

BILL ANALYSIS

C.S.H.B. 1515

By: Clardy

International Relations & Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The mission of the Texas Economic Development and Tourism Office (TEDTO), a trustee program within the Office of the Governor, is to market and promote Texas as a premier business location and travel destination. The Sunset Advisory Commission, in its review of TEDTO, found the state economy benefits from a state-level economic development function and recommends continuing TEDTO for another 12 years. However, the sunset commission also found TEDTO has not adequately addressed or communicated to state leadership the problems with some of its financial incentives and assistance programs, namely the bond-supported Product Development and Small Business Incubator (PDSBI) program and the Original Capital Access Program (OCAP), leading to financial instability, low participation, and high default rates. Accordingly, the sunset commission recommended that the legislature abolish the PDSBI program and OCAP. Other recommendations made include adopting clearer rules for and better communicating about its lending programs, taking advantage of opportunities to strengthen supports for communities establishing or growing their travel and tourism economies, and increasing efficiency by reallocating resources toward more community-focused tourism development. C.S.H.B. 1515 seeks to continue TEDTO for the recommended 12 years and implement certain other of the recommendations resulting from the sunset review process.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Economic Development and Tourism Office in SECTIONS 4 and 7 of this bill.

ANALYSIS

C.S.H.B. 1515 amends the Government Code to continue the Texas Economic Development and Tourism Office (TEDTO) under the Texas Sunset Act until September 1, 2035. The bill removes language subjecting provisions governing TEDTO to expiration under that act.

C.S.H.B. 1515 provides for the winding up and ultimate elimination of the product development and small business incubator program and grants the Texas Economic Development Bank any power necessary to accomplish the management, winding up, and final liquidation of the product development and small business incubator investment program portfolio. The bill provides for the confidentiality of certain information collected in that winding up process and also eliminates the original capital access program.

C.S.H.B. 1515 changes the nature of the Texas Product Development Fund and the Texas Small Business Incubator Fund by removing the specification that these are revolving funds. The bill revises the provisions authorizing any money in these funds to be used for debt service to authorize the money to also be used for bond redemption or any costs associated with debt service or bond redemption.

C.S.H.B. 1515 requires TEDTO to develop a plan to engage with stakeholders to gather input and solicit feedback on the development of rules promulgated by TEDTO related to lending programs, including participant selection, requirements for borrowers, terms of loans, requirements for disbursement of funds, and other aspects of program administration, and requires TEDTO by rule to develop the following:

- procedures for disbursement of money to borrowers and lending partners for access to capital programs; and
- documentation and recovery effort requirements of a participating partner for a claim against a reserve account.

C.S.H.B. 1515 provides for the consolidation of certain reporting requirements and for uniform reporting of information across each TEDTO-administered program by requiring TEDTO's annual report to the legislature to include certain specified additional information on the activities and status, including the financial status, of each program. The bill also changes the frequency of the strategic tourism plan developed by TEDTO with certain other agencies, and the individual tourism plans those agencies submit to TEDTO for advance approval, from annually to biennially, with the initial biennial plan due to be submitted by TEDTO not later than December 1, 2024. The bill authorizes TEDTO to establish submission procedures using input of each applicable agency.

C.S.H.B. 1515 exempts the Office of Small Business Assistance Advisory Task Force from statutory provisions governing state agency advisory committees with respect to its size, composition, and duration.

C.S.H.B. 1515 does the following with respect to the aerospace and aviation office:

- removes the following reporting requirements imposed on the office:
 - the requirement to make specific recommendations to the legislature and the governor regarding the promotion of the aerospace and aviation industries; and
 - the requirement to make specific short-term and long-term statutory, administrative, and budget-related recommendations regarding the office's policy initiatives and reforms, and a biennial report detailing the office's actions in carrying out those initiatives and reforms, to the legislature and the governor; and
- repeals provisions providing for an aerospace and aviation advisory committee.

The bill does, however, authorize TEDTO by rule to establish advisory committees to make recommendations to TEDTO on its programs, rules, and policies. The bill requires TEDTO to adopt certain operational rules in establishing an advisory committee and requires the governor to make the appointments to any advisory committee established to make recommendations with regard to the aerospace and aviation industry. The bill specifies that a member of an advisory committee abolished by the bill is eligible for reappointment to any new advisory committee TEDTO establishes.

C.S.H.B. 1515 repeals the following provisions of the Government Code:

- Sections 481.0066(d-1), (d-2), (e), (e-1), and (e-2);
- Section 481.401(6-a);
- Sections 481.406(b) and (c);
- Sections 481.402, 481.404, 481.405, 481.407, 481.408, 481.409, 481.410, 481.412(a), 481.415, 481.458, 481.609, and 489.307; and
- Sections 489.201, 489.202, 489.203, 489.204, 489.205, 489.206, 489.207, 489.208, 489.209, 489.210, 489.211(c), 489.212(c), 489.213, 489.214, 489.215(c), 489.216, and 489.217.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 1515 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a provision absent from the introduced requiring that the governor make the appointments to any advisory committee established to make recommendations to TEDTO regarding the aerospace and aviation industry. The substitute also includes a procedural provision not present in the introduced establishing that a member of an advisory committee abolished by the bill may be reappointed to serve as a member of a new advisory committee established by TEDTO.

The introduced and the substitute each provide for the winding up of the product development and small business incubator program. However, the substitute includes provisions absent from the introduced that, as follows:

- require the bank, on completion of the winding up process, to deposit any remaining investment earnings to the credit of the Texas Economic Development Bank Fund;
- make certain information collected in the winding up process confidential; and
- expand the authorized uses of the Texas Product Development Fund and the Texas Small Business Incubator Fund to allow money in the funds to be used for bond redemption and any costs associated with debt service or bond redemption.