

- SUBJECT:** Creating the Texas Entrepreneurship Network
- COMMITTEE:** Economic Development — committee substitute recommended
- VOTE:** 5 ayes — B. Cook, Anchia, Deshotel, McCall, Seaman
0 nays
2 absent — Ritter, Kolkhorst
- WITNESSES:** For — Don Baylor, Center for Public Policy Priorities; Ron Kessler, Matthew Willson; (*Registered, but did not testify:* Claudia Connor, ACCION, Texas; Lance Lively, Will Newton, NFIB Texas; Pike Powers, Texas Technology Initiative; Carlton Schwab, Texas Economic Development Council)

Against — None

On — Charles Stone, Office of Rural Community Affairs; Robert Wood, Texas Department of Agriculture
- BACKGROUND:** The Texas Center for Rural Entrepreneurship (TCRE) is a non-profit organization created by rural entrepreneurs, economic development leaders, non-profit organizations, and local, state, and federal government entities to facilitate the delivery of educational and technical support for rural entrepreneurs.

The primary purpose of the TCRE, which was established in October, 2003, is to stimulate and support private and public entrepreneurship development in communities throughout rural Texas. TCRE does not operate any programs but serves as a neutral conduit for the exchange of intellectual capital to lead to expanded entrepreneurship in rural Texas.
- DIGEST:** CSHB 1747 would establish the Texas Entrepreneurship Network (TEN) to develop and diversify the state economy through:
- the provision of programs and services to facilitate the growth and success of entrepreneurs; and

- the statewide, results-driven collaboration of public and private entities to create jobs and energize sustainable local economies through the development of entrepreneurs in Texas.

The TCRE would operate the network under an agreement with the Texas Department of Agriculture (TDA) and would have to comply with all reasonable and customary oversight measures required by TDA.

The founding members of the TEN would be the:

- TDA;
- Texas Cooperative Extension of The Texas A&M University System;
- IC2 Institute at The University of Texas at Austin;
- College of Agricultural Sciences and Natural Resources at Texas Tech University;
- Texas Workforce Commission (TWC);
- Office of Rural and Community Affairs (ORCA);
- TCRE; and
- Texas Economic Development Council.

An institution of higher education, chamber of commerce, economic development corporation, business, or organization with an interest in promoting entrepreneurship could join the network.

TCRE would have to establish an advisory board to guide and advise TEN operations. It would consist of one representative from each of the founding members of the network and at least one member from the private sector. An organization other than a founding member of the TEN could have a representative on the advisory board if authorized by a two-thirds majority of the existing board. The initial advisory board would have to adopt provisions governing board member terms and other provisions necessary to administer the board. Board members would serve without compensation but would be entitled to reasonable expenses incurred in traveling to meetings related to the TEN.

The TEN would have to train and refocus existing state and local resources to build a more prosperous, dynamic, and sustainable economy throughout this state by:

- providing coordinated training and services that enhance the value of the state's existing infrastructure investments and making the investments available to entrepreneur participants;
- developing a statewide network of entrepreneurship developers and centers;
- developing a comprehensive network of knowledge, leadership, and financial capital resources accessible through the network's entrepreneurship developers and centers;
- educating entrepreneur participants and generating awareness of the TEN and its programs;
- identifying the most promising ventures through activities, including business-plan competitions, and assisting the ventures' potential for job and wealth creation;
- developing evaluation methods to measure the effectiveness of the TEN and the impact of entrepreneurship on local and regional economies;
- developing best practices for successful entrepreneurship and applied research regarding critical success factors for entrepreneurial businesses to provide a strategic competitive advantage in this state; and
- collaborating with existing local, state, and federal agencies and economic development professionals to use the strengths and assets of the agencies and professionals.

The TEN would have to work locally, regionally, and statewide with educators, agencies, organizations, networks, businesses, economic developers, consultants, communities, researchers, and others to develop and support strategies to assist entrepreneur participants and improve the environment for entrepreneurial development in Texas.

The TEN would have to develop a statewide association of local individuals who were entrepreneurship developers trained to analyze, evaluate, and develop business plans and help local entrepreneur participants start, grow, or develop their businesses. The TEN could establish local entrepreneurship centers in every county practicable, at which an entrepreneur participant could access programs, necessary support, and online resources provided and developed by the TEN. In establishing the entrepreneurship centers, the TEN would have to use existing infrastructure, public and private organizations, and other resources, including chambers of commerce, universities and community

colleges, county extension offices, TWC offices, and local business offices.

The TEN would have to adopt requirements for entrepreneurship centers. Organizations would have to meet these requirements before hosting an entrepreneurship center. A group of individuals who had services, resources, or expertise to offer entrepreneur participants could agree to provide services through the TEN as an entrepreneurship force.

The TEN could develop programs for:

- business plan development, competitive enhancement, and management skills development;
- entrepreneurship best practices training; entrepreneurship education in primary and secondary schools and community colleges;
- expanding entrepreneurship in workforce development programs;
- accessing sources of start-up and growth capital;
- training and assisting entrepreneurship agents who facilitate and assist entrepreneurial efforts; and
- community readiness preparation and evaluation and community planning.

The TEN also could develop methods for helping entrepreneur participants access other loan, guarantee and grant programs, necessary policies and regulations, and collaborations with other entities.

The bill would establish the Texas Entrepreneurship Network Fund as an account in the general revenue fund, which TDA would administer. The fund would consist of any amounts appropriated by the Legislature and gifts, grants, and other donations received for the fund. The TEN could solicit and accept gifts and grants for the fund from public and private universities and other entities.

Legislative appropriations would have to be used for programs related to local entrepreneurship centers, training, and entrepreneurship developers; curriculum development, infrastructure, data management, and research; technology and economic development research centers of excellence; overhead expenses; and other activities necessary to accomplish the network's mission.

The bill would take effect September 1, 2005.

**SUPPORTERS
SAY:**

CSHB 1747 would create a public/private collaboration to encourage entrepreneurship, which particularly would benefit rural and inner city entrepreneurs. The creation of new businesses is one of the largest sources of new jobs in our state and the greatest hope for the regeneration of rural and inner-city Texas. The bill would build on existing infrastructure to provide training and networking for entrepreneurs throughout the state.

The purpose of the network is to bring together and unify existing agencies that provide support for entrepreneurs so that they more effectively could harness the entrepreneurial energy that is the foundation of our state. The bill would facilitate the transfer of university research to private enterprise, particularly for the benefit of rural Texas.

Although there are a number of agencies throughout the state that provide assistance to entrepreneurs, there is a continuing need for a well funded, statewide coalition that brings these groups together as part of one, unified effort. The bill would not duplicate these other efforts, but rather would build on them to maximize opportunities for Texas entrepreneurs.

The bill would fund a staff person at TDA to administer funding for the program, which would flow through TDA to TCRE. The program would be funded by an appropriation of \$15.2 million, which currently is included as a contingency rider in Article 11 of the general appropriations act.

**OPPONENTS
SAY:**

CSHB 1747 is unnecessary because there are many other similar programs throughout the state, such as federally funded Small Business Development Centers. The state should not use scarce resources to fund a program that addresses a need already being met by other programs.

NOTES:

The committee substitute transferred oversight of the network from ORCA to TDA and made other non-substantive revisions.

The companion bill, SB 1711 by Staples, currently is pending in the Senate Emerging Technologies and Economic Development Committee.

The fiscal note projects a cost to the state of about \$203,000 for fiscal 2006-07 to cover the cost of an additional staff person at TDA and other administrative expenses.