

BILL ANALYSIS

C.S.H.B. 5174
By: Bonnen
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Texas is a strategic leader in research, development, and manufacturing of semiconductors, a position rooted in the state's long history with this crucial sector. Since the early 1950s, public and private partnerships have created an ecosystem for semiconductor innovation in the state. Competition among nations and states for the semiconductor supply chain is at a unique crossroads, but with deepening collaboration and increased investments, Texas has the potential to lead on this critical national defense and technological issue.

C.S.H.B. 5174 will help ensure that Texas remains competitive in this space by assembling a consortium of experts to make a strategic long-term plan for research, design, and manufacturing of semiconductors and creating the Texas Semiconductor Innovation Fund, to which future legislatures can appropriate state revenues to further the goals established by the consortium. This will provide state entities and public institutions of higher education with matching funds to bring additional opportunities, including those under the federal CHIPS and Science Act. It will also provide funding to attract further economic development in semiconductor design and manufacturing.

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

ANALYSIS

C.S.H.B. 5174 amends the Government Code to establish the Texas Semiconductor Innovation Consortium as an advisory panel to the governor and the legislature. The bill establishes that the consortium is administratively attached to the office of the governor and requires the office to provide the staff and facilities necessary to assist the consortium in performing its duties.

C.S.H.B. 5174 establishes the following purposes of the consortium:

- leverage the expertise and capacity of public institutions of higher education, industry, and nonprofit stakeholders to develop a comprehensive strategic plan to ensure ongoing semiconductor innovation;
- sustain the state's leadership in advanced semiconductor research, design, and manufacturing;
- attract public and private investment in Texas related to research, development, commercialization, and manufacturing of semiconductors;

- identify and expand opportunities for workforce training and development related to the research, design, and manufacturing of semiconductors; and
- establish a forum for public and private stakeholders across the semiconductor manufacturing industry in Texas to focus on education, research and development, and commercial production.

C.S.H.B. 5174 establishes the composition of the consortium. The consortium is composed of designees each appointed by the office of the president of specified public institutions of higher education in Texas and any other entity or individual that the executive committee of the consortium considers necessary. In making such appointments, priority must be given to individuals with experience in semiconductor design and manufacturing. The specified institutions are:

- The University of Texas at Arlington;
- The University of Texas at Austin;
- The University of Texas at Dallas;
- The University of Texas at El Paso;
- The University of Texas Rio Grande Valley;
- The University of Texas at San Antonio;
- Texas A&M University;
- Prairie View A&M University;
- the University of Houston;
- the University of North Texas;
- Texas Tech University;
- Texas State University;
- Lamar University;
- Lamar State College – Orange;
- Lamar State College – Port Arthur;
- Lamar Institute of Technology;
- Austin Community College; and
- Dallas Community College.

C.S.H.B. 5174 establishes an executive committee to govern the consortium. The committee is composed of the following members:

- three members appointed by the governor;
- two members appointed by the lieutenant governor;
- two members appointed by the speaker of the house of representatives;
- the chancellor of The Texas A&M University System or their designee; and
- the chancellor of The University of Texas System or their designee.

In making the appointments to the executive committee, priority must be given to individuals with experience in manufacturing, design, industrial development, academic research, and scientific research in the field of semiconductors. Moreover, the governor, lieutenant governor, and speaker must coordinate to ensure that at least two representatives from the commercial semiconductor design and manufacturing sectors with an established presence in Texas are appointed to the executive committee.

C.S.H.B. 5174 establishes the general duties of the executive committee. The committee must:

- develop and execute a comprehensive statewide strategic plan to further the objectives of the consortium;
- solicit recommendations from consortium members on funding and research opportunities related to semiconductor research, design, commercialization, and manufacturing;
- appoint an executive director of the consortium and determine the title, functions, duties, powers, and salary for the executive director; and
- prepare and submit the biennial report required under the bill's provisions.

The bill authorizes the consortium's executive director to enter into agreements with the office of the governor for staff support services to facilitate the work of the consortium.

C.S.H.B. 5174 requires the executive committee, not later than December 1 of each even-numbered year, to prepare and submit to the governor and the Legislative Budget Board (LBB) a written report that outlines the following:

- activities undertaken to meet the consortium's purpose;
- a summary of funding and research opportunities identified by the executive committee under the bill's provisions;
- legislative recommendations to further the consortium's purposes;
- prospective grants or funding the consortium members expect to apply for or receive; and
- research accomplishments associated with the consortium.

C.S.H.B. 5174 creates the Texas Semiconductor Innovation Fund as a dedicated account within the general revenue fund, consisting of gifts, grants, or donations to the fund and money from any other source designated by the legislature. The bill authorizes money in the fund to be used for the following purposes:

- providing matching funding to state entities, including public institutions of higher education for semiconductor manufacturing and design projects;
- awarding grants to business entities with an established presence in Texas to encourage economic development related to semiconductor manufacturing and design; and
- paying for staff support services to facilitate the consortium's work.

The bill requires the consortium to request approval from the LBB to use money in the fund for payments for staff support services. Such a request is considered approved on the 30th day after receipt by the LBB unless expressly disapproved.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 5174 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 omits the following provisions from the introduced:

- a provision specifying that money in the Texas Semiconductor Innovation Fund is utilized at the discretion of the legislature; and
- a requirement for the comptroller to return all unexpended balances in the fund to general revenue on October 1 of each even numbered year unless authorization is granted by the LBB to maintain the unexpended fund balance.

Whereas the introduced authorized the executive committee to appoint any entity or individual to the consortium that the committee deems beneficial, the substitute authorizes the committee to appoint any entity or individual that the committee considers necessary.

Both versions establish that the consortium is administratively attached to the office of the governor, but the substitute omits the specification in the introduced that such attachment is for the purpose of receiving and administering appropriations and other funds.

The substitute defines "institution of higher education" by reference to its definition in the Education Code, thereby limiting the application of bill provisions that reference such institutions to only public institutions of higher education, whereas the introduced did not include a definition for this term.