

## **BILL ANALYSIS**

Senate Research Center  
89R2823 LRM-D

H.B. 346  
By: Harris Davila et al. (King)  
Economic Development  
5/20/2025  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

New business owners oftentimes must pay different fees in order to officially register their business with the state, with the fees ranging in price and quickly adding up to sizeable sums. For a new business, this registration process can be burdensome and take resources away from start-up operations. These expenses can be a barrier of entry, especially for small businesses with limited capital. Considering Texas' positive reputation as a business-friendly state, entrepreneurship should not be hindered by unnecessary regulations and fees. H.B. 346 seeks to address this issue by authorizing the secretary of state to work with state and local governmental entities to minimize fees related to licensing and regulation of businesses in their first year of operation.

H.B. 346 amends current law relating to support for new businesses.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 405, Government Code, by adding Section 405.025, as follows:

Sec. 405.025. ELIMINATION OF FIRST YEAR BUSINESS ENTITY FEES. Requires the secretary of state, in coordination with appropriate state and local governmental entities, to work to eliminate all fees relating to licensing and registration required to be paid by a business entity in the entity's first year of business, to the extent authorized by law.

SECTION 2. Amends Subchapter E, Chapter 481, Government Code, by adding Section 481.081, as follows:

Sec. 481.081. SUPPORT FOR NEW BUSINESS ORGANIZATIONS. Requires the Texas Economic Development and Tourism Office (office), to the extent possible, to encourage the appropriate state entities to allocate at least five percent of funding budgeted for economic development programs, including community development block grants, to support businesses that were established within the previous five years and have a principal place of business in this state.

SECTION 3. Amends Subchapter B, Chapter 2155, Government Code, by adding Section 2155.0735, as follows:

Sec. 2155.0735. PARTICIPATION BY NEW BUSINESSES IN STATE PURCHASING. (a) Defines "new business."

(b) Requires the Comptroller of Public Accounts of the State of Texas (comptroller) to make reasonable efforts to increase the number of contracts for

the purchase of goods or services awarded by state agencies to new businesses to at least five percent of awarded contracts in a state fiscal year.

SECTION 4. Amends Subchapter B, Chapter 2155, Government Code, by adding Section 2155.092, as follows:

Sec. 2155.092. REPORTING CONTRACTS WITH NEW BUSINESS. (a) Defines "new business."

(b) Requires the comptroller, not later than September 1 of each year, to file a report with the legislature that identifies certain information.

(c) Requires the comptroller, as part of the report required by Subsection (b) that is required to be filed before September 1, 2026, in conjunction with the office, to make recommendations to improve access by new businesses to state contracting, including new businesses owned by statistically underrepresented demographic groups and in statistically underrepresented geographic areas of the state. Provides that this subsection expires January 1, 2027.

SECTION 5. Amends Subchapter D, Chapter 301, Labor Code, by adding Section 301.0701, as follows:

Sec. 301.0701. ANNUAL REPORT ON ECONOMIC DEVELOPMENT. Requires the Texas Workforce Commission (TWC), not later than September 1 each year, to submit a report to the legislature on economic development in this state. Requires that the report include:

(1) the proportion of economic development funding, including community development block grants, that supports certain programs; and

(2) the total amount of economic development funding provided to programs described by Subdivision (1).

SECTION 6. Amends Subchapter A, Chapter 302, Labor Code, by adding Section 302.0021, as follows:

Sec. 302.0021. ANNUAL WORKFORCE DEVELOPMENT FUNDING REPORT. Requires TWC, not later than September 1 of each year, to prepare and submit to the legislature a report on workforce development funding. Requires that the report include information on the total amount of funding allocated by the TWC workforce development division and any local workforce development boards, and the percentage of all workforce development funding that total represents, to support organizations, services, and programs for individuals starting a new business and businesses established in the preceding five years whose primary place of business is in this state.

SECTION 7. Amends Subchapter D, Chapter 302, Labor Code, by adding Section 302.0615, as follows:

Sec. 302.0615. ALLOCATION OF FUNDS TO SUPPORT NEW BUSINESSES. Requires TWC, unless superseded by federal law and notwithstanding any other provision of this subchapter or other law, to make reasonable efforts to ensure that at least five percent of workforce development funds allocated by TWC in a state fiscal year, including any funds distributed by local workforce development boards, are used to support programs or organizations that provide support to persons establishing a business in this state or businesses that have been in operation for less than five years and have their principal place of business in this state.

SECTION 8. Requires the comptroller, not later than September 1, 2026, to prepare and submit the first annual report required by Section 2155.092, Government Code, as added by this Act.

SECTION 9. Requires TWC, not later than September 1, 2026, to prepare and submit the first annual report required by Sections 301.0701 and 302.0021, Labor Code, as added by this Act.

SECTION 10. Effective date: September 1, 2025.