

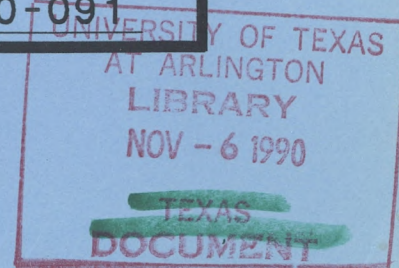
OFFICE of the STATE AUDITOR  
AUSTIN, TEXAS

ECONOMIC DEVELOPMENT:  
IS TEXAS MANAGING IMPLEMENTATION OF ITS  
STRATEGIC PLAN?

Lawrence F. Alwin, CPA  
State Auditor

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**STATE OF TEXAS  
OFFICE OF THE STATE AUDITOR  
PERFORMANCE AUDIT DIVISION**

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*ECONOMIC DEVELOPMENT:*

*IS TEXAS MANAGING IMPLEMENTATION OF ITS STRATEGIC PLAN?*

**AUGUST 1990**



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### Members of the Legislative Audit Committee:

The purposes of our audit were to determine how well state agencies are managing implementation of *A Strategic Economic Plan for Texas* (1989) and to determine if impediments to economic development exist. For the purposes of this audit, we defined economic development as it is used in this 1989 document that earned nationwide admiration for its comprehensiveness and long-term focus. Economic development includes all activities which develop a competitive business climate; provide a well-skilled, flexible, internationally competitive workforce; encourage innovation and entrepreneurship; and market Texas aggressively.

We found that responsibility for implementation of the Strategic Economic Plan has not been assigned. In addition, certain key programs may not be sufficiently funded, and some regulations, rules, and statutes exist which may impede economic development.

To realize the benefits envisioned in the plan, agencies should work with the Legislature to:

- . delineate responsibility for plan implementation
- . set priorities and fund accordingly
- . eliminate statutory and regulatory impediments

We appreciate the cooperation and assistance of all agencies involved in this review.

A handwritten signature in cursive script that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA  
State Auditor

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## EXECUTIVE SUMMARY

### INTRODUCTION

In January 1989, the Strategic Economic Policy Commission published *A Strategic Economic Plan for Texas* which was to "serve as a road map to help guide the legislative decision-making process for years to come." This plan calls for the accomplishment of the following four objectives:

- to develop a competitive business climate through a balanced set of fiscal, legal, and regulatory policies, including investments in infrastructure
- to provide a well skilled, flexible, and internationally competitive workforce
- to encourage innovation and entrepreneurship
- to market Texas aggressively

The Legislature charged the Texas Department of Commerce with the responsibility to evaluate the State's enactment of the plan and to update the plan based on those results. As the strategic plan points out, follow-up actions are also critical to the plan's success.

### OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine how well state agencies are managing the implementation of *A Strategic Economic Plan for Texas* and to determine if impediments to economic development exist.

✓ In order to accomplish our audit objectives, we interviewed top-level management personnel at 19 state agencies. Appendix A lists the agencies' divisions we visited. These agencies were selected based on our analysis of their programs, appropriations, and economic development activities. Additionally, we reviewed applicable legislation and agencies' rules and regulations. We did not evaluate the activities of federal or local organizations. Our audit was performed in accordance with generally accepted government auditing standards.

### AUDIT RESULTS

Our audit disclosed that:

- ✓ • responsibility for implementation of the strategic economic plan has not been assigned
- certain economic and education programs may not be sufficiently funded
- some regulations, rules, and statutes exist which may impede economic development

## **Agencies Have Not Been Assigned Responsibility for Strategic Plan Implementation**

Although *A Strategic Economic Plan for Texas* was published in January 1989, one year later only 4 of 25 high-level managers at various agencies outside of the Texas Department of Commerce had seen the plan. Additionally, none of these managers had been directed to ensure that their agency's activities accomplished the objectives of the plan. Moreover, agencies have not always coordinated efforts to accomplish state goals, which has resulted in gaps and overlaps of services. Hence, progress toward meeting the strategic objectives outlined in the plan is not apparent.

While agencies have not been assigned responsibility for the strategic plan's implementation, legislative initiatives designed to encourage economic development were passed by the Legislature during its 71st session. For example, legislation entitled the "Texas Jobs and Opportunities Blueprint" was enacted which provides tax incentives for job creation and funds for: food and fiber processing and rural development, international marketing and maquiladora development, high technology development, and fast-track job training. Such legislation indicates the Legislature's intent to adopt economic development policy for the State. However, because this legislation is new, the effectiveness of these programs has not been measured.

We recommend that the Legislature designate a single entity, possibly the Governor's Office or the Department of Commerce, to coordinate the State's implementation of the strategic economic plan. This entity should have the authority to assign responsibility to State agencies. Agencies should report directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

## **Certain Economic Programs May Not Be Sufficiently Funded**

The business capital programs and several education programs may not be a priority to agencies or the Legislature and may not have received sufficient funds. These programs would encourage entrepreneurship and help to develop the workforce if successfully implemented. We found that the Legislature has provided a funding mechanism for the business loan and grant programs, but that authorized bonds have not been issued. Additionally, the Teacher Induction Program did not receive adequate state funding. Finally, the Quality Work Force Planning Program and the Texas Literacy Council did not receive state funding and may be without any funding after 1991.

We recommend that the Departments of Commerce and Agriculture continue their efforts to issue bonds expeditiously and make capital available for entrepreneurship. Appointments to the Product Commercialization Fund advisory board should be completed as soon as possible. Additionally, state agencies should work with the Legislature to determine the financial requirements of economic development programs. Based on this determination, economic programs should be adequately funded or eliminated.



## **Some Regulations, Rules, and Statutes Exist Which May Impede Economic Development**

We also found that some regulations, rules, and statutes exist which may impede economic development. The following examples came to our attention:

- Regulation of the intrastate transportation industry may impede economic diversification and growth of the State.
- Agencies have not developed evaluation rules for the new capital loan and grant programs to determine whether these programs are worthwhile investments.
- Leasing statutes that govern procurement of foreign office space, equipment, and supplies conflict with the business practices of some foreign nations.

The Legislature should require state agencies to review these and other regulations, rules, and statutes and to take the corrective actions necessary to encourage economic development. Additionally, agencies should evaluate the success of economic programs.

## **CONCLUSION**

*A Strategic Economic Plan for Texas* earned nationwide admiration for its comprehensiveness and long-term focus. To realize the benefits envisioned in the plan, agencies should work with the Legislature to:

- delineate responsibility for plan implementation
- set priorities and fund accordingly
- eliminate statutory and regulatory impediments

We appreciate the cooperation and assistance of all agencies' management and staff during this review.

A detailed account of our work is presented in the Detailed Issues and Recommendations section of this report. Appendix B summarizes our recommendations and includes agency responses.

## INTRODUCTION

✓ In 1987, the Legislature recognized that the changing nature of the State's economy required a more diversified approach to promote economic growth and job creation. In addition, the Legislature recognized that the State did not have a long-term economic development policy and had suffered from the lack of a long-term plan in its attempt to solve the economic problems that the State faced while diversifying its economy. As a result, the Legislature created the Texas Strategic Economic Policy Commission to devise a long-range economic development plan. This commission included the Governor, the Lieutenant Governor, the Speaker of the House, their appointees, and members of the Texas Department of Commerce. Consequently, a public/private partnership evolved to plan Texas' future economic development policy. In January 1989, the Strategic Economic Policy Commission submitted *A Strategic Economic Plan for Texas* to the 71st session of the Texas Legislature. This plan was to "serve as a road map to help guide the legislative decision-making process for years to come." The plan calls for the accomplishment of four strategic objectives:

- to develop a competitive business climate through a balanced set of fiscal, legal, and regulatory policies, including investments in infrastructure
- to provide a well-skilled, flexible, and internationally competitive workforce
- to encourage innovation and entrepreneurship
- to market Texas aggressively

It was the intent of the Legislature that the Strategic Economic Policy Commission serve temporarily. Therefore, after completing the plan, the commission was abolished. Responsibility for maintaining and updating the State's economic policy was transferred to the Texas Department of Commerce. The Department of Commerce recently completed its internal strategic plan and has plans to update *A Strategic Economic Plan for Texas* in the near future. However, as the strategic economic plan points out: "Preparing the plan is only the start. A process must begin which keeps the guiding principles of this plan in the forefront. A system for follow-up actions is critical to the plan's success."

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine how well state agencies are managing the implementation of *A Strategic Economic Plan for Texas* and to determine if impediments to economic development exist.

In order to accomplish our audit objectives, we visited 19 state agencies to interview management personnel. Appendix A lists the agencies' divisions we visited. These agencies were selected based on our analysis of their programs, appropriations, and economic development activities. Additionally, we reviewed applicable legislation and agencies' rules and regulations. We did not evaluate the activities of federal or local organizations. Our audit was performed in accordance with generally accepted government auditing standards.

## SUMMARY OF RESULTS

Our audit disclosed that:

- Responsibility for implementation of the strategic economic plan has not been assigned.
- Certain economic and education programs may not be sufficiently funded.
- Some regulations, rules, and statutes exist which may impede economic development.

## DETAILED ISSUES AND RECOMMENDATIONS

### I. AGENCIES HAVE NOT BEEN ASSIGNED RESPONSIBILITY FOR STRATEGIC PLAN IMPLEMENTATION

Responsibility for plan implementation has not been assigned. As a result, many agency managers are not familiar with the plan, and there are few coordinated efforts to accomplish the State's overall economic goals. While agencies are pursuing certain economic activities, these activities were designed to meet the agencies' own objectives and not necessarily the objectives of the plan.

Although *A Strategic Economic Plan for Texas* was published in January 1989, one year later only 4 of 25 high-level managers at various agencies outside the Texas Department of Commerce had seen the plan. Moreover, none of these managers had been directed to ensure that their agencies' activities accomplish the objectives of the plan. Because many agency managers are not aware of the plan's existence, they cannot ensure its implementation. In some functions, the various state agencies have operated somewhat independently, which has resulted in other gaps and overlaps of services.

#### A. Agency Coordination Enhances Implementation

As was intended when the strategic economic plan was conceived, the Legislature should adopt an economic development policy and ensure that a system is in place to carry out the plan. State agencies should coordinate efforts, as some already do, when planning and implementing similar economic development activities. Two examples of well-coordinated efforts to implement economic development programs are the State's implementation of the federally mandated Family Support Act of 1988 and the creation of the Texas State Agency Tourism Council.

#### *Implementation of the Family Support Act of 1988 Uses Coordinated Effort*

Because the Family Support Act's requirements involve education, training, child care assistance, and job placement services, many state agencies have cooperated to

implement the Act. The federally mandated Family Support Act of 1988 implements a national "workfare" program that calls for all Aid to Families with Dependent Children (AFDC) primary caretakers to be enrolled in education or employed. Transitional benefits for AFDC recipients include child care subsidies and Medicaid benefits for one year. The intent of the Act is to reduce the number of clients receiving long-term public assistance.

State coordination occurs at three levels: top-level management, coordination groups, and advocacy groups. Examples of the agencies involved are the Texas Education Agency, the Texas Department of Human Services, the Texas Employment Commission, the Texas Rehabilitation Commission, the Texas Department of Commerce, the Governor's Office, the Texas Higher Education Coordinating Board, and the Texas Department of Mental Health and Mental Retardation. Together, these agencies and others hope to implement all federal requirements of the Family Support Act of 1988 by the start of fiscal year 1993. Finally, it should be noted that before implementation of the Family Support Act of 1988 was begun, the State received a mandate to implement it. The Legislature should consider taking a similar measure to ensure that *A Strategic Economic Plan for Texas* is implemented. This would include assigning an entity to oversee implementation of the plan. This entity would then direct state agencies to take responsibility for their portion of the plan and coordinate efforts among agencies.

#### *Texas State Agency Tourism Council Informally Coordinates Tourism Programs*

A second example of coordinated implementation of state programs is the Texas State Agency Tourism Council. This Council is composed of representatives from seven state agencies. State agency membership is voluntary and the council serves in an advisory capacity only. The Council developed a plan listing each agency's responsibilities and performance measures and identified goals and objectives. As it states, "This plan represents Texas' first concerted effort to develop a coordinated, interagency approach to travel and tourism promotion and development by State agencies."

Because the Council's voluntary status puts the group at risk of dissolution, we recommend that the Council formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies. Meeting minutes should be prepared, distributed to members, and made available for public inspection.

#### **B. Decentralized State Government Makes Accomplishment of the Strategic Economic Plan Objectives Difficult**

With responsibility for plan implementation unassigned and Texas' government operations decentralized, the four strategic objectives outlined in *A Strategic Economic Plan for Texas*

have not been achieved. This decentralized structure results in poor communication and coordination. Some agencies, when they fail to work together, duplicate efforts of other programs and leave avoidable gaps in the assistance they offer. Likewise, some businesses may not receive the assistance which they need, and consequently, be less successful or even fail.

We identified several examples which illustrate how Texas' decentralized government structure impedes communication and coordination. These include limited communication of the strategic economic plan, uncoordinated infrastructure planning, and limited availability of business incentive and assistance program information.

### *The Strategic Economic Plan Was Not Communicated to All Appropriate Agencies*

Many agency managers are unfamiliar with *A Strategic Economic Plan for Texas*. This plan is an asset which illustrates the State's commitment to long-range economic growth and diversification. We found, however, that of 25 high-level managers asked, just 4 had actually seen the plan. This limited awareness demonstrates that the plan was not effectively communicated to affected state agencies. We recommend that the Texas Department of Commerce increase its distribution of the plan and actively seek the involvement of other agencies in the plan's update.

### *Statewide Infrastructure Planning Is Uncoordinated*

Texas does not have a state infrastructure plan which encompasses all segments of its infrastructure. Infrastructure is essential to the business climate of the State and provides the support that makes it possible to do business. The *Strategic Economic Plan for Texas* found the State's infrastructure to be in excellent shape, water availability being one exception.

There are at least five major State agencies that are directly involved in developing, maintaining, and regulating Texas' infrastructure: the State Department of Highways and Public Transportation, the Railroad Commission of Texas, the Texas Water Commission, the Water Development Board, and the Public Utility Commission. Each of these agencies currently develops a plan for its part of the infrastructure and, to some degree, coordinates planning for specific projects. For example, the State Department of Highways and Public Transportation, the Texas Water Commission, the General Land Office, the State Antiquities Board, and the Texas Department of Parks and Wildlife work together on Gulf Intercoastal Development projects. However, the State does not have an integrated, comprehensive infrastructure plan.

A coordinated infrastructure plan, such as this one, could result in better use of the State's assets. Additionally, *A Strategic Economic Plan for Texas* makes no mention of the Gulf Intercoastal Waterway or the ports of Texas, and as a result, these resources may be overlooked as potential selling points for the State. A coordinated

infrastructure plan would be more apt to include all of the State's resources. Therefore, we recommend that the Legislature require State agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.

*Business Incentive and Assistance Program Information Is Not Readily Available*

Texas state agencies have programs to attract and support diverse industries, but information on these programs is not available through a single source. For example, the Texas Higher Education Coordinating Board administers the \$40 million Advanced Technology Program aimed at developing new technologies and a talent pool of highly trained specialists. The Texas Higher Education Coordinating Board also administers the \$20 million Advanced Research Program to strengthen existing Texas industries by funding specific research projects. The Texas Department of Commerce offers financial assistance through their \$25 million Product Development Fund and \$20 million Small Business Incubator Fund. The Department of Agriculture administers the Agriculture Diversification Program to support businesses which develop new agricultural products or processes. Each of these agencies markets their programs separately to existing and prospective businesses. Therefore, businesses must contact several agencies to determine available resource programs. Although these programs have different objectives, it may be beneficial for these agencies to coordinate with the Texas Department of Commerce to provide a one-stop resource center which provides information on all business incentive and assistance programs.

**C. More Direct Involvement is Needed to Successfully Implement the Strategic Economic Plan for Texas**

While agencies have not been assigned responsibility for the Strategic Plan's implementation, legislative initiatives designed to encourage economic development were passed by the Legislature during its 71st session. For example, legislation (entitled "Texas Jobs and Opportunities Blueprint") was enacted which provides tax incentives for job creation and funds for: food and fiber processing and rural development, international marketing and maquiladora development, high technology development, and fast-track job training. Such legislation indicates the Legislature's intent to adopt economic development policy for the State. However, because this legislation is new, the effectiveness of these programs has not been measured.

The Legislature should designate a single entity, possibly the Governor's Office or the Department of Commerce, to coordinate the State's implementation of the strategic economic plan. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

## **II. CERTAIN ECONOMIC PROGRAMS MAY NOT BE SUFFICIENTLY FUNDED**

The business capital programs and several education programs may not be a priority to agencies or the Legislature and may not have received sufficient funds. These programs would encourage entrepreneurship and help to develop the workforce if successfully implemented. We found that the Legislature has provided a funding mechanism for the business loan and grant programs, but that authorized bonds have not yet been issued. Additionally, the Teacher Induction Program did not receive adequate state funding. Finally, the Quality Work Force Planning Program and the Texas Literacy Council did not receive state funding and may be without any funding after 1991.

It is not unusual to have programs without adequate state funds. In such cases, the Legislature and state agencies must prioritize programs that should be implemented at existing appropriation levels. The Legislature may prioritize a program by providing appropriations with certain restrictions such as line-item appropriations. Agencies may prioritize programs internally by reallocating agency appropriations from lower priority programs to higher priority programs.

### **A. Authorized Funds Are Not Yet Available to Texas Entrepreneurs**

The Departments of Commerce and Agriculture have not made approved funds available to entrepreneurs. Texas voters approved constitutional amendments in 1989 which authorized funds for entrepreneurial programs. The Department of Commerce is responsible for administering the Product Commercialization Fund, the Product Development Fund, and the Small Business Incubator Fund, while the Department of Agriculture administers the Texas Agriculture Fund and the Rural Microenterprise Development Fund. Money for each of these funds is to be provided by the sale of bonds, except for the Product Commercialization Fund which was appropriated general revenue dollars and has also received federal funds. Because these bonds have not been issued, money to fund the entrepreneur programs is not yet available.

Bond issuance is a complex process, involving development of program rules, appointment of an advisory board by the Governor with Senate confirmation, engagement of a financial advisor and a legal counsel, examination by the Texas Bond Review Board, and sale of bonds to an underwriter. A managing underwriter may be hired to perform the roles of financial advisor and underwriter. Delays in any step can delay the entire process.

The bond-funded programs for the Department of Commerce and Department of Agriculture may need general revenue appropriations in their first 5-7 years of operation. This additional appropriation for this period may be needed due to required bond interest expense and principle payments that will likely exceed revenue generated via loans and investments. The best estimates of these shortfalls will be calculated by the Departments' staff and financial advisors being selected at this time by each Department.

The third fund administered by the Department of Commerce, the Product Commercialization Fund, does not yet have an advisory board. Once this board is appointed, the Department of Commerce will be able to make these funds available to Texas entrepreneurs.

In order to expedite availability of funds to entrepreneur programs, we recommend that the Departments of Commerce and Agriculture continue their efforts to issue bonds. Additionally, we recommend that the Legislature favorably consider the requests by the Departments of Commerce and Agriculture for debt service appropriations, if such requests are recommended by their contracted bond advisors. Finally, appointment of an advisory board for the Product Commercialization Fund should be completed expeditiously.

#### **B. Funds Availability May Impede Implementation of Some Education Programs**

The Teacher Induction Program may not accomplish its objectives due to limited funding. The Teacher Induction Program is designed to ease beginning teachers into their new responsibilities. The program includes teacher mentors and oversight by both public schools and institutions of higher education. While the Legislature mandated that the Teacher Induction Program be implemented, no funding was appropriated for this purpose. State funding for 3 of 5 teacher induction pilot projects was later approved by the Legislature as a rider on an education technology bill. However, funding for an additional two pilot projects must come from the Texas Education Agency's current budget. This could force the Texas Education Agency to cut or reduce current programs.

Quality Work Force Planning, formerly referred to as Regional Planning, also may not be able to achieve its objectives without legislatively appropriated funds. Quality Work Force Planning is a coordinated effort among the Texas Education Agency, the Texas Department of Commerce, and the Texas Higher Education Coordinating Board to match the supply of trained workers to the demands of employers. Quality Work Force Planning was mandated but was not appropriated funds. Federal funds are available through fiscal year 1991 to fund only 9 of 24 regional pilot projects. Neither federal nor state funding is currently available for 15 of the pilot projects, and all pilot projects will be unfunded after 1991.

The Texas Literacy Council may not have funding after 1991. The Council is charged with the responsibility of coordinating literacy programs which are independently organized and implemented by providers statewide. The Council itself is staffed by Texas Department of Commerce personnel but is advised by an interagency work group comprised of both education and human service personnel. The Council's funding comes from federal Job Training Partnership Act Section 123 funds only. Congress is currently revising this legislation, and draft copies appear to delete section 123 funding. Therefore, the State may have to appropriate funds or the Texas Department of Commerce will have to reallocate existing appropriations in order for the Texas Literacy Council to continue its work after 1991.



**C. Agencies Should Work with the Legislature to Ensure that Funds Are Available For Economic Programs**

The Departments of Commerce and Agriculture should continue their efforts to issue bonds expeditiously and make capital available for entrepreneurship. Appointments to the Product Commercialization Fund advisory board should be completed as soon as possible. Additionally, state agencies should work with the Legislature to determine the financial requirements of these and other economic development programs. Based on this determination, economic programs should be adequately funded or eliminated.

**III. SOME REGULATIONS, RULES, AND STATUTES EXIST WHICH MAY IMPEDE ECONOMIC DEVELOPMENT**

Some existing state regulations, rules, and statutes contradict newly promulgated regulations, rules, and statutes designed to encourage economic development. Additionally, the lack of regulations, rules, or statutes may prevent successful implementation or evaluation of some economic development programs.

The Legislature and state agencies should design regulations, rules, and statutes to ensure that the State's economic and social objectives are achieved. New statutes or regulations should not conflict with existing statutes or regulations.

**A. Some Regulations, Rules, and Statutes Prevent Achievement of the Strategic Economic Plan Objectives**

Some regulations, rules, and statutes exist which may impede economic development programs. These include intrastate transportation regulations which may impede growth, procurement statutes which conflict with foreign business practices, and differing rules for service contracts. Also, the lack of evaluation rules for entrepreneurial capital programs may impede the Legislature's decisions on program continuation.

*Intrastate Transportation Regulation May Impede the State's Growth*

Transportation rates and regulations may restrict intrastate commerce. Several reports indicate that intrastate transportation rates may inhibit Texas' growth by discouraging business relocations to the State. Additionally, during our audit, we identified examples of charter bus and trucking regulations which appear to restrict transportation competition.

Several studies have reported that Texas' intrastate rates may discourage businesses which use intrastate transportation from locating in Texas, thereby inhibiting the State's growth. The *Strategic Economic Plan for Texas* noted that there has been

significant deregulation of interstate commerce in the last several years and that intrastate deregulation of key industries has not proceeded at the same pace. The plan continues by stating, "The Railroad Commission must continue to develop and enforce policies that balance industry needs with economic development opportunities by making intrastate rates competitive with interstate rates." The plan concludes that the difference between inter- and intrastate rates may put Texas at a competitive disadvantage. The LBJ School of Public Affairs report, *The Effects of State Government on Economic Development in Texas Cities*, echoes this finding and concludes that "Texas may experience difficulty attracting new industries, especially those that use large amounts of intrastate trucking." Finally, the Texas Department of Agriculture report, *Economic Growth Through Agricultural Development*, states that intrastate trucking rates may also be an obstacle to agricultural producers' and processors' competitiveness.

Special party or charter bus regulations may result in state-supported territory protection of the tour bus industry and may impede tourism in the State. For example, rules governing this service state that bus operators may offer charter service only along their regularly scheduled routes or those adjacent routes which are not served by other carriers. Therefore, charter bus service is limited to those carriers providing regularly scheduled service.

The process used to approve trucking permits may provide competitors with a means to limit competition. We found one instance in which a small trucker requested authority to haul chicken feed approximately 100 miles. The Railroad Commission approved the trucker's request which included six restrictions. These restrictions were proposed by the trucker's competitors and, at the trucker's request, were included in his application in order to convince his competitors to withdraw their protests. The trucker can now haul chicken feed provided he does not: transport liquid commodities in tank trailers; use pneumatic trailers; transport cookie meal; transport goods in sacks or bags; transport livestock feedstuff to or from Cherokee and Harrison Counties and from Denton, Grayson, and Dallas Counties; nor use more than two vehicles on traffic originating at points in Nacogdoches County, except traffic originating at Trawick, Texas. It appears that the protest process allows competitors the opportunity to protect their special interests. Moreover, this process may not foster a competitive business climate as was intended by the strategic economic plan.

Proponents of transportation regulation contend that regulation is necessary to ensure that all areas of the State are served. Opponents of regulation counter that regulation inhibits the State's economic growth. Although proponents and opponents generally disagree on the basic principles of regulation, both sides favor continued regulation of vehicle safety and liability insurance.

The strategic plan recommends that transportation rate regulations be reviewed to ensure that these regulations do not deter economic development. Such a study has not yet begun. We recommend that this study be completed and that an impact study of the deregulation of the transportation industry also be done. Such a study would determine the economic and service impact deregulation would have on the State.

### *Agencies Have Not Developed Capital Loan/Grant Program Evaluation Rules*

Texas will not be able to determine whether the business and agribusiness loan and grant programs are worthwhile expenditures without evaluation rules. The State's capital assistance programs should incorporate performance measures, clearly indicating whether those programs warrant continuation. These measures should be developed now, as part of the State's progress toward providing financial assistance. Although evaluation of business incentives is generally difficult, without such evaluation Texas might spend more than \$2.8 million per year and generate no improvement in the state economy.

The Departments of Commerce and Agriculture need to develop performance measures which indicate the effectiveness of the four new entrepreneur assistance funds. For example, the performance measures should compare the survival rate and employee compensation levels of incubator tenant businesses to nontenant businesses.

### *Procurement Statutes for Foreign Offices Conflict With Foreign Business Practices*

The leasing regulation that governs procurement of office space and equipment and supplies for those offices, Tex. Rev. Civ. Stat. Ann. Article 601b, (Vernon's 1990 Supp.) conflicts with the business practices of some foreign nations. Texas will have to compete in a global marketplace to realize the State's full potential. To this end, the Texas Department of Commerce is mandated to operate foreign offices in Asia, Europe, Central and South America. Legislation was introduced during the sixth Special Session of the 71st Legislature to allow the Texas Department of Commerce to lease office space in foreign countries without going through the State Purchasing and General Services Commission. This legislation would have aligned Texas' leasing regulations with foreign business practices. Because this legislation was not passed, we recommend that the Legislature address this issue during the next session so that the Texas Department of Commerce will be able to fulfill its mandate of opening foreign offices.

### *Classification Differences Delay Processing of Advertising Contracts*

Advertising contract classification differences between awarding agencies and the State Comptroller's Office delay processing of advertising contracts. Awarding

agencies view these contracts as consulting services and award them under applicable regulations. Because the State Comptroller regards them as general services contracts, the Comptroller forwards them to the State Purchasing and General Services Commission for review and approval. However, because these contracts were awarded as consulting services contracts, they do not meet the requirements of general services contracts and cannot be paid as such. Therefore, when the State Purchasing and General Services Commission receives an advertising contract awarded as a consulting services contract, exception processing is required. As a result, contract processing is delayed. This will occur frequently as Texas does more advertising and moves into expanding markets to promote its products and attractions. Therefore, the State may find it difficult to contract with advertising agencies who are aware of the State's history of delayed contract processing.

This situation was noted in an earlier State Auditor's Office audit, *Report on the Procurement of Goods and Services within the Texas State Government* (June 1989) SAO Report Number 9-116. As stated in that report, we recommend that authority be given to a single agency, possibly the Governor's Office or State Purchasing and General Services Commission, to rule on and categorize a service as either general or consulting prior to contract award. The contract would then be awarded and processed under the appropriate rules.

**B. The Legislature Should Require Agencies to Review Regulations, Rules, and Statutes in Light of Economic Development Activities**

The Legislature should require state agencies to review these and other regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

#### **IV. CONCLUSION**

*A Strategic Economic Plan for Texas* earned nationwide admiration for its comprehensiveness and long-term focus. To realize the benefits envisioned in the plan, agencies should work with the Legislature to:

- delineate responsibility for plan implementation
- set priorities and fund accordingly
- eliminate statutory and regulatory impediments

## **APPENDIX A: STATE AGENCIES AND OTHER ENTITIES CONTACTED**

We appreciate the cooperation and assistance of the following entities:

### **Texas Department of Commerce**

Information Services  
Workforce Development  
Tourism  
Research & Planning  
Small Business  
Internal Audit  
Finance  
Literacy Council  
Business Development

### **Office of the Governor**

### **Office of the Lieutenant Governor**

### **Office of the Speaker**

### **Department of Agriculture**

Marketing

### **LBJ School of Public Affairs**

### **State Comptroller of Public Accounts**

Economic Analysis Center

### **State Purchasing and General Services Commission**

Purchasing  
Special Programs  
Program Services Group  
Facilities Construction and Space Management

### **Texas Employment Commission**

State Occupational Information Coordinating Committee

### **State Department of Highways & Public Transportation**

Planning  
Travel and Information

## **APPENDIX A: STATE AGENCIES AND OTHER ENTITIES CONTACTED**

### **Texas Education Agency**

Interagency Coordination  
Operations and Services  
Vocational Education Programs  
Special Programs  
Special Programs Planning  
Teacher Education

### **Texas Higher Education Coordinating Board**

Research Programs  
Community Colleges and Technical Institutes  
University and Health Affairs  
Planning

### **Texas Parks and Wildlife Department**

Parks  
Planning  
Administrative Services  
Fish Hatcheries

### **Railroad Commission of Texas**

Administrative Services  
Transportation  
Surface Mining  
LPG and CNG Gas  
Oil and Gas

### **Public Utility Commission of Texas**

Telephone Utility Analysis  
Electric Utility Regulation

### **Texas Water Commission**

Legislative Liaison  
Fees, Receivables, and Financial Assurance

### **Texas Water Development Board**

Planning

### **Texas Bond Review Board**

### **Texas National Research Laboratory Commission**

**APPENDIX A: STATE AGENCIES AND OTHER ENTITIES CONTACTED**

**Texas Historical Commission**

**Texas Department of Public Safety**

**Texas A&M Parks & Recreation Department**

**OTHER ENTITIES**

**Texas Business Incubator Association**

**Southeast Austin Business Incubator**

**Austin Technology Incubator**

**Dallas Business Incubator**

**Sweetwater Business Incubator "People for Progress"**

**Lifetime Automotive Company**

**Texas Motor Transportation Association**

**Texas Research League**

**U.S. International Trade Commission**

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF COMMERCE

1. **Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:**
  - . formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies
  - . prepare meeting minutes, distribute them to members, and make them available for public inspection

*Commerce concurs.*

2. **We recommend that the Department of Commerce increase its distribution of *A Strategic Economic Plan for Texas* and actively seek the involvement of other agencies in the plan's update.**

*Commerce agrees. Commerce will actively seek the involvement of state agencies in the review and update of A Strategic Economic Plan for Texas which is scheduled to be done in the next six months. In addition, Commerce will increase the distribution of the updated plan.*

3. **In order to expedite availability of funds to entrepreneur programs, we recommend that the Departments of Commerce and Agriculture continue their efforts to issue bonds. Additionally, we recommend that the Legislature favorably consider the requests by the Departments of Commerce and Agriculture for debt service appropriations, if such requests are recommended by their contracted bond advisors. Finally, appointment of an advisory board for the Product Commercialization Fund should be completed expeditiously.**

*Commerce concurs. Commerce is proceeding with the steps required for a joint issuance of general obligation bonds to fund both the Product Development Fund and the Small Business Incubator Fund. Commerce has issued an RFP for a senior managing underwriter to assist in the issuance of the bonds, and expects to bring a recommendation for selection before the Commerce Board at their August meeting. Commerce expects that, in the early years of program implementation, appropriations will be required to make up the difference between anticipated fund income and debt service payments that must be made to bondholders. Commerce staff and bond advisors will determine the amount of the projected shortfall and provide the Legislature with the information needed for the programs to proceed.*



## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF COMMERCE (continued)

4. We recommend that the Department of Commerce coordinate with the Higher Education Coordinating Board and the Department of Agriculture to provide a one-stop business incentives center which includes information on all business incentive and assistance programs.

*Commerce concurs.*

5. The Departments of Commerce and Agriculture should develop performance measures which indicate the effectiveness of the four new entrepreneur assistance funds.

*Under the Department of Commerce, two new entrepreneurial assistance programs are identified. They are:*

1. *Small Business Incubator Fund*
2. *Product Development Fund*

*The Small Business Incubator Fund and the Product Development Fund are not activated at the present time; however, evaluation and performance tracking will occur simultaneously with activation of the funds.*

6. We recommend that the Legislature address the problem of contracting for offices in foreign countries.

*Commerce concurs. During the Sixth called Special Session, June, 1990, HB70 was introduced to correct this problem. Commerce expects that similar legislation will be introduced to the 72nd Legislature.*

7. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of A Strategic Economic Plan for Texas. This entity should have the authority to assign responsibility to State agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF COMMERCE (concluded)

*Commerce concurs. As mentioned above, if Commerce is designated as the single entity, the legislature would need to give the agency the authority to assign responsibilities to other state agencies.*

8. **We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*The Small Business Division provides current information on proposed legislation and monitors issues of concern to small businesses. The division acts as a clearinghouse for small business on state and federal rules and regulations, and keeps small businesses informed on new rules and regulations through the Alert bulletin.*

*The new Commerce Strategic Plan, released June 15, also addresses the recommendation since it contains several strategies related to the evaluation of economic development programs and services available in Texas through Commerce and others.*

9. **We recommend that the Department of Commerce work with the Legislature to determine the financial requirements of the Literacy Council and the Quality Work Force Planning Program.**

*We agree with this recommendation and will work with the Legislature to secure state funding. If Federal funding is not available, the state may have to appropriate funds in order for the Texas Literacy Council to continue its work after 1991.*

### TEXAS DEPARTMENT OF AGRICULTURE

1. **Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:**
  - **formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies**
  - **prepare meeting minutes, distribute them to members, and make them available for public inspection**

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF AGRICULTURE (continued)

*The Texas Department of Agriculture has no objection to putting the Tourism Council on a more formal footing, and the recommendations call for minimal changes in current practice that do not present a burden to participating state agencies.*

- 2. In order to expedite availability of funds to entrepreneur programs, we recommend that the Departments of Commerce and Agriculture continue their efforts to issue bonds. Additionally, we recommend that the Legislature favorably consider the requests by the Departments of Commerce and Agriculture for debt service appropriations, if such requests are recommended by their contracted bond advisors. Finally, appointment of an advisory board for the Product Commercialization Fund should be completed expeditiously.**

*The Texas Department of Agriculture has worked closely with the Board of the Texas Agricultural Finance Authority to implement agricultural finance programs as quickly as is feasible and prudent. The bond counsel and financial advisor have been selected, a preliminary loan approval process approved, and a list of potentially qualified applicants developed. We support the recommendation that the Legislature favorably consider requests for debt service appropriations. Such a request will only be made by the Texas Department of Agriculture and the Texas Agricultural Finance Authority if the bond advisors indicate that it is the only way to reasonably meet statutory objectives and all other alternatives have been exhausted.*

- 3. We recommend that the Department of Agriculture coordinate with the Higher Education Coordinating Board and the Texas Department of Commerce to provide a one-stop business resource center which provides information on all business incentive and assistance programs.**

*The Texas Department of Agriculture regularly coordinates program development and implementation with the Higher Education Coordinating Board and the Texas Department of Commerce. Current lists of business incentives offered by these and other agencies are maintained and referrals of agricultural businesses continually made. If a business incentives center is established for agriculture development programs, the Texas Department of Agriculture would be the appropriate agency to coordinate such an operation, given the nationally recognized level of staff expertise in agricultural development.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF AGRICULTURE (continued)

4. **The Departments of Commerce and Agriculture should develop performance measures which indicate the effectiveness of the four new entrepreneur assistance funds.**

*The Texas Department of Agriculture has consistently developed in a timely fashion performance measures which indicate the effectiveness of new economic development programs. For example, performance measures for the linked deposit program are already in place. The Texas Department of Agriculture agrees with the recommendation that performance measures for the Texas Agricultural Fund and the Microenterprise Fund should be developed as the programs are implemented. The staff of the Texas Department of Agriculture will present proposed performance measures to the Texas Agricultural Finance Authority Board and the Texas Agricultural Diversification Board for their review and approval.*

5. **The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*Permitting a single entity to assign development responsibilities to state agencies would effectively remove the Texas Legislature from its crucial oversight role in formulating economic development policy for the people of the state. Assigning program responsibilities to state agencies has historically been the responsibility of the Legislature, and delegating such responsibility to a single agency would be a major departure from established procedure, law, and custom.*

*At a time when top-down management schemes are falling out of fashion in the private sector in favor of shared decision making models, it seems somewhat ironic that such a scheme should be advanced for state agencies that assist the private sector. A command-control model represents a poor standard for economic development program coordination because it would add an unnecessary layer of bureaucracy that would inhibit the speed of response to the private sector's needs. Such a system would force*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF AGRICULTURE (continued)

*different constituencies to compete for priority in receiving assistance, which would tend to promote dissonance in the economic development community. Such a system would also tend to slow the overall pace of economic development work in Texas, even when adequate resources are available.*

*Economic development programs in Texas are still in a period of rapid evolution in response to equally rapid changes in the state's economy. A command-control system would inhibit the ability of the state agencies to develop innovative responses to new problems arising in the state's business community.*

*If more coordination is to be desired, creation of a coordinating council with representatives from the different agencies would be a more effective means to direct agencies activities for the Strategic Plan. Such a collegial policy coordinating body would tend to promote "ownership" of each agency's section of the plan by permitting them an active role in developing and implementing responses to the Legislature's directives and the business community's economic development needs. Such a body would also create a forum for the exchange of ideas and technical information between agency officials, allowing for the more rapid diffusion of innovations into the economic development community.*

- 6. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*Economic development is one of the highest priorities of the Texas Department of Agriculture. In addition to a number of promotional and business assistance programs, the Department also has developed regulatory programs in such a way as to assist new industries in reaching the marketplace. The recent review of the Texas Department of Agriculture by the Sunset Commission and subsequent reauthorization of the agency and its programs provided a comprehensive review of all the regulations, rules, and statutes governing the agency. Economic development considerations were among the primary factors considered during the process. Such considerations are regularly included in the staff review process for the posting of new rules and regulations. Proposals for new and corrective economic development legislation were made by the Texas Department of Agriculture in the 1983, 1985, 1987, and 1989 sessions of the Legislature, with significant portions of these proposals*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF AGRICULTURE (concluded)

*becoming law. The staff and management of the Texas Department of Agriculture regularly review the agency's performance indicators to assess the success of economic initiatives. These indicators are updated on a regular basis.*

### STATE DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

1. **Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:**
  - formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies
  - prepare meeting minutes, distribute them to members, and make them available for public inspection

*Our Department has a lengthy history of promoting tourism and assisted in developing the Tourism Council. We agree with the recommendation.*

2. **We recommend that the Legislature require state agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.**

*We would have no problem complying with this recommendation as we currently have plans for each infrastructure under our responsibility.*

3. **The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*While our Department has a Strategic Plan for our work, we do not believe the above recommendation to add a super-authority on top of existing state agencies would be beneficial. We have always strived to coordinate our department's work with other agencies and the private sector as much as possible.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### STATE DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION (concluded)

4. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*We would have no problem complying with the first part of this recommendation and have adopted a goal in our Strategic Plan to encourage economic development. We believe the success of these economic initiatives speak for themselves, however, and therefore, rather than use resources evaluating programs, we would rather see additional effort spent toward encouraging economic progress.*

### TEXAS PARKS AND WILDLIFE DEPARTMENT

1. Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:
  - formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies
  - prepare meeting minutes, distribute them to members, and make them available for public inspection

*No objections to recommendations.*

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*The Department concurs with designation of a single entity such as Texas Department of Commerce to coordinate the State's implementation of A Strategic Economic Plan for Texas. However, individual agency programs, funding sources, and statutes made the feasibility of designating a single entity with authority to assign responsibilities questionable. Each agency should commit to the Plan goals and objectives and report on implementation progress.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS PARKS AND WILDLIFE DEPARTMENT (concluded)

3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*Agencies should evaluate regulation, rules, and statutes that may impact economic development within the context of each agency's mission. Changes should be considered when not in conflict with that mission.*

### TEXAS DEPARTMENT OF PUBLIC SAFETY

1. Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:
  - formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies
  - prepare meeting minutes, distribute them to members, and make them available for public inspection

*The Department of Public Safety supports the recommendation that the Texas State Agency Tourism Council formalize its existence, purpose, and goals and that meeting minutes be prepared, distributed, and made available for public inspection.*

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have limited authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*The Department of Public Safety supports the recommendation that a single entity be designated to coordinate implementation of A Strategic Economic Plan for Texas and, as necessary, be authorized to assign responsibilities to those State agencies. This support is with the caveat that the assigned responsibilities be to those agencies directly involved in economic development. Because of the public safety focus and responsibilities of the agency, the Department of Public Safety does not incorporate economic-development*



## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS DEPARTMENT OF PUBLIC SAFETY (concluded)

*planning into departmental operations and budgeting. Therefore, the Department would not have economic-development progress to report.*

3. **We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*The Department of Public Safety supports the recommendation that state agencies review and correct agency regulations, rules, and statutes in order to encourage economic development. Since economic development is not a focus of a public safety agency, we do not anticipate that the Department will be able to measure agency programs in relation to success of economic initiatives.*

### TEXAS HISTORICAL COMMISSION

1. **Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:**
  - **formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies**
  - **prepare meeting minutes, distribute them to members, and make them available for public inspection**

*The Texas Historical Commission agrees with the findings of the Office of the State Auditor that the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution and will prepare a draft memorandum of understanding formalizing the existence, purpose, and goals of the group. This draft MOU will be introduced at the next meeting of the Texas State Agency Tourism Council on June 13, 1990, for consideration and ratification by each agency. At this meeting the Texas Historical Commission will move that a secretary be elected to prepare meeting minutes, distribute them to members, and make them available for public inspection.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS HISTORICAL COMMISSION (concluded)

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*The Texas Historical Commission agrees that the Legislature should designate a single entity to coordinate the State's implementation of A Strategic (Economic) Plan for Texas and recommends that the Governor's Office of Budget and Planning be that agency. The THC will report its progress to that agency.*

3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*The Texas Historical Commission endorses the recommendation that would require state agencies to review their regulations, rules, and statutes and will take corrective action to encourage economic development. The THC will assess the success of its economic initiatives annually and report the findings to the designated agency.*

### TEXAS A & M UNIVERSITY, RECREATION AND PARKS DEPARTMENT

1. Because the Texas State Agency Tourism Council's voluntary status puts the group at risk of dissolution, we recommend that the Council:
  - formalize its existence, purpose, and goals through a memorandum of understanding among the participating agencies
  - prepare meeting minutes, distribute them to members, and make them available for public inspection

*The Texas State Agency Tourism Council should be formalized via a memorandum of understanding among the seven state agencies involved.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS A & M UNIVERSITY, RECREATION AND PARKS DEPARTMENT (concluded)

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*The Governor's Office should be responsible for coordinating the State's implementation of A Strategic Economic Plan for Texas. It should not be one of the agencies (TDOC for instance) involved in the plan itself.*

3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*No comment.*

### RAILROAD COMMISSION OF TEXAS

1. We recommend that the Legislature require state agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.

*We agree with this concept on initial review. The short time we have been allocated to review this draft prevents us from making a firm comment at this time.*

2. We recommend that an impact study of the deregulation of the transportation industry be done to determine the economic and service impact deregulation would have on the State.

*We recommend that the Legislature appropriate funds to the Railroad Commission to perform the impact study.*

3. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### RAILROAD COMMISSION OF TEXAS (concluded)

*Strategic Economic Plan for Texas.* This entity should have the authority to assign responsibilities to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*We agree that a single entity should be designated to implement the Strategic Plan. However, we do not agree that the agency selected to implement the Plan have the authority to assign responsibilities to other agencies. The responsibilities should be assigned by the Legislature with appropriate levels of funding to implement the assigned tasks.*

4. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*We generally concur with this statement.*

### TEXAS WATER COMMISSION

1. We recommend that the Legislature require state agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.

*The TWC would be willing to work with the other agencies involved in developing, maintaining, and regulating the State's infrastructure in developing and implementing a State Infrastructure Plan. This could be done through cooperative agreements with the other agencies, or through the recommended legislation.*

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibilities to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS WATER COMMISSION (concluded)

*To provide for a coordinated effort in developing and implementing a strategic plan we do feel that one agency would need to be designated as the lead agency with the authority to assign responsibilities and monitor progress. The TWC would be willing to work with whichever agency was designated this authority. The lead agency should have funds available to award grants as needed to help agencies accomplish the assigned tasks. Until the lead agency makes the assignment, the performing agency cannot plan the performance, and therefore cannot budget for this activity in the appropriations process.*

- 3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*We concur with the recommendation. The TWC is committed to providing regulation and guidance to ensure usable water resources for the citizens and industry of this State, and in doing so must balance its regulatory responsibilities and economic development activities. The TWC continually reviews its regulations, rules, and statutes to ensure that they do not unnecessarily impede economic development.*

### TEXAS WATER DEVELOPMENT BOARD

- 1. We recommend that the Legislature require state agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.**

*The Texas Water Development Board has the responsibility to develop a Statewide plan for the orderly development and use of the State's water resources. The last plan was adopted in 1984 and a revision should be adopted late this year. The new plan will address infrastructure needs for water supply, wastewater treatment, and flood control for the next 50 years.*

*The agency is not authorized to implement the plan as that function is assigned to local governments. We do provide financial assistance to local governments as they provide infrastructure. This assistance could include State participation in projects, but the Legislature has not appropriated funds to allow this program to be implemented.*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS WATER DEVELOPMENT BOARD (concluded)

2. **The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibilities to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*Coordination of implementation of the plan should be encouraged, but the coordination entity should not have the authority to direct independent agency actions by assigning them responsibilities. That is the role of the Legislature. Also, agencies may lack the resources to accomplish the responsibilities without the specific appropriations from the Legislature. Reporting on agency progress on the Strategic Plan could be provided to the coordinating entity, but also should be provided to the appropriate committees in the Legislature.*

3. **We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*The Water Development Board believes that its programs are supportive of economic development and will review its rules and statutes to identify any actions that limit the agencies' actions to encourage economic development. Legislation will be suggested for the next Legislative session to correct any identified statutes. Two currently known restrictions involve limits on the entities that we can financially assist and planning involving transfer of water between basins.*

### PUBLIC UTILITIES COMMISSION OF TEXAS

1. **We recommend that the Legislature require state agencies involved in developing, maintaining, and regulating the State's infrastructure to develop a State Infrastructure Plan and include recommendations for its implementation.**

*State agencies, such as The Public Utility Commission of Texas that develop, maintain, or regulate the State's infrastructure should continue developing infrastructure plans. For example, as part of its electric industry responsibilities, the Commission prepares a*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### PUBLIC UTILITIES COMMISSION OF TEXAS (concluded)

*Statewide Electrical Energy Plan and adopts a report titled Long-Term Electric Peak Demand and Capacity Resource Forecast for Texas. This report provides information and recommendations to policy-makers and others interested in the present and future status of the Texas electric power industry. However, a single State agency such as the Texas Department of Commerce might act as a coordinator of the plans issued by the various agencies.*

2. **The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of A Strategic Economic Plan for Texas. This entity should have the authority to assign responsibility to State agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*The Public Utility Commission of Texas agrees with the finding that State agencies should coordinate to implement A Strategic Economic Plan for Texas. Our agency is willing to cooperate in this effort to the extent that our resources will permit. The strategic plan is designed to encourage economic development in an increasingly competitive economic environment. It is crucial that State agencies realize the importance of the strategic plan and the role that they can play, individually as well as collectively, in its successful implementation.*

3. **We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*Increased coordination among state agencies should increase the probability that plans, rules, and regulations will be consistent with the goals of the strategic plan.*

### TEXAS HIGHER EDUCATION COORDINATING BOARD

1. **We recommend that the Texas Higher Education Coordinating Board and the Department of Agriculture coordinate with the Texas Department of Commerce to provide a one-stop business resource center which includes information on all business incentive and assistance programs.**

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS HIGHER EDUCATION COORDINATING BOARD (continued)

*Texas State government has a number of initiatives designed to strengthen the State's position in attracting technology and businesses. These include not only the Texas Advanced Technology and Advanced Research Programs but also the Small Business Innovative Research Program (SBIR), the Product Development Fund, the Product Commercialization Fund, the referenced programs of the Texas Department of Agriculture, funding for job training for new companies, tax incentive programs, etc.*

*We concur that the Texas Department of Commerce or the Governor's Office of State Development or some other office or agency should, in their marketing of the State, provide information about all of these programs and present them as an integrated program which supports new and existing technology businesses. The Texas Higher Education Coordinating Board has provided information concerning their programs to the Texas Department of Commerce on a regular and timely basis and will continue to do so. In addition, the agency has cooperated with the Texas Department of Commerce in presenting information concerning their research programs directly to representatives of technology companies through a number of different activities.*

*The concept of a "one-stop business incentive center" is probably a good one. However, by statute none of the Texas Higher Education Coordinating Board's research programs offer financial support directly to businesses. While it would be appropriate to provide information concerning the Board's research programs in such a center, the Board could not offer financial support to new or existing technology companies through the center.*

2. **The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*No comment.*

3. **We recommend that the Higher Education Coordinating Board work with the Texas Department of Commerce, the Texas Education Agency, and the Legislature to determine the financial requirements of the Quality Work Force Planning Program.**



## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS HIGHER EDUCATION COORDINATING BOARD (concluded)

*At its April 1990 meeting, the Coordinating Board instructed the Commissioner to contact the chief executive officer of the Texas Education Agency and the Texas Department of Commerce to establish the financial requirements necessary to support Quality Work Force Planning in Texas. In addition, they asked the Commissioner to contact the chair of the State Job Training Coordinating Council to be part of the process.*

*Initial contacts have been made, and staff are studying what level of legislative appropriations would be appropriate to support the operations of the 24 Quality Work Force Planning Committees and the provision of technical assistance by the co-sponsoring three agencies. The three agencies anticipate submitting a joint tri-agency Legislative Appropriations Request for the next legislative session.*

4. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.

*No comment.*

### STATE PURCHASING AND GENERAL SERVICES COMMISSION

1. We recommend that authority be given to a single agency, possibly the Governor's Office or the State Purchasing and General Services Commission, to rule on and categorize advertising contracts, and others involving both consulting and general services, as either general or consulting prior to contract award.

*We agree that a single point of authority empowered to determine contract type and applicable statute will enhance what now is a point of confusion and uncertainty for many state agencies. Identification of the authority best able to make that determination is an issue in and of itself.*

2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibilities to state agencies. Agencies should report their progress directly to

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### STATE PURCHASING AND GENERAL SERVICES COMMISSION (concluded)

**this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*We do not agree that an implementing state agency should have authority to assign responsibilities to other agencies. We recommend these responsibilities be identified in enabling legislation. Those agencies should then seek the appropriate levels of funding to implement assigned duties. We do agree however, that a single agency should be assigned as the primary advocate responsible to coordinate, carry out, and implement the strategic plan.*

- 3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*We agree that all state agencies may have the ability, in varying degrees, to encourage and influence economic development. A global requirement for agencies to review their regulations, rules, and statutes and take actions necessary to encourage economic development may not achieve intended results. We recommend that due to the diverse purposes and functions of the universe of state agencies, some frame of reference, scope, or definition of the review requirement be stated by the legislature so that legislative intent is satisfied by the review. Additionally, the implementing agency should inform all state agencies of known impediments to the process and of all regulations, rules or statutes which are counterproductive to the strategic economic development process.*

### TEXAS EDUCATION AGENCY

- 1. We recommend that the Texas Education Agency work with the Texas Department of Commerce, the Higher Education Coordinating Board, and the Legislature to determine the financial requirements of the Teacher Induction Program and the Quality Work Force Planning Program.**

*The Texas Education Agency has been working with the Texas Department of Commerce and the Higher Education Coordinating Board to determine the cost of the Quality Work Force Planning project. Based on the experiences of pilot programs and consideration of all work to be completed, costs have been established and increases have been*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS EDUCATION AGENCY (continued)

*proposed for consideration by the boards of each agency. Meetings will be scheduled with staff of the Legislative Budget Board to explain the interconnections between the budgets proposed by each agency. Full implementation of these programs will be possible only if all affected agencies receive their respective budget requests.*

*With regard to the Teacher Induction Program, upon completion of the current pilot programs, steps will be taken to work with the Texas Higher Education Coordinating Board to determine financial requirements for future actions based on the results of the pilot projects. The proposed role for the Texas Department of Commerce in this project is not immediately apparent; however, they will be contacted to determine if their participation can enhance the project.*

*Although not mentioned in the recommendation, the agency will also coordinate with other appropriate agencies to determine the financial requirements for continuation of the Texas Literacy Council.*

- 2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign responsibility to state agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.**

*The agency will work with the office which receives the coordination role for the strategic plan and will implement the objectives of the plan within funding limitations.*

- 3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*This report has not identified a particular area in which agency rules are discouraging economic development. Nonetheless, as rules are periodically revised, staff will review the impact of rule changes with respect to economic impact.*

*With regard to Quality Work Force Planning, the Texas Education Agency, the Texas Higher Education Coordinating Board, and the Texas Department of Commerce have*

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### TEXAS EDUCATION AGENCY (concluded)

*worked with the nine regional planning pilot projects to develop proposed rules for the statewide implementation of Quality Work Force Planning that will be effective September 1, 1990. The proposed rules will establish 24 Quality Workforce Planning Regions based on the Governor's state planning regional boundaries and the composition of Quality Work Force Planning Committees in each region. Each committee will have the responsibility to identify priorities for vocational-technical education programs and to develop a service delivery plan for the region. The three agencies have employed an independent consultant to evaluate the pilot projects for regional planning and will present a status report to their respective boards in the fall of 1990.*

*Rules for the Teacher Induction Program will not be developed until the fall of 1991. At that point, the results of current pilot programs will be incorporated into the rules developed.*

### GOVERNOR'S OFFICE

- 1. We recommend that authority be given to a single agency, possibly the Governor's Office or the State Purchasing and General Services Commission, to rule on and categorize advertising contracts, and others involving both consulting and general services, as either general or consulting prior to contract award.**

*The best approach to solving the problem of whether a contract is defined as either a consulting service or a general service should be addressed by both the Office of the Comptroller and the State Purchasing and General Services Administration. If clarification of the statutory language is needed the agency directors should take measures to ensure that the 72nd Legislature be presented with a proposal that distinguishes advertising contracts as either a general service or a consulting service. Furthermore, if statutory changes are made the State Purchasing and General Services Administration should notify all applicable state agencies of the changes and how they will effect future contracts.*

- 2. The Legislature should designate a single entity, possibly the Governor's Office or the Texas Department of Commerce, to coordinate the State's implementation of *A Strategic Economic Plan for Texas*. This entity should have the authority to assign**

## APPENDIX B: RECOMMENDATIONS AND AGENCY RESPONSES

### GOVERNOR'S OFFICE (concluded)

responsibility to State agencies. Agencies should report their progress directly to this entity in order for the entity to monitor the State's progress toward achieving the plan's objectives.

*Historically, Texas state government has not operated under a system that provides one agency jurisdiction over other agencies activities. Rather, the overall legislative intent allows government agencies to work in partnership in order to streamline services and programs as necessary for effective execution of projects.*

*House Bill 3, the legislation which created the Texas Strategic Economic Policy Commission, requires that the responsibility for maintaining and updating the state's economic policy be transferred to the Texas Department of Commerce (TDOC). However, the legislation does not grant TDOC the authority to assign responsibilities to state agencies. It is the Legislature that must make the determination to grant such authority and here-to-date they have not deemed it appropriate.*

*Since its inception, TDOC has worked closely with all agencies that are directly involved in economic development projects including the Texas Department of Agriculture, Texas Higher Education Coordinating Board, Office of the Attorney General, State Purchasing and General Services Commission, Office of the Comptroller, and the Texas Department of Highways, to name a few.*

- 3. We recommend that the Legislature require state agencies to review their regulations, rules, and statutes and to take the corrective action necessary to encourage economic development. Additionally, agencies should evaluate programs to assess the success of economic initiatives.**

*It is appropriate that state agencies routinely review their programs to ensure they do not restrict economic development. Furthermore, agency directors should keep abreast of new economic development programs because they may have a greater impact on attracting new industries or improving the state's infrastructure if they can be combined with on-going agency directives.*

**STATE OF TEXAS  
OFFICE OF THE STATE AUDITOR  
PERFORMANCE AUDIT DIVISION**

***ECONOMIC DEVELOPMENT:  
IS TEXAS MANAGING IMPLEMENTATION OF ITS STRATEGIC PLAN?***

**AUGUST 1990**

**Copies of this report have been distributed to the agencies  
listed in Appendix B and the following:**

**William P. Clements, Jr., Governor of Texas**

**Legislative Audit Committee**

**Gib Lewis, Speaker of the House**

**William P. Hobby, Jr., Lieutenant Governor**

**Senator John Montford**

**Senator Bob Glasgow**

**Representative Jim Rudd**

**Representative James Hury, Jr.**

**Governor's Office of Budget and Planning**

**Shelia Beckett, Director**

**Legislative Budget Board**

**Jim Oliver, Director**

**Sunset Advisory Commission**

**Bill Wells, Director**

**Senate Committee on Economic Development**

**Senator O. H. Harris, Chairman**

**Senate Committee on Education**

**Senator Carl Parker, Chairman**

**Senate Committee on Intergovernmental Relations**

**Senator Hugh Parmer, Chairman**

**House Committee on Government Organization**

**Representative Bruce Gibson, Chairman**

**House Committee on Transportation**

**Representative David Cain, Chairman**