

Annual Report to the Legislature

Legislative Performance Audit Committee (FY 17-18)

Completed Performance Audits

- Nebraska Advantage Research and Development Act Performance on Selected Metrics
- Nebraska Advantage Rural Development Act Performance on Selected Metrics

Completed Pre-audit Reports

- Universal Service Fund Pre-Audit Report

Performance Audits In Progress

- Assessment of Violent Infractions and Staffing at Youth Rehabilitation and Treatment Center - Kearney
- Beginning Farmer Tax Credit Act Performance on Selected Metrics
- Nebraska Advantage Microenterprise Act Performance on Selected Metrics
- Juvenile Probation Audit

Summary of Audit Report Recommendations

Nebraska Advantage Rural Development Act Performance on Selected Metrics

The Committee recommended a number of legislative actions and statutory changes:

- The Legislature should clearly define terms, including “new to Nebraska” and “distressed areas”.
- The Legislature should set benchmarks or goals for key program measures, including full-time employees, and sufficient investment.
- The Legislature should set policy to reflect policymakers goals for the program, including changing to full-time positions rather than full-time equivalents and limiting participation in multiple programs.
- If the Legislature wants better information, they should consider policy that requires more detailed breakdowns of program information, improves participation tracking, and separates tracking of investment and employment credits.
- The Legislature may want to consider approaches to attracting businesses that research suggests are more important to businesses looking to relocate.

Summary of Audit Report Recommendations, continued

Nebraska Advantage Research and Development Act Performance on Selected Metrics

The Committee recommended a number of legislative actions and statutory changes:

- The Legislature should find a way to work with the Departments of Revenue and Labor to improve data matching between program participants and other economic development programs.
- The Legislature should clearly define terms like, “new to Nebraska”, “high-tech firm”, and “renewable energy firm”.
- If the Legislature would like the Audit Office to directly answer the question of “brain-drain”, it may need to require additional information be provided by participating companies.
- The Legislature may want to consider approaches to attracting businesses that research suggests are more important to businesses looking to relocate.
- In order to produce more meaningful evaluations and accountability for results, the Legislature should consider requiring logic chains and relevant performance targets to all intended effects and program goals for all current and future tax incentive programs.
- If the Legislature would like more precise costs for the program administration and promotion, it may need to require that Departments of Revenue and Economic Development track expenditures by program.
- If the Legislature is concerned with the risk level for exceeding expected costs, it should consider adding more stringent fiscal protections to the Act.

The Committee introduced two pieces of legislation and one change to legislative rules to implement recommendations. LB 936 was enacted into law to address the definition issues raised by both audits. LB 935 sought to address some of the program data recommendations, including data matching between agencies. It was advanced to select file on a 36-0 vote, but was not scheduled for select file debate. A rule change was introduced to the Rules Committee to require logic chains and performance statements for tax incentive programs. It failed to advance from committee. No action was taken on recommendations regarding alternative approaches to attracting business, administrative cost data, data related to the “brain-drain” question, or additional fiscal protections.

Legislative Performance Audit Committee

Sen. John Kuehn, Chairperson

Sen. Suzanne Geist, Vice-Chair

Sen. Tom Briese • Sen. Lou Ann Linehan • Sen. Jim Scheer

Sen. John Stinner • Sen. Dan Watermeier