

## **BILL ANALYSIS**

C.S.H.B. 2466

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International Relations & Economic Development

Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The U.S. Small Business Administration (SBA) provides grants through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs to start-ups and small businesses across technology areas to stimulate technological innovation and increase product commercialization. According to SBA, these highly competitive federal grants, nearly \$4 billion annually, come from 11 different federal agencies, including the National Science Foundation, the Department of Defense, the Department of Health and Human Services, NASA, and others. Only U.S. small businesses with less than 500 employees are eligible to participate in the SBIR/STTR programs. Companies must be for-profit, with a place of business located in the United States, and be more than 50 percent owned and controlled by U.S. citizens or permanent legal residents.

Currently, more than half of the states have matching programs which provide some level of funding to the state-based companies that receive federal SBIR/STTR awards. Grants from these programs serve as seed funding for new technologies and innovations. C.S.H.B. 2466 seeks to establish such a program in Texas so that there will be opportunity to bring more of these projects to the state.

### **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 SECTION 2 of this bill.

### **ANALYSIS**

C.S.H.B. 2466 amends the Government Code to require the Texas Economic Development and Tourism Office (TEDTO) to establish and administer the Texas technology and innovation program to foster job creation and economic development in Texas by matching or supplementing money received by a business entity through the federal small business innovation research and small business technology transfer programs. The bill requires a business entity, to be eligible to receive money under the program, to meet the following criteria:

- be organized under Texas laws, maintain a domestic headquarters in Texas, maintain at least one manufacturing facility in Texas, or have more than half of the entity's employees residing in Texas;
- meet all requirements to receive money under the federal funding program;
- not receive concurrent funding from another state program or fund that serves the same purpose as the program; and

- meet any additional requirements for the applicable phase under which the business entity applies to receive money.

C.S.H.B. 2466 authorizes a business entity to apply to receive money under the program by submitting an application under oath on a form prescribed by TEDTO and sets out content requirements for the application. The bill sets out additional requirements for the business entity relating to the submission of certain documentation to TEDTO based on each applicable phase of the federal funding program, which include "phase zero," "phase one," and "phase two." The bill authorizes TEDTO to award a grant immediately on fulfillment of the documentation requirement applicable to the phase for which the grant is awarded. The bill prohibits an entity from receiving more than one grant in each state fiscal year or more than five grants in each phase. A business entity may assign a grant only with the prior written consent of TEDTO.

C.S.H.B. 2466 requires TEDTO to award the grants from available money and any additional money appropriated for purposes of the program. The bill authorizes TEDTO to solicit and receive gifts, grants, and donations from any source to provide additional funding for awarded grants. The bill creates the Texas technology and innovation trust fund as a trust fund outside the treasury, administered by TEDTO. The fund consists of gifts, grants, and donations to TEDTO for the program and money from any other source designated by the legislature. The bill prohibits the expenditure of money in the fund unless TEDTO certifies to the comptroller of public accounts that a business entity qualifies for a grant and limits the use of the money to "phase one" and "phase two" grants.

C.S.H.B. 2466 requires TEDTO to adopt rules necessary to implement the program.

#### **EFFECTIVE DATE**

September 1, 2023.

#### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 2466 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 changes the name of the program from the small business innovation research and small business technology transfer grant matching program, as in the introduced, to the Texas technology and innovation program. Whereas the introduced limited eligibility for money under the program to business entities that are organized under Texas laws, the substitute extends eligibility to business entities that maintain a domestic headquarters in Texas, maintain at least one manufacturing facility in Texas, or have more than half of the entity's employees residing in Texas, in addition to entities organized under Texas laws.

The introduced set caps on the amount of a grant awarded under the program, but these caps are not included in the substitute. The substitute also does not include provisions from the introduced that provided for "phase one" and "phase two" grants to be split into two awards made at different times and provides instead that the total amount of a grant for either of those phases is awarded immediately on fulfillment of all the applicable requirements.

Whereas the introduced prohibited a business entity from receiving in a single fiscal year more than one "phase one" grant or more than one "phase two" grant, the substitute prohibits a business entity from receiving more than one grant of any type in each fiscal year.

The substitute includes an authorization absent from the introduced for TEDTO to solicit and receive gifts, grants, and donations from any source to provide additional funding for awarded grants.

The substitute establishes the Texas technology and innovation trust fund administered by TEDTO and used to pay for certain grants under the program, whereas the introduced did not establish this trust fund.