exclusively by the office of the governor, and any review or oversight requirements are set forth at the creation of the program. Most economic development programs are financially reviewed annually by the South Dakota Department of Legislative Audit (DLA), which reports directly to the legislature. However, these programs are not subject to scheduled programmatic effectiveness reviews. Within South Dakota, there does not exist a standardized system of review or analysis for economic development programs beyond a financial audit that follows the federal Government Accountability Office's Government Auditing Standards.

In response to allegations of misconduct within the Governor's Office of Economic Development (GOED), a one-time, comprehensive review of GOED was conducted by DLA in 2013. DLA audited the actions of GEOD over the previous for years and made recommendations for improving programmatic protections against fraud and conflicts of interest. Recently lawmakers considered a bill requiring a three-year analysis of all of South Dakota's economic development programs, but that bill was rejected.

Tennessee

Section 9-18-102 (Internal Controls--Management Assessment of Risk), Tennessee Code, requires each agency of state government to:

- establish and maintain internal controls and provide reasonable assurance that obligations and costs are in compliance with applicable law;
- ensure that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- ensure that revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

In order to comply with these requirements, each state agency is required to perform an annual management assessment of risk. This risk assessment is intended to:

- provide reasonable assurance of accountability for meeting objectives;
- promote operational efficiency and effectiveness;

- improve reliability of financial statements;
- strengthen compliance with laws, regulations, rules, and contracts and grant agreements; and
- reduce the risk of financial or other asset losses due to fraud, waste, and abuse.

Section 4-3-304 (Powers and Duties), Part 3 (Department of Audit), Tennessee Code, requires the Department of Audit to perform a post audit of all accounts and financial records for all agencies and departments of the state government in accordance with generally accepted auditing standards and in accordance with any standards established by the comptroller. The Department of Audit is required to make this report available to the general assembly at least annually, or at the request of the general assembly. The Department of Audit is also required to devise a modern, effective, and uniform system of bookkeeping and accounting, subject to the approval of the governor, comprehending an efficient system of checks and balances between the officers at the seat of government entrusted with the collections and receipts, custody, and disbursement of the revenues of the state.

The Department of Audit is required to perform economy and efficiency audits, program result audits, and program evaluations; and is authorized to require that all persons, corporations, or other entities receiving grants from or through the state perform a timely audit in accordance with auditing standards prescribed by the comptroller. The Department of Audit is also authorized to establish minimum standards for the performance of audits by the internal staff of political subdivisions.

Chapter 35 (State of Tennessee Audit Committee Act of 2005), Title 4, Tennessee Code, requires that all state governing boards, councils, commissions, or equivalent bodies that have the authority to hire and terminate employees, or are responsible for the preparation of financial statements, whether included in the financial statements of other entities or free standing, create an audit committee.

These audit committees are required to:

- oversee the financial reporting and related disclosures, especially when financial statements are issued, and evaluate management's assessment of the body's system of internal controls;
- formally reiterate, on a regular basis, to management and staff of the agency to which the audit committee is attached, the responsibility of management and staff of the agency for preventing, detecting, and reporting fraud, waste, and abuse;
- serve as a facilitator of any audits or investigations of the body to which the audit committee is attached, including advising auditors and investigators of any information the audit committee may receive pertinent to audit or investigative matters; inform the comptroller of the results of assessment and controls to reduce the risk of fraud; and
- promptly notify the comptroller of any indications of fraud.

In addition to these requirements, Section 4-33-104 (Economic Impact Statements), Tennessee Code,

requires that any agency, upon written request by the commissioner or head of any agency, or by any member of the general assembly, within a reasonable time justify a proposed action by preparing an economic impact statement using professionally accepted methodology, with quantification of data to the extent practicable, giving effect to both short-term and long-term consequence.

These economic impact statement are required to include:

- a description of the action proposed, the purpose of the action, the legal authority for the action, and the plan for implementing the action;
- a determination that the action is the least-cost method for achieving the stated purpose;
- a comparison of the cost-benefit relation of the action to nonaction;
- a determination that the action represents the most efficient allocation of public and private resources;
- a determination of the effect of the action on competition;
- a determination of the effect of the action on the cost of living in the geographical area in which the action would occur;
- a determination of the effect of the action on employment in the geographical area in which the action would occur;
- the source of revenue to be used for the action; and
- a conclusion as to the economic impact upon all persons substantially affected by the action, including an analysis containing a description as to which persons will bear the costs of the action and which persons will benefit directly and indirectly from the action.

Section 4-33-107 (Copies of Economic Impact Statements), Tennessee Code, requires that each agency prepare an economic impact statement and provide a copy of the impact statement to the Senate and House of Representatives government operations committees.

In Tennessee, the Department of Economic and Community Development is tasked with the coordination of development services to communities, businesses, and industries in the state. Section 4-3-702 (Commissioner), Tennessee Code, provides that the Department of Economic and Community Development is helmed by a commissioner appointed by the governor from among nominations received from the Tennessee Board for Economic Growth. The commissioner has the authority to promulgate rules and regulations necessary for the operation of the Department of Economic and Community Development or to effectuate any of the programs or responsibilities of any of the divisions of the Department of Economic and Community Development.

Section 4-3-714 (Legislative Intent - Reports), Tennessee Code, provides that it is the intent of the

general assembly that the Department of Economic and Community Development provide periodic reports to the government operations committees of the Senate and House of Representatives detailing correctives steps to address audit findings of the Office of the Comptroller.

Tennessee operates an economic development fund called the FastTrack Infrastructure Development and Job Training Assistance and Economic Development Fund (FastTrack Fund). The FastTrack fund is used to assist in job training, infrastructure development, and economic development. Section 4-3-716 (FastTrack Infrastructure Development and Job Training Assistance and Economic Development Fund - Funding - Uses of Fund - Legislative Intent), Tennessee Code, requires the commissioner of the Department of Economic and Community Development to report to the commissioner of finance and administration on the status of the appropriations for the FastTrack Fund.

This report must include the amount of each commitment accepted since the previous report and the name of the company receiving the benefit of such commitment, the total outstanding commitments, and the total unobligated appropriation.

A copy of this report must be transmitted to:

- the speaker of the House of Representatives;
- the speaker of the Senate;
- the chair of the Senate Finance Committee;
- the chair of the House Ways and Means Committee;
- the state treasurer;
- the state comptroller;
- the Office of Legislative Budget Analysis; and
- the secretary of state.

Utah

Chapter 1 (Governor's Office of Economic Development), Title 63M (Governor's Programs, Utah Code, requires the Governor's Office of Economic Development (GOED) to:

- monitor the implementation and operation of economic development projects and conduct a continuing evaluation of the progress made in the enterprise zones;

- evaluate an application for designation as an enterprise zone from a county applicant or a municipal applicant and determine if the applicant qualifies for that designation;
- provide technical assistance to county applicants and municipal applicants in developing applications for designation as enterprise zones;
- assist county applicants and municipal applicants designated as enterprise zones in obtaining assistance from the federal government and agencies of the state;
- assist a qualified business entity in obtaining the benefits of an incentive or inducement program authorized by this part; and
- prepare an annual evaluation based, in part, on data provided by the State Tax Commission that:
 - evaluates the effectiveness of the program and any suggestions for legislation; and
 - is available upon request to the governor and to the Revenue and Taxation Interim Committee of the Legislature before November 1 of each year.

Vermont

Section 7 (Economic Development; Assistance and Incentives Benchmark Reports), Chapter 1 (The Future of Economic Development), Title 10 (Conservation and Development), Vermont Statutes, requires any business entity, including a for-profit corporation, a nonprofit corporation, a partnership, or a sole proprietorship that receives economic development assistance from state funds administered by a governmental agency, from state funds administered by a private entity, or from federal funds administered by the state, whether such assistance is in the form of a grant, a loan, a state tax abatement, a tax credit, a tax increment financing program, or such other form of economic development assistance or incentive as the secretary of commerce and community development may identify by rule, to report to the Department of Economic Development on the number of new jobs that will be created or existing jobs that will be retained as a result of such assistance, the wages and employee benefits associated with such jobs, and a description of any other public benefits associated with such economic development assistance on a form approved by the agency granting assistance, or awarding a tax credit or abatement, or approving any other form of economic development assistance.

Any entity receiving economic development assistance is required to report annually, in a manner and on a form prescribed by the commissioner of economic development, the amount or monetary value of economic assistance or incentive granted, awarded or approved, and such information as is necessary to determine whether the recipient has reached its job creation or other public benefit goals.

Section 217 (Records; Annual Report; Audit), Sub-Chapter 1 (General Provisions), Chapter 12 (Vermont Economic Development Authority), Title 10, Vermont Statutes, requires the Vermont Economic Development Authority (authority) to keep an accurate account of all its activities and of all its receipts and expenditures. The authority is required to submit a report of its activities for the preceding fiscal year to the governor and to the general assembly before February 1 of each year. This report must set forth a complete operating and financial statement covering its operations during the year. The authority is required to cause an audit of its books and accounts to be made at least once in each year by a certified public accountant and its cost is to be considered an expense of the authority and a copy must be filed with the state treasurer.

The auditor of accounts of Vermont and his authorized representatives are authorized to examine the accounts and books of the authority, including its receipts, disbursements, contracts, funds, investments, and any other matters relating to its financial statements at any time.

With regards to economic development tax incentives, Vermont utilizes the Vermont Economic Progress Council (council). This council consists of members appointed by the governor and approved by the Senate, one member of the House of Representatives selected by the speaker of the house, and one member of the Senate selected by the Committee on Committees of the Senate. This council is responsible for reviewing, approving, or denying applications for tax incentives for businesses.

Section 5930a (Vermont Economic Progress Council), Sub-Chapter 11E (Economic Advancement Tax Incentives), Chapter 151 (Income Taxes), Title 32 (Taxation and Finance), Vermont Statutes, requires the council to evaluate the overall consistency of each application with the following guidelines:

1. The enterprise should create new, full-time jobs to be filled by individuals who are Vermont residents. The new jobs shall not include jobs or employees transferred from an existing business in the State, or replacements for vacant or terminated positions in the applicant's business. The new jobs include those that exceed the applicant's average annual employment level in Vermont during the two preceding years, unless the council determines that the enterprise will establish a significantly different, new line of business and create new jobs in the new line of business that were not part of the enterprise prior to filing its application for incentives with the council. The enterprise should provide opportunities that increase income, reduce unemployment, and reduce facility vacancy rates. Preference should be given to projects that enhance economic activity in areas of the state with the highest levels of unemployment and the lowest levels of economic activity.
2. The new jobs should make a net positive contribution to employment in the area, and meet or exceed the prevailing compensation level, including wages and benefits, for the particular employment sector. The new jobs should offer opportunities for advancement and professional growth consistent with the employment sector.
3. The enterprise should create positive fiscal impacts on the State, the host municipality, and the region as projected by the cost-benefit model applied by the council under subsection (d) of this section.

4. The enterprise should be welcomed by the host municipality, and should conform to all appropriate town and regional plans and to all permit and approval requirements.
5. The enterprise should protect or improve Vermont's natural, historical, and cultural resources, and enhance Vermont's historic settlement patterns.
6. It is desirable for the enterprise to make use of Vermont resources.
7. It is desirable for the enterprise to strengthen the quality of life in the host municipality, and to foster cooperation within the region.
8. It is desirable for the enterprise to use existing infrastructure or to locate in an existing downtown redevelopment project.
9. If the enterprise proposes to expand within a limited local market, then the enterprise should not be given an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market as a result of the economic incentive granted.

The council is required to apply the cost-benefit model in reviewing applications to determine the net fiscal benefit to the state. The cost-benefit model is required to be a uniform and comprehensive methodology for assessing and measuring the projected net fiscal benefit or cost to the state of proposed economic development activities. Any modification of the cost-benefit model must be approved by the Joint Fiscal Committee. The cost-benefit analysis must include consideration of the effect of the passage of time and inflation on the value of multi-year fiscal benefits and costs.

In determining the projected net fiscal benefit or cost of incentives, the council is required to calculate the net present value of the enhanced or forgone statewide education tax revenues, reflecting both direct and indirect economic activity. If the council approves an incentive pursuant to this section, the net fiscal costs, if any, to the state must be counted as if all those costs occurred in the year in which the council first approved the incentive and that cost must reduce the amount of the annual authorization for such approvals established by the legislature for the applicable calendar year.

In determining the projected net fiscal benefit or cost of incentives, the council must calculate the net present value of the enhanced or forgone state tax revenues attributable to the incentives, reflecting both direct and indirect economic activity over the five-year award period. If the council approves an incentive, the net fiscal costs, if any, to the state must be counted as if all of those costs occurred in the year in which the council first approved the incentive and that cost shall reduce the amount of the council's annual authorization for approval of economic incentives as established by the legislature for the applicable calendar year.

The governor is required to recommend to the general assembly an annual authorization amount for the total net fiscal cost of incentives the council may approve in a year.

The council and the Department of Taxes are required to file a joint report on economic advancement tax incentives, by April 1 of each year with:

- the Chairs of the House Committee on Ways and Means;
- the House Committee on Commerce;
- the Senate Committee on Finance;
- the Senate Committee on Economic Development;
- Housing and General Affairs;
- the House and Senate Committees on Appropriations; and
- the Joint Fiscal Committee of the General Assembly.

The joint report must contain:

- the gross and net value of incentives granted during the preceding year;
- an account of each incentive granted, including the date and amount of the award;
- the expected calendar year or years in which the award will be exercised;
- whether the award is currently available;
- the date the award will expire; and
- the amount and date of all incentives exercised.

The joint report must also:

- describe the extent to which the tax credits allowed by the Department of Taxes in the previous calendar year supported economic activity that complied with the performance expectations in the written notification of approval;
- summarize all credits awarded and earned, applied for, and carried forward by entities participating in the Economic Advancement Tax Incentives Program through the end of the preceding calendar year;
- include the claims by specific type of credit, number of participating entities, and tax type against which the credit is applied;
- include information on award recaptures;
- include information on economic activity, benefits to the state, and recipient performance in the fiscal year in which the credit was applied; and
- address the council's conformance with the annual authorizations approved by the general assembly.

The Department of Taxes is required to develop the capacity to report by fiscal year the amount of total credits applied by tax type against the tax liabilities for the prior fiscal year and any award recaptures.

Each award recipient is required to file a report with the Department of Taxes and with the council for each tax year for which the award is authorized by the council. That report must respond directly to the performance expectations in the written notification of approval, and include:

- a description of the economic activity, including the total number of jobs created;
- the number of new jobs filled by Vermont residents;
- the wages for the new jobs;
- investments made according to the categories of incentives awarded;
- the nature and extent to which the economic activity was consistent with guidelines; and
- any other information required by the council or the Department of Taxes to assess the performance of the award recipient.

The Department of Taxes is required to compare the award recipient's report with the performance expectations in the written notification of approval. Upon determining that an award recipient has met all of the performance expectations the Department of Taxes is required to allow the tax credit and must provide the council with a report of the credit amount allowed and the basis for allowing the credit. If the Department of Taxes is unable to determine full compliance with the performance expectations, the Department of Taxes must request that the council conduct a more detailed review.

If the Department of Taxes requests the council to conduct a more detailed review, the council is required to assess whether the taxpayer's actual performance meets the goals of the overall performance expectations and all factors upon which the authorization was originally based. The council is required to conduct the review in a manner consistent with the original authorization, including examination of consistency with guidelines, and, if necessary, application of the cost-benefit model.

At the conclusion of its review, the council is required to submit a written report to the commissioner of taxes, setting out the factors and bases for the council's reassessment, if any, and recommending that the credit be approved, in full or in part, or disallowed. The commissioner of taxes must decide whether the credit shall be approved, in full or in part, or disallowed upon receiving the council's reassessment and recommendation.

Each year an award recipient that has obtained the council's approval for a tax incentive is required to file a report with the council, stating the amount of any incentives used during the preceding taxable year, and detailing compliance with all performance expectations upon which the award was conditioned.

The value of any economic incentives taken by an applicant that has obtained the council's approval must be refunded to the state, and any economic incentives remaining to be exercised are required to be disallowed in the event that:

- the applicant fails to comply with all performance expectations upon which the award was conditioned;
- the applicant knowingly fails to supply any required information or knowingly files false or misleading information; or
- the applicant fails to file any reports required by the Department of Taxes or the council.

In 2010, the Vermont General Assembly established a commission to review long-term goals and benchmarks, as well as agencies' progress with regards to those goals and benchmarks. This commission reports to the Senate Committee on Economic Development, Housing and General Affairs, the Senate Committee on Finance, the House Committee on Commerce and Economic Development, the House Committee on Ways and Means, and the governor.

Virginia

According to Carrie Chenery, legislation and policy manager, Virginia Economic Development Partnership, the Virginia's 2012-2014 General Appropriation Act required the Virginia Economic Development Partnership (VDEP) to publish an annual Report on Business Incentives detailing the performance of all economic development programs administered by VDEP and any business incentive or loan program authorized and funded by the Virginia General Assembly. This report lists the statutory authorization, the intended purpose, the administering governmental entity, and general performance data from the preceding year. It is presented to the chairmen of the House Committees on Appropriations and Finance and the Senate Finance Committee by the Secretary of Commerce and Trade. This report is not a performance evaluation of individual programs, but a general informational report on the nature of the programs containing factual data on the activities of the state's economic development programs.

In 2011, the Commonwealth of Virginia's general assembly passed Senate Joint Resolution 329 requiring a review of the state's economic development incentive grants to be conducted by the Joint Legislative Audit and Review Commission (JLARC). JLARC is composed of members of Virginia's House of Delegates and tasked with promoting program and agency savings, improving efficiency and effectiveness, informing the legislature, and ensuring compliance with legislative intent. The review was a comprehensive examination of the effectiveness of economic development incentive grants taking into account the amount of resources spent, whether program goals were achieved, how effective the program was on increasing employment or exports keeping in mind the nature of the program (e.g., targeted towards companies and industry that may have the greatest impact on the state's economy or requiring that a company only meet certain minimum standards of qualification).

The review also makes recommendations regarding economic development grants by examining each grant in a statewide context; stating that while a program may achieve its stated goals, it may not generate a significant impact on the state economy as a whole. Given the contextual framework

in which the review is conducted, JLARC is able to make recommendations on how to improve the efficiency of each grant program. In the review, JLARC also offers insight into the general effectiveness and consistency of effectiveness of different types of economic development grant programs, stating that a specific program may have experienced significant success per dollar invested while similar programs have not been as successful.

According to Ellen Miller, chief legislative analyst, JLARC, the mandate also asked that JLARC recommend a process by which Virginia's economic development grants could be reviewed on an ongoing basis. JLARC recommended that the secretary of commerce coordinate this effort, and that one of the agencies should be responsible for performing the evaluations. The recommendation has yet to be implemented, but legislation has been introduced in Virginia's current legislative session to implement our recommendation. House Bill 1191 of Virginia's 2014 Session has been approved by the House and Senate and is back in the House for approval of the changes to the bill by the Senate. The bill requires an annual report, which is to include results from an evaluation of the grant programs. Miller expects the bill to pass the House again and that the governor will sign it, but noted that it is possible that the governor may make some changes.

Washington

Section 43.88.160 (Fiscal Management—Powers and Duties of Officers and Agencies), Revised Code of Washington, requires each agency head or authorized designee to be responsible for establishing and maintaining internal audits following the standards of internal auditing of the Institute of Internal Auditors.

This section also requires the state auditor to report to the legislature on the results of current post audits that have been made of the financial transactions of each agency. The auditor may examine the books and accounts of any agency, official, or employee charged with the receipt, custody, or safekeeping of public funds at the auditor's discretion. The auditor is also required utilize data and findings from an internal control system prescribed by the Office of Financial Management when feasible in conducting examinations. Post audits of each agency may include a section on recommendations to the legislature.

In addition to these audits, Section 43.09.470 (Comprehensive Performance Audits—Scope—Reports), Revised Code of Washington, requires the state auditor to conduct independent, comprehensive performance audits of state government and each of its agencies. These performance audits are required to review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts. The performance audits must be conducted in accordance with the United States General Accounting Office government auditing standards.

Each performance audit must be comprehensive and include nine specific elements:

- (1) identification of cost savings;
- (2) identification of services that can be reduced or eliminated;

- (3) identification of programs or services that can be transferred to the private sector;
- (4) analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps;
- (5) feasibility of pooling information technology systems within the department;
- (6) analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions;
- (7) recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions;
- (8) analysis of departmental performance data, performance measures, and self-assessment systems; and
- (9) identification of best practices.

The state auditor is authorized to conduct a performance audit at any time to determine not only the efficiency, but also the effectiveness, of any government agency, account or program. Each audit report must be submitted to the corresponding legislative body or bodies, and made available to the public on or before 30 days after completion of each audit or each follow-up audit. Additionally, the state auditor is required to instruct and advise, to the greatest extent possible, the appropriate governmental body on a step-by-step remedy to whatever ineffectiveness and inefficiency is discovered in the audited entity. An annual report is submitted by the Joint Legislative Audit and Review Committee (JLARC) by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations.

JLARC is composed of eight senators and eight representatives from the legislature. Senate members are appointed by the president of the Senate, and house members are appointed by the speaker of the House. No political party may have more than four members from each house on JLARC.

Section 44.28.083 (Performance Audit Work Plans), Revised Code of Washington, requires JLARC to develop and approve a performance audit work plan for the ensuing biennium at the conclusion of the regular legislative session of each odd-numbered year. The work plan must include a description of each performance audit, and the cost of completing the audits on the work plan must be limited to the funds appropriated to the joint committee. Approved performance audit work plans are to be transmitted to the entire legislature by July 1 following the conclusion of each regular session of an odd-numbered year and as soon as practical following other legislative sessions.

Among the factors to be considered in preparing the work plans are:

- whether a program newly created or significantly altered by the legislature warrants continued oversight because

- the fiscal impact of the program is significant, or
- the program represents a relatively high degree of risk in terms of reaching the stated goals and objectives for that program;
- whether implementation of an existing program has failed to meet its goals and objectives by any significant degree;
- whether a follow-up audit would help ensure that previously identified recommendations for improvements were being implemented; and
- whether an assignment for the joint committee to conduct a performance audit has been mandated in legislation.

The legislative auditor employed by JLARC may consult with the chairs and staff of appropriate legislative committees, the state auditor, and the director of financial management in developing the performance audit work plan.

Section 44.28.088 (Performance audit reports—Preliminary, Final), Revised Code of Washington, requires the legislative auditor, upon completion of a performance audit authorized in the performance audit work plan, to transmit the preliminary performance audit report to the affected state agency or local government and the Office of Financial Management for comment. The agency or local government and the office of financial management are required to provide any response to the legislative auditor within thirty days after receipt of the preliminary performance audit report unless a different time period is approved by JLARC. The legislative auditor must incorporate the response of the agency or local government and the Office of Financial Management into the final performance audit report.

The legislative auditor is required to submit the preliminary performance audit report to JLARC for its review, comments, and final recommendations before releasing the results of a performance audit to the legislature or the public. Any comments by JLARC must be included as a separate addendum to the final performance audit report. Upon consideration and incorporation of the review, comments, and recommendations of JLARC, the legislative auditor is required to transmit the final performance audit report to:

- the affected agency or local government;
- the director of financial management;
- the speaker of the House, the majority leaders of the Senate and the House of Representatives, the minority leaders of the Senate and the House of Representatives, the caucus chairs of both major political parties of the Senate and the House of Representatives, and the floor leaders of both major political parties of the Senate and the House of Representatives; and

- the appropriate standing committees of the House of Representatives and the Senate.

The legislative auditor must also publish the results and make the report available to the public.

Section 44.28.097 (Agency Documents Furnished to Joint Committee), Revised Code of Washington, requires that all agency and local government reports concerning program performance, including administrative review, quality control, and other internal audit or performance reports be provided to JLARC upon request.

Section 44.28.100 (Reports, Minutes), Revised Code of Washington, requires JLARC to make reports to the legislature and to the public with respect to any findings or recommendations, but does not provide a schedule for those reports.

West Virginia

According to Section 31-15-6 (General Powers of Authority), West Virginia Code, the West Virginia Economic Development Authority (authority) is the entity responsible for the administration of economic development programs in West Virginia.

Section 31-15-5 (West Virginia Economic Development Authority; Composition; Appointment; Terms; Delegation of Authority by Chairman; Voting; Compensation and Expenses), West Virginia Code, requires that the authority be composed of a board of members (board) consisting of:

- the governor, who serves as chairman, or his or her designated representative;
- the tax commissioner; and
- seven members appointed by the governor, by and with the advice and consent of the Senate.

One member of the House of Delegates appointed by the speaker, and one member of the Senate appointed by the president of the Senate serve on the board in an advisory capacity as ex officio, nonvoting members. The board is required to direct the exercise of all the powers given to the authority in this article. The governor is the chief executive officer of the authority, and designates the treasurer and the secretary of the board.

Section 31-15-29 (Audits), West Virginia Code, requires the authority, as soon as possible after the close of each fiscal year, to make an annual report of its activities for the preceding fiscal year to the governor and the Legislature. This report must set forth a complete operating and financial statement covering the authority's operations during the preceding fiscal year. The authority is required to perform an audit of its books and accounts to be made at least once each fiscal year by certified public accountants.

According to Article 2 (Legislative Auditor; Powers; Functions; Duties; Compensation), Chapter 4 (The Legislature), West Virginia Code, West Virginia utilizes a legislative auditor, appointed by the

Joint Committee on Government and Finance of the Senate and House of Delegates, whose duty it is to:

- compile fiscal information for the Senate and the House of Delegates;
- audit and analyze the state budget, revenues, and expenditures;
- make post audits of the revenues and expenditures of every spending unit of the state government—including economic development programs— at least biennially;
- report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit; and
- ascertain facts and to make recommendations to the legislature concerning post-audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.

The legislative auditor is also required to report to the Joint Committee on Government and Finance of the Senate and House of Delegates on any misapplication of state funds and any erroneous, extravagant or unlawful expenditures by any spending unit—including economic development programs—along with any other findings and reports the Joint Committee on Government and Finance of the Senate and House of Delegates may require.

In addition to reviews performed by the legislative auditor, Section 4-10-7 (Agency Review), West Virginia Code, requires the Joint Committee on Government Operations and the Joint Standing Committee on Government Organization to conduct agency reviews, or authorize the Performance Evaluation and Research Division of the Legislative Auditor to conduct agency reviews as one of its duties, on one or more of the agencies under the purview of a department, during the year in which the department is scheduled for review. These reviews must be in accordance with generally accepted government auditing standards as promulgated by the U.S. Government Accountability Office.

An agency review may include, but is not limited to:

- an identification and description of the agency under review;
- the number of employees of the agency for the immediate past ten years;
- the budget for the agency for the immediate past ten years;
- whether the agency is effectively and efficiently carrying out its statutory duties or legal authority;
- whether the activities of the agency duplicate or overlap with those of other agencies and, if so, how these activities could be consolidated;

- a cost-benefit analysis, as described in subsection (e) of this section, on state services that are privatized or contemplated to be privatized;
- an analysis of the extent to which agency websites are accurate, updated and user friendly;
- an assessment of the utilization of information technology systems within the agency, including interagency and intra-agency communications;
- an analysis of any issues raised by the presentation made by the department pursuant to the provisions of this article;
- an analysis of any other issues as the committee or the joint standing committee may direct; and
- a recommendation as to whether the agency under review should be continued, consolidated or terminated.

The Joint Committee on Government Operations and the Joint Standing Committee on Government Organization can vote on the recommendation as to whether the agency under review should be continued, consolidated or terminated. Recommendations of the Joint Committee on Government Operations and the Joint Standing Committee on Government Organization are to be given considerable weight in determining if an agency should be continued, consolidated or terminated.

Section 4-10-8 (Schedule of Departments for Agency Review), West Virginia Code, sets forth a schedule for the review of state agencies every seven years.

Wisconsin

According to Section 23.167 (Goals and accountability measures for economic development programs), Wisconsin Statutes and Annotations, an "economic development program" is defined as a program or activity having the primary purpose of encouraging the establishment and growth of business in this state, including the creation and retention of jobs, and receives funding from the state or federal government and provides financial assistance, tax benefits, or direct services to specific industries, businesses, local governments, or organizations.

The Wisconsin Department of Economic Development (WDED), in consultation with the Wisconsin Economic Development Corporation, is required to:

- establish clear and measurable goals for the program that are tied to statutory policy objectives;
- establish at least one quantifiable benchmark for each program goal;

- require that each recipient of a grant or loan under the program submit a report to the WDED. Each contract with a recipient of a grant or loan under the program must specify the frequency and format of the report to be submitted to WDED and the performance measures to be included in the report.
- establish a method for evaluating the projected results of the program with actual outcomes as determined by evaluating the information;
- annually and independently verify, from a sample of grants and loans, the accuracy of the information required to be reported;
- establish by rule a requirement that the recipient of a grant or loan under the program of at least \$100,000 submit to WDED a verified statement signed by both an independent certified public accountant and the director or principal officer of the recipient to attest to the accuracy of the verified statement, and make available for inspection the documents supporting the verified statement; and
- establish by rule policies and procedures permitting to recoup payments, withhold payments, or impose a forfeiture if a recipient of a grant or loan or tax benefits submits false or misleading information to WDED or fails to comply with the terms of a contract entered into with WDED under the program and fails to provide to the satisfaction of WDED an explanation for the noncompliance.

WDED is also required to coordinate any economic development assistance with the Wisconsin Economic Development Corporation to annually, no later than October 1, submit to the joint legislative audit committee and to the appropriate standing committees of the legislature under a comprehensive report assessing economic development programs. The report must be made readily accessible to the public on an Internet-based system.

Wyoming

According to Mark Willis, chief operating officer, Wyoming Business Council, Wyoming's economic development programs are financed by the Wyoming Business Council (WBC). WBC has 15 members appointed by the governor and is chaired by the governor and an appointee. As Wyoming is prohibited from awarding grants directly to businesses, economic development programs are administered at the local level with the state offering financing at extremely low interest rates—as low as zero percent—for approved projects. Projects seeking assistance from WBC are first vetted by Wyoming's State Land and Investment Board, the Joint Committee on Minerals, Business and Economic Development Committee, and the state attorney general to ensure there exist no conflicts of interest or legal challenges. Economic analysis is performed using the RPAS model provided and modified by a Applied Economics.

All programs receiving state assistance are required to report on their performance five years after creation and are required to provide information detailing the number of jobs created, level of compensation, benefits offered, and associated capital investment. Projects report to the administering local governmental entity. However, WBC maintains regional offices capable of assisting local governments in their efforts to review economic development projects at the local government's request. A financial review is performed quarterly for all projects receiving financial assistance from WBC, this schedule was established by WBC and is not a statutory requirement.

If you have any questions or need further assistance, please contact Kurt at 512.475.3764 or at Kurt.Ahlhorn@senate.state.tx.us.

cc: SRC file
Economic Development



Appendix C



**50-State Survey: Analysis and Reporting Requirements
For State Economic Development Programs**

STATE	REVIEWING ENTITY				MANDATORY OR DISCRETIONARY REVIEW		SCHEDULE				
	Legislature	Governor	State Auditor's Office	Other	Mandatory	Discretionary	Monthly	Quarterly	Annually	Biennially	Other
Alabama	X	X			X				X	X ¹	
Alaska	X				X				X		
Arizona	X				X				X		
Arkansas	X				X				X		
California		X			X					X	
Colorado	X				X				X		
Connecticut	X	X			X				X		
Delaware	X	X			X			X ²	X		
Florida	X	X			X				X		
Georgia	X	X	X		X				X		
Hawaii	X	X	X		X				X		
Idaho	X	X			X	X ³			X		
Illinois	X				X				X		
Indiana	X				X				X		
Iowa	X				X				X		
Kansas	X				X				X		
Kentucky				X ⁴	X				X		

(Prepared by Texas Senate Research Center, April 4, 2014)

¹ The Alabama Department of Examiners of Public Accounts must audit all agency accounts at least biennially.

² Businesses are required to report to the Delaware Economic Development Office on a case-by-case basis at least annually and in some instances some as often as quarterly.

³ The Legislative Services Office, at the direction of the Legislative Council, has the authority to perform an annual audit of the statewide annual financial report prepared by the state controller.

⁴ The University of Kentucky, Center for Business and Economic Research, and the University of Louisville, Bureau of Economic Research, are required annually to prepare jointly and submit to the governor, the general assembly, and the Kentucky Economic Development Partnership a report.

**50-State Survey: Analysis and Reporting Requirements
For State Economic Development Programs**

STATE	REVIEWING ENTITY				MANDATORY OR DISCRETIONARY REVIEW		SCHEDULE				
	Legislature	Governor	State Auditor's Office	Other	Mandatory	Discretionary	Monthly	Quarterly	Annually	Biennially	Other
Louisiana				X ⁵	X				X		
Maine	X				X				X	X ⁶	
Maryland				X ⁷	X	X ⁸			X		
Massachusetts		X			X				X		
Michigan				X ⁹	X						X ¹⁰
Minnesota	X				X						X ¹¹
Mississippi	X				X			X ¹²	X		
Missouri			X		X				X		
Montana	X				X						X ¹³
Nebraska	X				X				X		
Nevada	X				X				X		
New Hampshire				X ¹⁴	X				X		

⁵ The Louisiana Department of Economic Development (LED) is required to issue an annual unified economic development budget report which shall be submitted to the governor, the president of the Senate, the speaker of the House of Representatives, every member of the legislature electronically, and the David R. Poynter Legislative Research Library.

⁶ All companies certified under the Employment Tax Increment Financing (ETIF) and Pine Tree Development Zone (PTDZ) programs are required to provide reports to the Department of Economic and Community Development (DECD) annually; biennial comprehensive evaluation is required of all economic development programs.

⁷ Maryland Department of Business and Economic Development.

⁸ Program reports are performed on every economic development program administered by the Maryland Department of Business and Economic Development as required by law or are provided voluntarily.

⁹ The Michigan Strategic Fund and the Michigan Economic Development Corporation.

¹⁰ Frequency varies by program but reports are generally required annually.

¹¹ Commissioner of employment reports biennially to legislature; programs report annually to Department of Employment and Economic Development or more frequently if certain problems exist.

¹² The Mississippi Development Authority is required to file reports with the Secretary of the Senate quarterly regarding the net economic impact of incentives or assistance.

¹³ Local economic development organizations submit annual audit reports; federally funded program reports are required annually or semiannually; state funded program reports are required biennially.

¹⁴ Department of Resources and Economic Development.

**50-State Survey: Analysis and Reporting Requirements
For State Economic Development Programs**

STATE	REVIEWING ENTITY				MANDATORY OR DISCRETIONARY REVIEW		SCHEDULE				
	Legislature	Governor	State Auditor's Office	Other	Mandatory	Discretionary	Monthly	Quarterly	Annually	Biennially	Other
New Jersey				X ¹⁵	X				X		
New Mexico			X	X ¹⁶	X				X		
New York				X ¹⁷	X						X
North Carolina	X				X			X ¹⁸	X		
North Dakota	X		X		X				X		
Ohio				X ¹⁹	X				X ²⁰		X
Oklahoma	X				X				X		
Oregon	X	X			X					X	
Pennsylvania	X				X						X ²¹
Rhode Island	X				X						X ²²
South Carolina	X			X ²³	X			X ²⁴	X		
South Dakota	X				X				X		
Tennessee	X		X		X				X		
Utah	X	X			X				X		
Vermont	X	X			X				X		

¹⁵ State Treasurer and state entity that disbursed funds.

¹⁶ Department of Finance and Administration.

¹⁷ Department of Economic Development.

¹⁸ Department of Commerce provides annual and quarterly reports for its major economic incentive programs.

¹⁹ State entity that disbursed funds.

²⁰ Economic development programs are typically required to report annually or every four to six years.

²¹ Periodical onsite evaluative inspection by Department of Community and Economic Development personnel.

²² Every three years.

²³ The Coordinating Council for Economic Development is responsible for the evaluation of programs in terms of their compatibility with state objectives and priorities.

²⁴ The Coordinating Council for Economic Development is required to meet quarterly to evaluate, develop, and revise the agency's plan for economic development.

**50-State Survey: Analysis and Reporting Requirements
For State Economic Development Programs**

STATE	REVIEWING ENTITY				MANDATORY OR DISCRETIONARY REVIEW		SCHEDULE				
	Legislature	Governor	State Auditor's Office	Other	Mandatory	Discretionary	Monthly	Quarterly	Annually	Biennially	Other
Virginia	X				X				X		
Washington	X		X		X						X ²⁵
West Virginia	X		X		X				X		
Wisconsin	X				X				X		
Wyoming				X ²⁶		X		X			

²⁵ The Joint Legislative Audit and Review Commission must make reports to the legislature and to the public with respect to any findings or recommendations, including those of the state auditor, but a schedule for those reports is not provided within the statutes.

²⁶ Wyoming's economic development programs are overseen by the Wyoming Business Council, which is composed of 15 gubernatorial appointees and chaired by the governor.



Appendix D



UI Claimant Drug Testing Implementation Update

The 83rd Texas Legislature enacted SB 21 which requires that certain individuals be drug tested in order to receive Unemployment Insurance (UI) benefits. According to federal law, states cannot implement drug testing programs for UI claimants until the U.S. Department of Labor (DOL) issues rules identifying occupations which regularly require drug testing as well as standards that state UI drug testing programs must meet.

Timeline and Proposed Rules:

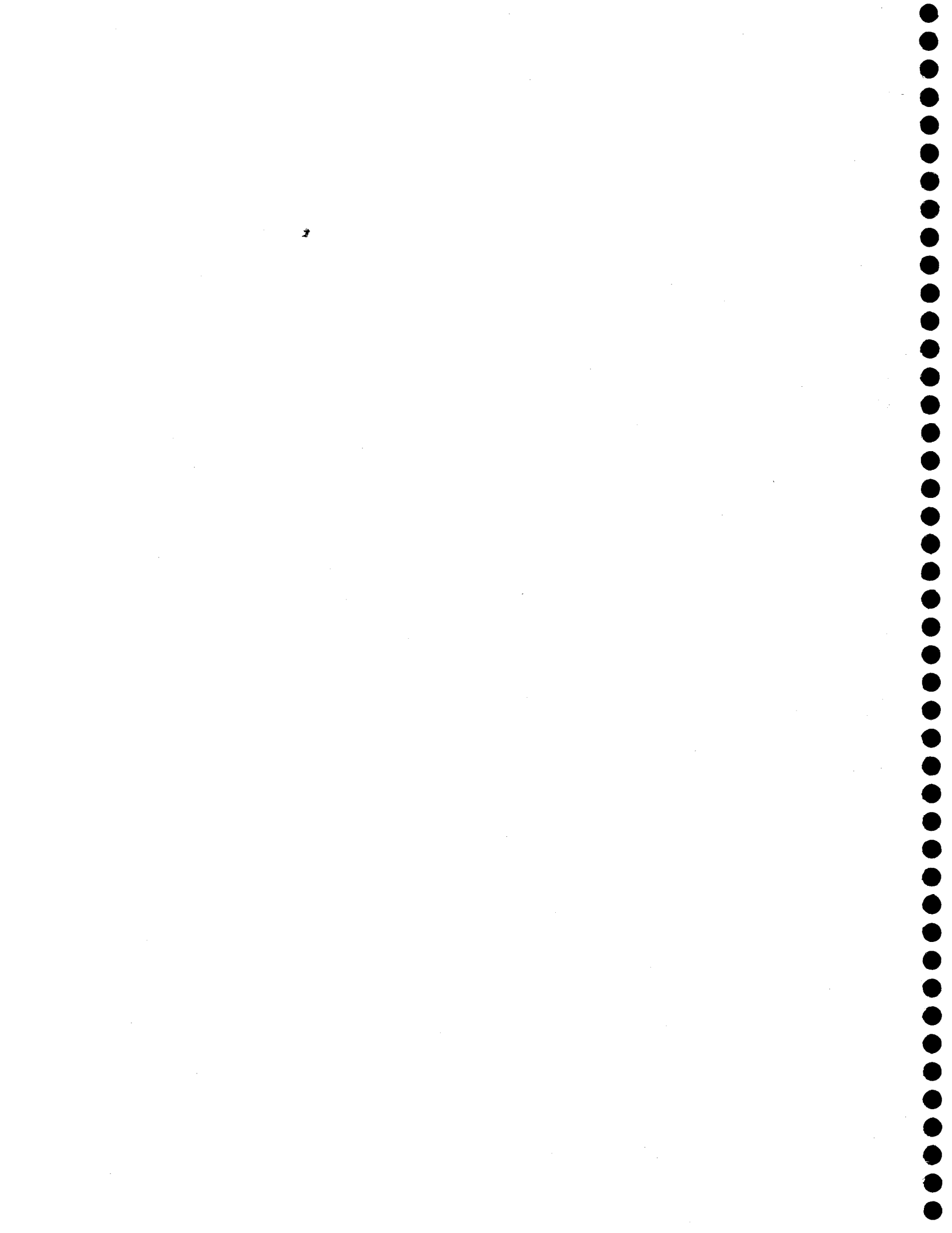
- **October, 9, 2014:** DOL issued a Notice of Proposed Rule Making (NPRM) on October 9, 2014 related to requirements states must follow if they choose to implement UI claimant drug testing.
- **December 8, 2014:** The comment deadline for the NPRM ended.
- DOL is currently in the process of compiling the public comments they received. It is estimate that this process could take between six and nine months.
- **Proposed Rules Covered:**
 - Instead of listing specific occupations, DOL is using the following classes of positions from Federal law, as of October 9, 2014, which may be drug tested:
 - ✓ Occupations required to carry a firearm
 - ✓ Aviation Flight Crew Members and Air Traffic Controllers
 - ✓ Commercial Drivers
 - ✓ Railroad Operating Crew Members
 - ✓ Public Transit Operators
 - ✓ Pipeline Operation and Maintenance Crew Members
 - ✓ Crewmembers and Maritime Credential Holders on a Commercial Vessel
 - ✓ Occupations included in state law as of October 9, 2014
 - *The Texas Workforce Commission has completed an analysis to identify occupations in Texas that meet these classes of positions (See Attached: ONET Occupational Crosswalk.*
 - The proposed rule also defines 'suitable work' as the same definition in state law which is applicable to individuals filing an initial claim. The federal law authorizing states to drug test UI claimants specifically states that claimants can only be drug tested if their only suitable work is in an occupation that regularly requires drug testing. TWC anticipates this could significantly reduce the number of UI claimants that can be drug tested, particularly if DOL issues further instructions to states about addressing suitable work issues for this claimant population.
 - The proposed rule defines 'applicant' subject to drug testing to be somebody filing an initial claim. They specifically exclude continued claims. This means that a person may only be drug tested when determining eligibility for a new claim for Unemployment Benefits.

Next Steps:

- DOL will issue *standards* at a later date which states must follow related to specific drug-testing procedures. TWC cannot implement drug testing for UI claimants until these *standards* have been issued.

Additional Information:

- DOL asserts that no additional funding is available for drug testing. They note that it's an allowable expense, but they do not believe administrative grant funds will be sufficient to cover the cost based on the testing standards DOL will require. DOL notes that states which drug test occupations not covered or that are substantially out of compliance with the standards DOL sets for drug testing will be subject to conformity proceedings and ultimately loss of the UI Administrative Grant funding which is provided to states for the operation of their UI programs.





Appendix E





SENATE RESEARCH CENTER

December 16, 2014

TO: Hillery Stephens, Senate Committee on Economic Development

FROM: Kurt Ahlhorn, Research Associate

SUBJECT: September 22, 2014 meeting of the Senate Committee on Economic Development

The Senate Committee on Economic Development met on Monday, September 22, 2014, to hear testimony regarding the following interim charges:

- Study current legislative and regulatory barriers that could impede capital investment, growth, and expansion of Texas businesses. Make recommendations for reducing barriers to entry for professions regulated by the Texas Department of Licensing and Regulation (TDLR), including deregulation, additional reciprocity, and credit for military service;
- Study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely. As a part of this study, the committee should review processes used in other states related to the analysis and reporting requirements for economic development programs; and
- Monitor implementation of S.B. 21, 83rd Legislature, Regular Session, 2013, which requires drug testing for unemployment insurance claimants. Investigate options to begin implementation of the rule without relying on United States Department of Labor regulations. Make recommendations to ensure that unemployment insurance claimants are actively seeking work and not using illegal drugs.

The chair called the meeting to order and the clerk called the roll.

The committee called Brian Francis, deputy executive director, TDLR, and Stephen Minick, vice president of governmental affairs, Texas Association of Business, to testify.

Francis testified that TDLR works with approximately 628,000 licensees with a staff of approximately 360 employees. He stated that TDLR seeks to be as efficient as possible in an attempt

to reduce barriers to entering the workforce in Texas. He stated that there are approximately 98,000 professionals that no longer must be licensed to engage in their profession as a result of deregulation. He expressed TDLR's interest in being judicious in its determination as to which professions should be regulated. He said that TDLR is working to reduce the burden on those professions and to reduce the size of government.

He said that TDLR is seeking to offer clarification on regulation so that entities may more confidently engage in activities for which they are authorized. Francis said that TDLR is seeking to remove barriers to professionals that serve no purpose. He offered the example of water well drillers who are currently required to prove that they have resided within the state for a period of at least 90 days before they may be licensed by the state. He stated that this residency requirement serves no purpose.

Senator Watson asked Francis what amount of the fines levied by TDLR are returned to the state and deposited to the state's general revenue fund. He answered that all fines are deposited to the general revenue fund. Senator Watson asked what amount of those fines fund TDLR's operations. Francis answered that TDLR does not receive any money from fines. He stated that TDLR's operations are paid for through licensing fees alone. Senator Watson asked how much money was contributed to the general revenue fund from penalties levied by TDLR. Francis said that he did not know, but that he would communicate that information to the committee in the future. Senator Watson asked for clarification regarding restitution paid by TDLR to a victim. He asked if licensing fees or penalty fees would be used to pay restitution to victims. Francis said that restitution would be made using a combination of funds derived from licensing fees and funds derived from penalty fees.

Francis discussed the varying requirements among the states for the licensing of certain professions. He said that it is important that Texas not impose a requirement on a person seeking to engage in a licensed profession that serves no effective purpose. He offered the example of Texas's requirement that all licensed electricians within the state serve under a master electrician for a certain period of time. He said that there are some states that do not require that electricians have worked under a master electrician, but Texas would impose this requirement even if that person had been an electrician for 30 years and was seeking to relocate their business to Texas.

Senator Deuell asked if all states regulate electricians. Francis answered in the affirmative and added that the governmental subdivision tasked with regulation of electricians varies among states. He stated that complications can arise when attempting to match qualifications between states' assessments of qualifications.

Francis stated that the endorsement of another state's licensing requirements is a preferable option compared to reciprocity because it would allow TDLR to more quickly and efficiently assess the ability of an individual entering the state with the intent of providing a service. He stated that reciprocity requires formal agreements between states that are often more difficult to establish.

Senator Birdwell asked Francis why the licensing requirements for certain professions vary widely across the states. He asked how TDLR examines those requirements to determine if the requirements are comparable to those of Texas. Francis answered that TDLR compares other states' licensing requirements to those of Texas and then determines whether any additional examinations or

experience must be completed for a person to receive a license in Texas. He stated that any additional educational or experiential requirements imposed on an incoming licensee is determined on a state-by-state basis. Senator Birdwell asked how often TDLR reviews other states' licensing requirements. Francis said that TDLR reviews other states' licensing requirements annually.

Francis discussed the military occupational certifications and how those requirements are considered by TDLR. He stated that the certification requirements differ between the branches of military, and that this causes some difficulty in assessing whether veterans have achieved equivalent educational and experiential requirements.

Senator Deuell asked whether states with a comparable military presence have examined military occupational certification requirements in an attempt to better integrate veterans into the workforce. Francis said that Texas has been a leader in this regard. Senator Deuell asked whether the military certification of certain professions makes the assessment of an individual's abilities easier for TDLR. Francis answered that certain complications exist regarding assessing the abilities of military personnel but that TDLR is working on improving this process.

Minick discussed the permitting process for approving new capital investment. He stated that Texas's permitting processes are not as efficient as the processes in some other states. He said that Texas' contested-case hearing process often results in projects being delayed at the discretion of regulatory entities. He advocated for the imposition of time limits on regulatory approval arguing that imposing a regulatory approval deadline would encourage regulators to be more efficient in their examination of proposed projects and allow for more certainty to entities attempting to create jobs within the state. He said that the uncertainty regarding the length of permitting processes has adverse effects on economic development projects in Texas. Minick stated that uncertainty regarding the length of the permitting process within the state places Texas at a disadvantage to states with that can provide more certainty. He provided an example in which Williamson County applied for a permit to expand its landfill in 2000 but did not receive that permit until 2013.

Minick made certain recommendations to decrease uncertainty regarding the time it takes to receive a permit from the state, including replacing the "contested case" process with a "notice and comment" process similar to that used by the federal government. He stated that the United States Environmental Protection Agency replaced its contested case process with a notice and hearing process because they found the contested case process to be too inefficient. Minick said that revisions must be made to the contested case process if Texas is to retain it. Minick testified that before Texas is able to adequately address its infrastructure concerns, it must first improve the methods by which those infrastructure projects are permitted.

Senator Birdwell asked whether the delay in the issuing of a landfill permit to Williamson County was a result of federal permitting processes, state permitting processes, or both. Minick answered that it was as a result of both federal and state permitting processes, and added that Texas has attempted to bring its requirements in-line with federal regulation. He stated that while Texas must conform to federal environmental standards, the state has been delegated some approval authority by the federal government using state implementation process agreements. Minick said that it is the process by which permits are granted to entities which require revision, not the environmental standards themselves.

Senator Watson asked whether Minick agreed that the permitting processes within the state is intended to protect the state's public health and natural resources. Minick answered in the affirmative. Senator Watson expressed concern that certain recommendations made by Minick may result in the eroding of protections of the public health and of the environment which are implemented in the permitting process. He said that it is important to remember that resistance to the issuance of a permit can often be a result of legitimate public health or environmental concerns.

The committee called Jonathon Taylor, executive director, Economic Development and Tourism, Office of the Governor (governor's office), and Adreana Ledesma, director of compliance and oversight, governor's office, to testify.

Taylor testified that Texas' economic development funds are among the most transparent of those maintained by any state in the country. He stated that the economic development funds administered by the governor's office are done so according to their legislative directive. He discussed the creation of the Office of Compliance and Oversight within the Office of the Governor in 2011, and stated that this office exists outside the purview of the Office of Economic Development and Tourism. Taylor expressed appreciation for the constructive criticism that the Office of Compliance and Oversight offers to the Office of Economic Development and Tourism.

Ledesma testified that the governor's office reviews information from economic development programs, including the number of new jobs created and maintained per year as well as the average compensation of the jobs created. She said that the Office of Compliance and Oversight compares employment and compensation statistics to those reported by grantees and by the Texas Workforce Commission to confirm their accuracy. Ledesma stated that the state is able to retrieve its investments through liquidated damages if grantees are unable to achieve target metrics set forth in the grant. Ledesma said that the state has collected more than \$20 million in liquidated damages from grantees unable to achieve employment and compensation targets.

Senator Watson expressed his support for programs that make Texas more competitive among the states, but expressed interest in ensuring that the promotion of new business within the state is done judiciously. He asked Ledesma whether the Office of Compliance and Oversight negotiates liquidated damages or whether the amount of liquidated damages are set forth in the agreement between the state and the grantee. Ledesma said that the Office of Compliance and Oversight does not negotiate the amount to be paid back to the state in the form of liquidated damages. She said that the agreement provides specific dollar amounts to be imposed if certain employment or compensation goals are not met.

Taylor stated that all compliance documentation regarding economic development programs are available to the public through the governor's office website.

Senator Watson asked how many people worked in the Office of Compliance and Oversight and which economic development programs Ledesma's division serviced. Ledesma said that the Office of Compliance and Oversight employs 20 people and oversees seven programs, including the Texas Enterprise Fund, the Emerging Technology Fund, the Texas Film Commission, the Criminal Justice Division, the Texas Disaster Relief Fund, the Texas Spaceport Trust Fund, and Crime Stoppers

programs. Senator Watson asked Ledesma for information regarding the qualifications of the personnel within the Office of Compliance and Oversight. Ledesma answered that the Office of Compliance and Oversight is composed of a team of approximately 10 certified public accountant auditors, a certified contract manager, and other staff with auditing backgrounds.

Senator Watson asked whether the administration of economic development funds and those funds' oversight should be housed within the same branch of government. Ledesma said that she is unable to offer comment on the matter. She said that there is frequent communication between the administration office and the Office of Compliance and Oversight and distancing one from the other may cause complications in the administration of either office. Senator Watson expressed interest in putting the public at ease by ensuring that economic development funds' administrative offices and the offices tasked with oversight not be housed within the same branch of government.

Senator Birdwell asked Ledesma whether the state was able to recoup its initial investment in a company that was unable to reach its performance goals through the assessment of liquidated damages. Ledesma stated that liquidated damages are assessed every year and the amount of damages is determined by the number and type of performance shortfall. She added that the governor's office allows a company that does not reach its performance goals to continue under its contract for an additional year before considering terminating the contract. She stated that if the contract is terminated, the state will recoup all of its initial investment. Taylor offered clarification, stating that the state recoups 100 percent of all funds that are distributed if a company does not achieve the agreed upon employment goals.

Senator Birdwell asked how the Office of Compliance and Oversight ensures that the people being hired by companies receiving funds from the state are Texans. Ledesma answered that the Office of Compliance and Oversight collaborates with TWC to ensure that the people being hired are Texans.

Senator Birdwell asked if the state takes an equity position in companies to which the state grants funds. Taylor answered that the state receives an equity stake in any company commensurate with the Texas's dollar contribution. Senator Birdwell asked who ensures that the state receives the greatest return on investment from the sale of any shares of a company. Taylor answered that the governor's office oversees the sale of a state-owned stake in a company.

The committee called Robert Wood, director of economic development and analysis, Office of the Comptroller of the State of Texas (comptroller's office), and Minick to testify.

Wood discussed the reporting and review requirements of the economic development funds that are audited by the comptroller's office.

Senator Watson asked Wood for clarification regarding the reporting requirements for the Major Events Trust Fund and the Events Trust Fund. Wood answered that he did not have that information at hand, but said that the information was available on the comptroller's website. Senator Watson asked Wood and Ledesma for recommendations for ensuring that the review process for economic development programs is as transparent as possible. He expressed skepticism that the public would be able to understand the performance of economic development programs within the state given the current resources. Wood answered that Texas currently does not have an ongoing and consistent

review process. He stated that the review process is determined on a case-by-case basis.

Senator Watson expressed interest in ensuring that the review process be improved and made more consistent, thorough, and transparent.

Minick stated that his organization is interested in taking a broader approach to the examination of investment success within the state. He stated that more metrics should be included in the analysis of the return on investment. He expressed interest in ensuring that the agencies that license businesses within the state be appropriately funded to ensure that a reduction in resources and personnel does not have an adverse effect on the time it takes for a business to procure a permit or license.

The committee called Chuck Ross, manager of unemployment insurance policy, Texas Workforce Commission; Richard Levy, legal director, AFL-CIO; and Minick to testify.

Ross testified that TWC is awaiting the United States Department of Labor to adopt regulation regulations regarding the drug testing of persons receiving unemployment compensation.

Minick testified that his organization is also awaiting the adoption of policy regarding the drug testing of persons receiving unemployment compensation.

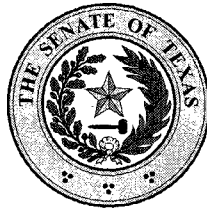
Levy thanked the committee for their efforts for promoting economic prosperity within the state.

Ed Heimlich, representing HonorQuest.org, expressed displeasure with the prosecutorial discretion of agents of the court within the state.

The committee recessed subject to the call of the chair.

If you have any questions or need further assistance, please contact me at 512.463.0087 or at Kurt.Ahlhorn@senate.state.tx.us .

cc: SRC file
ECODEV



SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

AGENDA

MONDAY, SEPTEMBER 22, 2014, 9:00 AM
CAPITOL EXTENSION E1.012

I. CALL TO ORDER

II. ROLL CALL

III. COMMITTEE BUSINESS

A. Invited Testimony on the Following Committee Interim Charges:

1. Study current legislative and regulatory barriers that could impede capital investment, growth, and expansion of Texas businesses. Make recommendations for reducing barriers to entry for professions regulated by Texas Department of Licensing and Regulation, including deregulation, additional reciprocity, and credit for military service.
 - Texas Department of Licensing and Regulation - *Brian Francis, Deputy Executive Director*
 - Texas Association of Business - *Stephen Minick, Vice President of Governmental Affairs*
2. Study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely. As a part of this study, the committee should review processes used in other states related to the analysis and reporting requirements for economic development programs.
 - Office of the Governor - *Jonathan Taylor, Executive Director, Economic Development and Tourism and Andreana Ledesma, Compliance and Oversight Director*
 - Texas Comptroller of Public Accounts - *Robert Wood, Director Economic Development and Analysis*
 - Texas Association of Business - *Stephen Minick, Vice President of Governmental Affairs*
3. Monitor implementation of SB 21 (83-R), which requires drug testing for unemployment insurance claimants. Investigate options to begin implementation of the rule without

relying on U.S. Department of Labor regulations. Make recommendations to ensure that unemployment insurance claimants are actively seeking work and not using illegal drugs.

- Texas Workforce Commission - *Chuck Ross, Manager, Unemployment Insurance Policy*
- Texas Association of Business - *Cathy Dewitt, Vice President of Governmental Affairs*
- Texas AFL-CIO - *Richard Levy, Legal Director*

B. Public Testimony

IV. RECESS/ADJOURN

MINUTES

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Monday, September 22, 2014

9:00 AM

Capitol Extension, Room E1.012

Pursuant to a notice posted in accordance with Senate Rule 11.10 and 11.18, a public hearing of the Senate Committee on Economic Development was held on Monday, September 22, 2014, in the Capitol Extension, Room E1.012, at Austin, Texas.

MEMBERS PRESENT:

Senator Bob Deuell, Chair
Senator Brian Birdwell
Senator Kirk Watson

MEMBERS ABSENT:

Senator Kelly Hancock, Vice Chair
Senator Wendy Davis
Senator Kevin Eltife
Senator Troy Fraser

The chair called the meeting to order at 9:01 AM. There being a quorum present, the following business was transacted:

The Committee heard invited and public testimony on the following Interim Charges

1. Study current legislative and regulatory barriers that could impede capital investment, growth, and expansion of Texas businesses. Make recommendations for reducing barriers to entry for professions regulated by Texas Department of Licensing and Regulation, including deregulation, additional reciprocity, and credit for military service.
2. Study and make recommendations to develop a biennial state review process for economic development programs to determine their effectiveness in keeping Texas economically competitive while ensuring taxpayer dollars are used wisely. As a part of this study, the committee should review processes used in other states related to the analysis and reporting requirements for economic development programs.

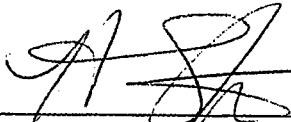
3. Monitor implementation of SB 21 (83-R), which requires drug testing for unemployment insurance claimants. Investigate options to begin implementation of the rule without relying on U.S. Department of Labor regulations. Make recommendations to ensure that unemployment insurance claimants are actively seeking work and not using illegal drugs.

Witnesses testifying and registering on the charges are shown on the attached list.

There being no further business, at 10:42 AM Senator Deuell moved that the Committee stand recessed subject to the call of the chair. Without objection, it was so ordered.



Senator Bob Deuell, Chair



Hillery Stephens, Clerk

WITNESS LIST

Economic Development

September 22, 2014 9:00 AM

Charge One

ON:

Francis, Brian Deputy Executive Director (also providing written testimony) (Texas Department of Licensing and Regulation), Austin, TX

Heimlich, Ed Legal Director (also providing written testimony) (Honor Quest), Austin, TX

Minick, Stephen Vice President of Governmental Affairs (also providing written testimony) (Texas Association of Business), Austin, TX

Charge Three

ON:

Minick, Stephen Vice President of Governmental Affairs (also providing written testimony) (Texas Association of Business), Austin, TX

Ross, Chuck Manager, Unemployment Insurance Policy (Texas Workforce Commission), Austin, TX

Charge Two

ON:

Ledesma, Andreana Compliance and Oversight Director (Office of the Governor), Austin, TX

Minick, Stephen Vice President of Governmental Affairs (also providing written testimony) (Texas Association of Business), Austin, TX

Taylor, Jonathan Executive Director, Economic Development and Tourism (Office of the Governor), Austin, TX

Wood, Robert Director Economic development and Analysis (also providing written testimony) (Texas Comptroller of Public Accounts), Austin, TX





