

BILL ANALYSIS

C.S.H.B. 2531

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Technology, Economic Development & Workforce
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas emerging technology fund was created during the 79th Legislature and is managed by the office of the governor. The fund promotes technology-related research and commercialization projects.

According to the Legislative Budget Board's "Texas State Government Effectiveness and Efficiency" report, the office of the governor made 46 awards from the fund totaling \$85.3 million during the 2006-2007 biennium. During fiscal year 2008, 33 awards were made totaling \$51.8 million. Other states that have similar technology development programs are required to submit annual reports on the performance of the programs, but the State of Texas does not currently have such a requirement. Additionally, under the fund's contracts, the governor may take an equity position in companies that receive commercialization awards. These investments are of a high-risk, high-return nature and warrant additional disclosure.

C.S.H.B. 2531, which results from a recommendation by the board, requires the governor to submit an annual fund report to the legislature that includes performance metrics, such as the aggregate total of private sector investment, federal government funding, and contributions from other sources that are leveraged in connection with a grant from the fund and discloses the names of the companies in which the state has taken an equity position.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2531 amends the Government Code to require, not later than January 1 of each year, the governor to submit to the legislature and post on the office of the governor's Internet website a report that includes the following information regarding the Texas emerging technology fund for the preceding three state fiscal years:

- the total number and amount of awards made;
- the number and amount of awards made under provisions relating to incentives for commercialization activities, research award matching, and acquisition of research superiority;
- the aggregate total of private sector investment, federal government funding, and contributions from other sources obtained in connection with awards made under the provisions described above;
- the name of each award recipient and the amount of the award made to the recipient;
- a brief description of the equity position that the governor, on behalf of the state, may take in companies receiving awards and the names of the companies in which the state has taken an equity position.

C.S.H.B. 2531 requires the annual report to also contain a brief description of the intended outcomes of projects funded under provisions relating to incentives for commercialization activities during the preceding two state fiscal years and the actual outcomes all projects funded under those provisions during the fund's existence, including any financial impact on Texas resulting from a liquidity event involving a company whose project was funded under those provisions. The bill prohibits the report from including information that is made confidential by law. The bill requires the governor to submit the initial report not later than January 1, 2011.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2531 differs from the original by requiring the annual report on the Texas emerging technology fund to include, in connection with awards made from the fund, the aggregate total of private sector investment, rather than the total amount of private sector investment. The substitute removes a provision from the original requiring the report to include the amount of any funds received by an award recipient from the private sector, federal government, or any other source in addition to the state.

C.S.H.B. 2531 differs from the original by specifying that the required description of the equity position that the governor may take in companies receiving awards from the fund is the equity position that the governor may take on behalf of the state. The substitute differs from the original by requiring the report to include the names of the companies in which the state, rather than the governor, has taken an equity position.

C.S.H.B. 2531 adds a provision not in the original to require the report to contain a brief description of the actual outcomes of all projects funded under provisions relating to incentives for commercialization activities, including any financial impact on the state resulting from a liquidity event involving a company whose project was funded under those provisions.