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A BILL TO BE ENTITLED

1 AN ACT

2 relating to the review and audit of certain state agency
3 operations.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 325.002, Government Code, is amended by
6 adding Subdivision (4) to read as follows:

11 government;
12 (C) has statewide authority; and
13 (D) has authority to deny, grant, renew, revoke,
14 or suspend a license, certification, or other authorization to
15 engage in an activity.

16 SECTION 2. Section 325.009, Government Code, is amended by
17 adding Subsections (b-1), (b-2), and (b-3) to read as follows:

18 (b-1) The commission shall provide information on how the
19 public may participate in the commission's review of a state agency
20 and provide input on a state agency's performance. The commission
21 shall, to the extent practicable, solicit input from parties
22 interested in a state agency's operations.

23 (b-2) Each state agency being reviewed by the commission
24 under this chapter shall at the beginning of the review:

1 (1) post a notice on the state agency's Internet
2 website informing the public:

3 (A) that the state agency is being reviewed by
4 the commission; and

5 (B) how the public may participate in the
6 commission's review of the state agency and provide input on the
7 state agency's performance; and

8 (2) if the state agency being reviewed is a regulatory
9 agency:

10 (A) notify each person licensed, certified, or
11 otherwise authorized by the regulatory agency to engage in an
12 activity regulated by the agency of the public hearing under this
13 section at which the agency will be reviewed; and

14 (B) solicit input from persons provided notice
15 under Paragraph (A) regarding the regulatory agency's performance.

16 (b-3) Subsection (b-2) does not apply to a river authority
17 subject to review under this chapter.

18 SECTION 3. Section 325.010(b), Government Code, is amended
19 to read as follows:

20 (b) In the report the commission shall include:

21 (1) its findings regarding the criteria prescribed by
22 Section 325.011, except Section 325.011(14);

23 (2) its recommendations based on the matters
24 prescribed by Section 325.012, except recommendations relating to
25 criteria prescribed by Section 325.011(14); [and]

26 (3) if the agency being reviewed is a regulatory
27 agency, an analysis of the regulatory agency's performance during

1 the preceding 10 years or since the last review of the agency under
2 this chapter, whichever is longer, based on the agency's
3 performance measure targets as listed in the General Appropriations
4 Act;

5 (4) an evaluation of the agency's performance measure
6 targets listed in the General Appropriations Act, including whether
7 the targets are:

8 (A) aligned with the mission, goals, and
9 objectives of the agency; and

10 (B) appropriate for assessing the agency's
11 achievement of the goals listed; and

12 (5) other information the commission considers
13 necessary for a complete review of the agency to reduce fraud,
14 waste, and abuse and to increase efficiencies.

15 SECTION 4. Section 325.012(a), Government Code, is amended
16 to read as follows:

17 (a) In its report on a state agency, the commission shall:

18 (1) make recommendations on the abolition,
19 continuation, or reorganization of each affected state agency and
20 its advisory committees and on the need for the performance of the
21 functions of the agency and its advisory committees;

22 (2) make recommendations on the consolidation,
23 transfer, or reorganization of programs within state agencies not
24 under review when the programs duplicate functions performed in
25 agencies under review;

26 (3) make recommendations to improve the operations of
27 the agency, its policy body, and its advisory committees, including

1 management recommendations that do not require a change in the
2 agency's enabling statute; [and]

3 (4) make recommendations on the continuation or
4 abolition of each reporting requirement imposed on the agency by
5 law; and

6 (5) make recommendations to improve the agency's key
7 performance measures through the addition, amendment, or removal of
8 the performance measure targets listed in the General
9 Appropriations Act.

10 SECTION 5. Chapter 325, Government Code, is amended by
11 adding Section 325.016 to read as follows:

12 Sec. 325.016. LIMITED REVIEW OF CERTAIN REGULATORY
13 AGENCIES. (a) During the two-year period beginning on September 1
14 of the sixth year after the date a regulatory agency was last
15 continued under Section 325.015, the commission shall conduct a
16 limited review of the agency's rulemaking, including:

17 (1) an assessment of the agency's rulemaking process
18 and the extent to which the agency has encouraged participation by
19 the public in making its rules and decisions and the extent to which
20 the public participation has resulted in rules that benefit the
21 public;

22 (2) the extent to which the agency adopts and enforces
23 rules relating to potential conflicts of interest of its employees;
24 and

25 (3) the necessity and effectiveness of rules adopted
26 by the agency.

27 (b) Not later than September 1 of the sixth year after the

1 date a regulatory agency was last continued under Section 325.015,
2 the agency shall report to the commission the information in
3 Subsection (a) related to rulemaking and rule review activities of
4 the agency.

5 (c) Not later than September 1 of the year that is two years
6 after the date the review under this section begins, the commission
7 shall prepare a written report on the commission's review under
8 this section.

9 (d) The report prepared by the commission under this section
10 is a public record.

11 SECTION 6. Subtitle C, Title 3, Government Code, is amended
12 by adding Chapter 327 to read as follows:

13 CHAPTER 327. EFFICIENCY AUDITS OF STATE AGENCIES

14 Sec. 327.001. DEFINITIONS. In this chapter:

15 (1) "Audit plan" has the meaning assigned by Section
16 321.001.

17 (2) "Commission" means the Sunset Advisory
18 Commission.

19 (3) "Efficiency audit" means an evaluation of the
20 economy, efficiency, and effectiveness of state agency operations,
21 including:

22 (A) determining whether the state agency is
23 managing or using its resources, including state money, personnel,
24 property, equipment, and space, in an economical and efficient
25 manner;

26 (B) identifying causes of inefficiencies or
27 uneconomical practices, including inadequacies in management

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1 information systems, internal and administrative procedures,
2 organizational structure, use of resources, allocation of
3 personnel, purchasing, agency policies, and equipment;

13 (E) determining whether, according to
14 established or designated program objectives, responsibilities or
15 duties, statutes and rules, program performance criteria, or
16 program evaluation standards, the agency's program duplicates,
17 overlaps, or conflicts with another state program.

23 (6) "State agency" means an entity expressly made
24 subject to Chapter 325 (Texas Sunset Act) other than a river
25 authority.

26 Sec. 327.002. REQUIRED EFFICIENCY AUDIT. (a) Each state
27 agency shall undergo an efficiency audit in accordance with this

1 chapter.

2 (b) The state auditor, subject to the legislative audit
3 committee's approval, shall adopt a schedule for conducting the
4 efficiency audits required by this chapter and include the annual
5 portion of the schedule in the audit plan under Section 321.013.
6 The schedule must provide for each state agency to be audited during
7 the two-year period beginning on September 1 four years before the
8 date the state agency is scheduled to be abolished under Chapter 325
9 (Texas Sunset Act).

10 (c) A state agency required by law to perform an internal
11 efficiency audit is not required to perform the audit in any year
12 the state agency is audited under this chapter.

13 (d) A state agency shall pay the costs incurred by the state
14 auditor relating to an efficiency audit required by this chapter.
15 The state auditor shall determine the costs of the audit and the
16 state agency shall pay the amount of those costs promptly on receipt
17 of a statement from the state auditor regarding those costs.

18 (e) The state auditor, subject to the legislative audit
19 committee's approval, may determine, in the interests of
20 efficiency, whether the audit should be performed by the state
21 auditor or an external auditor.

22 Sec. 327.003. SELECTION AND SUPERVISION OF AUDITOR. (a)
23 Not later than March 1 of the year in which an efficiency audit of a
24 state agency is scheduled under this chapter, the state auditor may
25 contract with an external auditor to conduct the audit.

26 (b) The state auditor, in cooperation with the Legislative
27 Budget Board, shall oversee the external auditor and ensure that

1 the efficiency audit is conducted in accordance with the
2 requirements of this chapter and the scope of the audit established
3 under this chapter.

4 (c) The external auditor is not subject to direction from
5 the state agency being audited.

6 Sec. 327.004. SCOPE OF AUDIT. (a) The state auditor, in
7 cooperation with the Legislative Budget Board, shall establish the
8 scope of each efficiency audit conducted under this chapter.

9 (b) At a minimum, an efficiency audit must:

10 (1) examine state resources, including financial
11 resources, staff, personal property, real property, and
12 technology, to determine whether those resources:

13 (A) are used effectively and efficiently to
14 achieve the desired outcome for a state agency's program
15 beneficiaries; and

16 (B) are not used for purposes other than the
17 intended goals of the audited programs;

18 (2) identify and make recommendations for cost savings
19 and reallocation of resources to improve the effectiveness of
20 audited programs; and

21 (3) identify opportunities for improving services
22 through consolidation of functions, outsourcing, and elimination
23 of duplicative efforts.

24 Sec. 327.005. REPORT TO LEGISLATURE. (a) Not later than
25 November 1 of the year an efficiency audit is conducted under this
26 chapter, the state auditor, in cooperation with the Legislative
27 Budget Board and in consultation with any external auditor

1 contracted to perform the audit, shall:

2 (1) prepare a report of the audit with the
3 recommendations; and

4 (2) submit the report, recommendations, and complete
5 audit to the commission, the governor, the lieutenant governor, the
6 speaker of the house of representatives, the legislative audit
7 committee, the chairs of the standing committees of each house of
8 the legislature with primary jurisdiction over the audited state
9 agency, and the audited state agency.

10 (b) The state auditor and the audited state agency shall
11 publish the report, recommendations, and complete efficiency audit
12 on the entity's Internet website.

13 Sec. 327.006. REQUIRED IMPLEMENTATION PLAN. Not later than
14 the 90th day after the date of receiving the complete audit and
15 recommendations, the administrative head of the audited state
16 agency shall deliver a plan for implementing the recommendations to
17 the commission, the governor, the lieutenant governor, the speaker
18 of the house of representatives, the legislative audit committee,
19 and the chairs of the standing committees of each house of the
20 legislature with primary jurisdiction over the audited state
21 agency. The implementation plan must include a reasoned
22 justification for any recommendation the audited state agency
23 declines to implement.

24 SECTION 7. Section 322.017, Government Code, is repealed.

25 SECTION 8. Not later than January 1, 2026, the state auditor
26 shall adopt the schedule required by Section 327.002, Government
27 Code, as added by this Act, for conducting efficiency audits of each

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1 state agency subject to that section.

2 SECTION 9. This Act takes effect September 1, 2025.