

## **BILL ANALYSIS**

Senate Research Center  
79R3841 DWS-D

S.B. 277  
By: Lucio et al.  
S/C on Emerging Technologies and Economic Development  
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As Filed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

Concerns have been raised by various media outlets from across the state and policy research centers concerning the administration and usage of the Texas Enterprise Fund (fund). The fund's effectiveness has been questioned due to its existing track record of not being able to create immediate jobs in Texas. Another issue of contention has been the lack of geographic distribution of the fund. Some observers have held that the existing distribution of fund grants indicates a favoritism to urban areas, as well as large employers in those areas. A subsequent subject of concern has been the perceived lack of accountability safeguards. Unlike other states, current Texas statutes do not provide the same type of measures as similar economic development funds in other states which provide for greater fiscal accountability of state tax payer dollars.

As proposed, S.B. 277 institutes a series of reforms that provide fund administrators with the necessary tools and flexibility to address all the aforementioned concerns. Among these reforms is the reinforcement of the job-creation aspect of the fund. Under current law, the fund can be used for job training programs. S.B. 277 complements this usage by authorizing fund administrators to enter into an interagency agreement with the Texas Workforce Commission to supplement the use of the fund with the Skills Development Fund. Fund administrators are also given the flexibility to address the lack of geographic diversity by being given the authority to develop their own mechanism by which to provide greater consideration to companies that decide to locate/relocate in certain areas, such as rural regions and distressed communities. Lastly, S.B. 277 provides for greater fiscal accountability by including a "clawback" provision.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 481.078, Government Code, by adding Subsections (g) - (i), as follows:

- (g) Authorizes the governor, to increase the effectiveness of the Texas Enterprise Fund (fund), to enter into an interagency agreement with the Texas Workforce Commission (TWC) involving use of money from the fund in conjunction with money from the skills development fund created under Chapter 303 (Skills Development Fund), Labor Code, to better recruit new businesses in this state, and maximize the state's efforts in creating new jobs.
- (h) Authorizes the governor, in making a grant of money from the fund, to develop a mechanism that gives greater consideration to certain recipients.
- (i) Authorizes the governor to use money from the fund to support development of industry clusters, including industry clusters that capitalize on regional resources near the border of this state and the United Mexican States.

SECTION 2. Amends Subchapter E, Chapter 481, Government Code, by adding Section 481.079, as follows:

Sec. 481.079. REPORT ON USE OF MONEY IN TEXAS ENTERPRISE FUND. (a) Requires the governor, before December 1 of each even-numbered year, to submit to the lieutenant governor, the speaker of the house of representatives, and each other member of the legislature a report outlining a long-range plan for use of money in the Texas Enterprise Fund. Requires the report to include certain information.

(b) Authorizes the governor to require a recipient of funds from the Texas Enterprise Fund to provide any information necessary for completion of the report, except as otherwise provided by law.

SECTION 3. Effective date: September 1, 2005.