

BILL ANALYSIS

Senate Research Center
88R30947 MLH-D

C.S.H.B. 2466
By: Button et al. (West)
Natural Resources & Economic Development
5/18/2023
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This legislation creates the Texas Technology Innovation Program, housed at the Office of the Governor's Economic Development and Tourism Office that would provide companies headquartered in Texas that receive grants or contracts under either Phase I or Phase II of the federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) programs with an additional state matching grant.

The U.S. Small Business Administration provides grants through the SBIR and STTR programs to start-ups and small businesses across technology areas to stimulate technological innovation and increase product commercialization.

The 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.

SBIR and STTR grants are allocated in 2 Phases. Phase I grants to establish the technical merit, feasibility, and commercial potential of a proposal, and the federal awards are typically \$50,000–\$250,000 for six months (SBIR) or one year (STTR). Phase II grants continue Phase I efforts toward the goal of commercialization and the awards are generally \$750,000 for two years.

Only United States small businesses with fewer 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, be more than 50 percent owned, and have more individuals who are citizens or permanent resident aliens of the United States.

For STTR, a partnering nonprofit research institution must be involved, and must also be located in the United States and be either a nonprofit college or university, a domestic nonprofit research organization, or a federally funded R&D center (FFRDC.)

Texas Technology Innovation Program:

The legislation creates a grant matching program for the federal small business innovation research and small business technology transfer programs. Creates a state program designed to provide state-funded matching grants to Texas-based small businesses that receive federal grants. Currently, 29 other states provide have matching programs which provide some level of funding to the state-based companies that receive federal SBIR/STTR awards.

The state match grants would be provided in 3 Phases.

- Phase 0 – Fund the development of applications for federal grants.
- Phase 1 – Match the federal Phase 1 grants.
- Phase 2 – Match the federal Phase 2 grants.

Grant requirements and amounts will be determined by the Office of the Governor's Economic Development and Tourism Office.

C.S.H.B. 2466 amends current law relating to the creation of the Texas technology and innovation program.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Economic Development and Tourism Office in SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 489, Government Code, by adding Subchapter G, as follows:

SUBCHAPTER G. TEXAS TECHNOLOGY AND INNOVATION PROGRAM

Sec. 489.351. DEFINITIONS. Defines "federal funding program" and "program."

Sec. 489.352. ESTABLISHMENT AND ADMINISTRATION OF PROGRAM. Requires the Texas Economic Development and Tourism Office (office) to establish and administer the Texas technology and innovation program (program) to foster job creation and economic development in this state by matching or supplementing money received by a business entity through the federal funding program.

Sec. 489.353. ELIGIBILITY. Requires a business entity, to be eligible to receive money under the program, to:

- (1) meet at least one of the following conditions:
 - (A) be organized under the laws of this state;
 - (B) maintain a domestic headquarters in this state;
 - (C) maintain at least one manufacturing facility in this state; or
 - (D) have more than half of the entity's employees residing in this state;
- (2) meet all requirements to receive money under the federal funding program;
- (3) not receive concurrent funding from another state program or fund that serves the same purpose as the program; and
- (4) meet any additional requirements under this subchapter for the applicable phase under which the business entity applies to receive money.

Sec. 489.354. APPLICATION. (a) Authorizes a business entity to apply to receive money under the program by submitting an application under oath to the office on a form prescribed by the office. Requires that the application include:

- (1) the business entity's name;
- (2) the business entity's business organization structure;
- (3) the business entity's address and any principals listed at a different address;
- (4) certification of the information required under Section 489.353; and
- (5) any other information required by the office.

(b) Requires a business entity, in addition to the requirements of Subsection (a), to provide to the office, as applicable:

(1) for "phase zero" or a similar stage of the federal funding program process, a notification of receipt for an application for funding under the federal funding program;

(2) for "phase one" or a similar stage of the federal funding program process.

(A) a notice of award to the entity from a funding agency under the federal funding program;

(B) a final report for the applicable stage as required by the federal funding program; and

(C) a proposal for money under the next stage of the federal funding program; and

(3) for "phase two" or a similar stage of the federal funding program process:

(A) a notice of award to the entity from a funding agency under the federal funding program; and

(B) a final report for the applicable stage as required by the federal funding program.

Sec. 489.355. AWARD OF GRANT; LIMITATIONS. (a) Authorizes the office to award a "phase zero" grant under this subchapter immediately on fulfillment of the requirements under Section 489.354(b)(1).

(b) Authorizes the office to award a "phase one" grant under this subchapter immediately on fulfillment of the requirements under Section 489.354(b)(2).

(c) Authorizes the office to award a "phase two" grant under this subchapter immediately on fulfillment of the requirements under Section 489.354(b)(3).

(d) Authorizes a business entity to assign a grant received under this subchapter only with the prior written consent of the office.

(e) Prohibits a business entity from receiving more than:

(1) one grant in each state fiscal year; and

(2) five grants in each phase under this section

(f) Prohibits the office from awarding more than \$10 million in grants under this subchapter in a single state fiscal biennium.

Sec. 489.356. FUNDING. (a) Requires the office to award grants as provided by this subchapter from available money and any additional money appropriated for purposes of this subchapter.

(b) Authorizes the office to solicit and receive gifts, grants, and donations from any source to provide additional funding for grants awarded under this subchapter.

Sec. 489.357. TEXAS TECHNOLOGY AND INNOVATION TRUST FUND. (a) Defines "fund."

(b) Provides that the Texas technology and innovation trust fund (fund) is created as a trust fund outside the treasury and is required to be administered by the office.

(c) Provides that the fund consists of:

(1) gifts, grants, and donations to the office received under this subchapter; and

(2) money from any other source designated by the legislature.

(d) Prohibits money in the fund from being spent unless the office certifies to the Comptroller of Public Accounts of the State of Texas that a business entity qualifies for a grant awarded under this subchapter.

(e) Authorizes money in the fund to be used only for a grant awarded under Section 489.355(b) or (c).

SECTION 2. Requires the office to adopt the rules necessary to implement Subchapter G, Chapter 489, Government Code, as added by this Act, as soon as practicable after the effective date of this Act

SECTION 3. (a) Provides that the office, notwithstanding any other section of this Act, in a state fiscal year, is not required to implement a provision found in another section of this Act that is drafted as a mandatory provision imposing a duty on the office to take an action unless money is specifically appropriated to the office for that fiscal year to carry out that duty. Authorizes the office to implement the provision in that fiscal year to the extent other funding is available to the office to do so.

(b) Provides that if, as authorized by Subsection (a) of this section, the office does not implement the mandatory provision in a state fiscal year, the office, in its legislative budget request for the next state fiscal biennium, is required to certify that fact to the Legislative Budget Board and include a written estimate of the costs of implementing the provision in each year of that next state fiscal biennium.

SECTION 4. Effective date: September 1, 2023.