

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 20, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB346 by Harris Davila (Relating to support for new businesses.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB346, As Engrossed: a negative impact of (\$240,000,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

Fiscal Analysis

The bill would amend the Government Code 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 would direct the Texas Economic Development and Tourism Office to encourage appropriate state entities to allocate at least five percent of funding budgeted for economic development programs, including community development block grants, to support “new businesses,” defined in the bill as a business in operation for less than five years with its principal place of business in Texas. The bill would require the 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.

The bill would amend the Labor Code to direct the Texas Workforce Commission to make reasonable efforts to ensure at least five percent of workforce development funds each fiscal year are distributed to new businesses.

The bill would require the Comptroller and the Texas Workforce Commission to file annual reports with the

Legislature regarding the programs in the bill.

The bill would take effect September 1, 2025.

Methodology

According to the Comptroller of Public Accounts, registering a company in Texas currently costs between \$300 and \$750. There are approximately 400,000 new companies who register in Texas each year. The majority of new companies registered each year are limited liability companies.

Based on the analysis of the Comptroller of Public Accounts, there would be an estimated revenue loss to the General Revenue Fund of \$120,000,000 per fiscal year, assuming each company is paying \$300 for the certificates of formation issued by the Secretary of State, and that other fees for licensing and registration levied by other state agencies are not affected by this bill. The estimated revenue decline could be significantly higher if the bill was interpreted to eliminate fees for licensing or registration imposed or collected by other state agencies on any new business entity during its first year of existence.

It is assumed that any costs associated with the bill could be absorbed using existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 300 Trusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 307 Secretary of State, 320 Texas Workforce Commission

LBB Staff: JMc, RStu, WP, GDZ, JBel, BRI