

# *Legislative Performance Audit* **Committee**

## **Audit Plan** **The Nebraska Advantage Act**

On or before **September 19, 2016**, the Legislative Audit Office (Office) will submit a draft report of its audit findings and recommendations to the Legislative Performance Audit Committee (Committee) and the Nebraska Department of Revenue. The completed report will be released to the public in **November 2016**.

Following is the list of Scope Statement Questions and an indication of which of the LR 444 proposed metrics the Office is trying to use in the audit. (The Office is working to resolve challenges in identifying useable data for some metrics; some metrics may still be eliminated from the audit if those challenges cannot be resolved.)

### **Methodology**

Scope Q1: Is the Advantage Act meeting the goal of strengthening the state’s economy overall by attracting new business to the state, expanding existing businesses, increasing employment, creating high-quality jobs, and increasing business investment?

Scope Q1 metrics that will be used if adequate data available

<b>From</b>	<b>Description</b>
LR444 (1)*	New jobs created by incentivized companies
LR444 (2)	Number of incentivized employees who filed for unemployment insurance within two years after starting incentivized jobs
LR444 (3)	Number of incentivized employees who filed for unemployment insurance in the year prior to starting incentivized jobs
LR444 (7)	Job growth in incentivized companies compared to non-incentivized companies
LR444 (8)	Investment by incentivized companies
LR444 (9)	Average wages paid by incentivized companies compared to industry averages
LR444 (18)	Other state financial assistance received by incentivized companies
Statute	Number of participating companies new to Nebraska

\*The number in parentheses is the number of the metric in the LR444 final report.

Scope Q1 metrics that WILL NOT be used in the 2016 performance audit

<b>From</b>	<b>Description</b>
LR444 (10)	Number of incentivized jobs that provided health benefits

<b>From</b>	<b>Description</b>
LR444 (11)	Number of incentivized jobs that provided other benefits
LR444 (19)	Do incentivized businesses stay in Nebraska longer than others?

Scope Q2: Is Nebraska Advantage meeting the goal of revitalizing rural and other distressed areas of the state?

Scope Q2 metrics that will be used if adequate data available

<b>From</b>	<b>Description</b>
LR444 (15)	Jobs created in distressed areas of the state
LR444 (16)	Education required for new jobs compared to education levels in distressed areas

Scope Q3: Is the Advantage Act meeting the goal of diversifying the state's economy and positioning Nebraska for the future by stimulating entrepreneurial, high tech, and renewable energy firms?

Scope Q3 metrics that will be used if adequate data available

<b>From</b>	<b>Description</b>
Statute	Number of high tech businesses
Statute	Number of businesses defined as in a renewable energy field

Scope Q3 metric that WILL NOT be used in the 2016 performance audit

<b>From</b>	<b>Description</b>
LR444 (17)	Patents

Scope Q4: What are the economic and fiscal impacts of the Advantage Act?

Scope Q4 metrics that will be used if adequate data available

<b>From</b>	<b>Description</b>
LR444 (4)	Cost per job (economic modeling, and job estimates from Scope Q1)
LR444 (5)	Revenue generated (economic modeling)
LR444 (6)	Counterfactuals (economic modeling)
LR444 (12)	Cost/benefit (economic modeling)
LR444 (13)	Cost for agencies to administer & promote Advantage Act

Scope Q4 metric that WILL NOT be used in the 2016 performance audit

<b>From</b>	<b>Description</b>
LR444 (14)	Cost for businesses to apply for Advantage Act benefits

Scope Q5: Are adequate protections in place to ensure the fiscal impact of the Advantage Act does not increase substantially beyond the state's expectations in future years?

Scope Q5 metric that will be used

<b>From</b>	<b>Description</b>
Statute	Legislative history fiscal estimates and protections, research review

Scope Q6: What is the fiscal impact of the Advantage Act on the budgets of local governments?

Scope Q6 metrics that will be used if adequate data available

<b>From</b>	<b>Description</b>
Statute	Estimated amount of property tax exempted from each county because of the Advantage Act. (Using county average rates.)
Statute	Sales and use taxes forgone by each city impacted by the Advantage Act.

Scope Q7: What can be done to improve future audits?

There are no metrics specific to this question. The audit is required by statute to answer this question.

### **Audit Report Contents**

Under the Legislative Performance Audit Act, the Office must provide its written draft report to the agency. That report will consist of:

- background information concerning the program;
- discussion of audit work related to the scope statement questions; and
- Office findings and recommendations.

After receipt of the report, the agency will have 20 business days to review it and provide written comments to the Office. We expect to provide the draft report to the agency on or before September 19, 2016; however, should extenuating circumstances occur, the Committee may extend that date. The deadline for the agency response will be included in the correspondence accompanying the report when it is provided to each agency.

Following receipt of the agency's comments, the Committee will meet to consider the draft report and the comments. The Committee may elect to adopt recommendations at that time or to hold a public hearing on the audit before adopting recommendations. The Committee's final report will include the Office's report, the agencies' comments, the Committee's recommendations, and other materials specified in the audit act.

*Adopted by the Legislative Performance Audit Committee, May 25, 2016.*