

SUBJECT: Requiring small business consideration for Texas Enterprise Fund grants

COMMITTEE: Technology, Economic Development, and Workforce — committee substitute recommended

VOTE: 8 ayes — Strama, Parker, F. Brown, Button, Eissler, Gattis, Harless, Rodriguez

0 nays

1 absent — Ritter

WITNESSES: For — Lance Lively, National Federation of Independent Business (NFIB) Texas; (*Registered, but did not testify:* Cathy DeWitt, Texas Association of Business)

Against — None

BACKGROUND: Government Code, sec. 481.078 establishes the Texas Enterprise Fund, which provides grants for economic, infrastructure, and community development, job training programs, and business incentives. The governor administers the fund on behalf of the state and must have the approval of the lieutenant governor and the House speaker before awarding grants.

DIGEST: CSHB 394 would require the governor, when awarding grants from the Texas Enterprise Fund, to consider existing small businesses within the state that would use the funds to create additional jobs or small businesses from outside the state that commit to relocate to Texas. The bill would define a small business as a for-profit legal entity, including a corporation, partnership, or sole proprietorship, independently owned and operated with less than 100 employees.

The bill would take effect September 1, 2009.

SUPPORTERS SAY: By requiring the governor specifically to consider small businesses when making grants from the Texas Enterprise Fund, CSHB 394 would send an appropriate message about the critical role that small businesses play in our state's economic development. Small businesses are the backbone of

the Texas economy. As defined by the federal Small Business Administration, 98 percent of all businesses in the state are small businesses. Nationwide, small businesses have generated over 60 percent of net new jobs annually over the last decade.

While the Texas Enterprise Fund has been successful in expanding business and jobs and increasing capital investment within the state, its grants typically have benefited larger businesses. Small businesses have the potential to be eligible for Texas Enterprise Fund grants, but often are overlooked in favor of larger businesses. Given their importance to the economic health and growth of small and rural communities, small businesses should receive special consideration when these economic incentives are awarded.

**OPPONENTS
SAY:**

Previous versions of this bill would have dedicated the award of a specific portion of Texas Enterprise Fund grants to small businesses and allowed the grants to be used to create small businesses. CSHB 394 only would require the governor to consider making grants to existing small businesses, without any specific goals or set asides.

NOTES:

The original version of the bill would have directed that Texas Enterprise Fund grants be used for the creation of new small businesses. The committee substitute instead would stipulate that grants be used by existing businesses to create additional jobs.

The Senate companion bill, SB 355 by Van de Putte, has been referred to the Senate Economic Development Committee. During its 2007 regular session the 80th Legislature considered a similar bill, SB 637 by Van de Putte, which passed the Senate and was reported favorably by the House Economic Development Committee, but died on the General State Calendar at the end of the session when the House did not consider it.