

BILL ANALYSIS

Senate Research Center
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S.B. 209
By: West
Economic Development
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1982, Congress created the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs to provide early-stage technology funding for small businesses. The overall goal of the program is to meet research and development needs while stimulating technological innovation in the private sector. The federal government, through eleven participating agencies, awards over \$453.2 billion in grants each year.

There are two types of grants a business can receive under the SBIR and STTR programs: Phase I grants and Phase II grants. Phase I grants are available for businesses focusing on the feasibility, technical merit, and commercial potential of their research project, while Phase II grants are available for businesses continuing the research and development efforts that were initiated in Phase I.

In 2022, 407 Texas businesses received a total of \$241,674,349 SBIR and STTR funding.

Twenty-two states have created programs to match funds for SBIR and STTR awardees. Additionally, 22 States have created Phase 0 awards programs that assist new applicants in their pursuit of Phase I federal SBIR and STTR awards. Texas has no such program.

The Perryman Group authored a report that detailed the economic and fiscal impact that Pegasus Park, which is a biotechnology park in Dallas with more than 20 biotech companies, has had in Texas. The report concluded biotech research parks lead to a substantial economic stimulus for the state. Not only has Pegasus Park played a role in moving toward a healthier population, but it also generated \$2.2 billion in annual gross product and created 17,640 jobs in Texas. Additionally, life science industries throughout the state have contributed \$41.4 billion in gross product and about 319,150 jobs in Texas.

Texas is home to a number of biotech research parks: Pegasus Park in Dallas, STAR Park at Texas State University, Helix Park Labs in Houston, Generation Park in Houston, and a new federal Advanced Research Projects Agency for Health (ARPA-H) hub in San Antonio.

S.B. 209 would create both a matching fund for Texas businesses that receive SBIR and STTR grants and a Phase 0 grant for Texas businesses that are applying for SBIR and STTR grants. A business may apply for a matching grant when it has already received federal funding. Additionally, a business may apply for a Phase 0 grant when it has submitted an application for a federal Phase I grant.

These additional grants would only extend to businesses that are connected to Texas by either being organized under Texas law, maintaining at least one manufacturing facility in Texas, or having more than half of the entity's employees residing in Texas. Additionally, the businesses would have to meet all requirements to receive funding under the federal program.

The funding for the grants would be provided from available money and any additional money appropriated for the program. Additional gifts, grants, and donations may be solicited to provide additional funding for grants.

As proposed, S.B. 209 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 small business innovation research and small business technology transfer programs established by 15 U.S.C. Section 638 (federal funding program).

Sec. 489.353. ELIGIBILITY. Requires a business entity, to be eligible to receive money under the program, to meet at least one of certain conditions, 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 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 certain information.

(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, certain materials; and
- (3) for "phase two" or a similar stage of the federal funding program process, certain materials.

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 one grant in each state fiscal year and five grants in each phase under this section.

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.

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

SECTION 3. (a) Provides that, notwithstanding any other section of this Act, in a state fiscal year, the office 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) Requires the office, in its legislative budget request for the next state fiscal biennium, if, as authorized by Subsection (a) of this section, the office does not implement the mandatory provision in a state fiscal year, 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, 2025.