

BILL ANALYSIS

H.B. 346
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State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that 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. The bill author has further informed the committee that these expenses can be a barrier of entry, especially for small businesses with limited capital, and that given the reputation Texas has for being a business-friendly state, entrepreneurship should not be hindered by unnecessary regulations and fees. H.B. 346 seeks to address this issue by requiring the secretary of state to work with state and local governmental entities to eliminate fees related to licensing and regulation of businesses in their first year of operation.

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

H.B. 346 amends the Government Code to require 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. The bill requires the Texas Economic Development and Tourism Office (TEDTO), 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 Texas.

H.B. 346 requires the comptroller of public accounts 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. The bill requires the comptroller, not later than September 1 of each year, to file a report with the legislature that identifies the following information concerning state contracts awarded to new businesses during the previous year:

- the number of such contracts awarded;
- the dollar value of all such contracts;
- the number of such contracts awarded to new businesses that qualify as a historically underutilized business, as defined by applicable state law;

- the geographic area of Texas, including the city and county, where each applicable business is located;
- the percentage of all such contracts; and
- the percentage of the total dollar value of all such contracts.

The bill requires the comptroller to prepare and submit the first annual report not later than September 1, 2026. In a provision expiring January 1, 2027, the bill requires the comptroller, in conjunction with TEDTO and as part of that first report, 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 Texas. The bill defines "new business" for purposes of these provisions as a business in operation for less than five years with its principal place of business in Texas.

H.B. 346 amends the Labor Code to require the Texas Workforce Commission (TWC), not later than September 1 each year, to submit a report to the legislature on economic development in Texas. The report must include the following information:

- the proportion of economic development funding, including community development block grants, that supports programs for an individual who started a new business within the preceding five years or organizations that provide services to such individuals; and
- the total amount of economic development funding provided to those programs.

The bill also requires TWC, not later than September 1 of each year, to prepare and submit to the legislature a report on workforce development funding. This report must include information on the total amount of funding allocated by TWC's division of workforce development 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 for businesses established in the preceding five years whose primary place of business is in Texas. The bill requires TWC to submit the first economic development report and the first workforce development funding report not later than September 1, 2026.

H.B. 346 requires TWC, unless superseded by federal 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 Texas or to businesses that have been in operation for less than five years and have their principal place of business in Texas.

EFFECTIVE DATE

September 1, 2025.