

- SUBJECT:** Creating research technology corporations
- COMMITTEE:** Technology — Committee substitute recommended
- VOTE:** 5 ayes — Elkins, Button, Fallon, Gonzales, Reynolds  
0 nays
- WITNESSES:** For — (*Registered, but did not testify:* Jim Grace, Centerpoint Energy; Carlton Schwab, Texas Economic Development Council)  
  
Against — None
- DIGEST:** HB 2780 would allow institutions of higher education to create a special-purpose corporation, which would be known as a research technology corporation, for the exclusive purpose of supporting development and commercialization of technologies owned wholly or partly by the institution. These corporations would generally be governed by Business Organizations Code, ch. 21.
- Tax exempt status of research technology corporations.** HB 2780 would exempt the research technology corporations from franchise and property taxes. They would be eligible for any other tax credit available to a corporation, including the Tax Increment Financing Act and the Economic Development Act.
- Management.** Under HB 2780, the initial board of directors of a research technology corporation would be appointed by the founding university. Subsequent directors would be appointed.
- The creating university would be a shareholder in the corporation at all times. The creating university would be issued stock in the corporation at its creation in exchange for the university's contribution. The university could be issued stock in exchange for the contribution of rights in technology created or owned by the university.
- Technology licensing.** A research technology corporation would be allowed to make a licensing agreement with its founding university for any technology owned by the university.

**Duration.** A research technology corporation created under HB 2780 would have a maximum existence of 15 years. At that time, the corporation could reform as a for-profit corporation governed under Business Organizations Code, ch. 21. The bill would not limit the time or manner in which the corporation may be terminated as otherwise allowed.

**Limits on the research technology corporation.** A research technology corporation created that engaged in other purposes outside of those stated by HB 2780 would not be allowed to benefit from any of the incentives offered, including the tax exemptions.

*Required operation in Texas.* The principal offices of the corporation would be located in Texas and majority of goods and services produced by the corporation would be produced here.

*Sanctions for relocation.* If a research technology corporation relocated its operations or failed to produce more than half of its goods or services in Texas, the corporation would be liable for a penalty equal to any taxes for which it received an exemption under the bill for the five calendar years preceding the year of relocation. The comptroller would assess and collect the penalty.

**Research and development Authority.** HB 2780 would allow a founding university to create a research and development authority to act on behalf of the university to support the corporation.

The authority would be able to own and operate real property and facilities. The corporation would be able to transfer real property, facilities, or other assets to the authority for consideration, including:

- in exchange for a license, right, or other interest in any technology of the founding university;
- a charge against the founding university's share of any anticipated future earnings or increase in capital; or
- other consideration, including a contribution of research or other services to the corporation.

The corporation would be allowed to conduct activities on the founding university's property via lease or other agreement.

The property and facilities of the authority, including those used by the

corporation, would be considered to be used for educational and charitable purposes and would be exempt from ad valorem taxation.

**Effective Date.** The act would take effect on September 1, 2013.

**SUPPORTERS  
SAY:**

HB 2780 would allow universities to charter and anchor research technology corporations that would develop, manufacture, and market technology innovations. By doing so, the bill would help reverse the trend of tech startups leaving Texas for other venues. Recently, Texas has fallen several rungs to 8th place in terms of venture capital funding for start-ups. Even though Texas has a friendly business climate from low taxes and sensible regulation, too many startups are moving out of Texas.

These corporations would stimulate both the state's high-tech and manufacturing sectors. This added activity could create jobs and further tax revenue. Additionally, these corporations could add to venture capital investing, spin off companies, and improve our universities' recruitment of top researchers.

Not only would these corporations be started by seed technology from Texas institutions of higher education, they would be anchored in Texas through franchise and property tax exemptions that would last up to 15 years. Further, if they did leave, the bill would "clawback" the last five years of tax exemptions.

The purpose of HB 2780 would be to further the development and commercialization of technology by public and private institutions of higher education. The bill would further these critical components of the educational and research missions of higher education institutions. The research technology corporations that HB 2780 would create would be key contributors to the economic development and well-being of Texas.

The bill would help universities gain a higher return on student and taxpayer financed faculty research time because it would improve the commercialization of the fruits of faculty research.

It is appropriate to require the research and development corporations to both locate and produce at least half of their goods and services in Texas because they would benefit from tax exemptions and would be commercializing technologies that were created by institutions funded by state tax dollars and tuition from Texan students. Part of the bill's purpose

is to attract high-tech manufacturing to Texas. HB 2780 incentivizes them to locate here. Further, the bill would attract venture capitalists because they like to be located next to their projects. Texas gains much more with the location requirements than it would without them.

OPPONENTS  
SAY:

While higher education research leading to important discoveries should be encouraged, productivity in this area is lacking at Texas universities. On a number of Texas campuses, the income from patents does not even cover the costs of running centers for technology development and transfer. Before encouraging further technology commercialization, the bill should require universities to develop measures to evaluate the return on student- and taxpayer-financed faculty time spent on research.

OTHER  
OPPONENTS  
SAY:

HB 2780 should not require that more than half of the corporation's goods and services be created in Texas because research technology corporations need the flexibility to find and use capable contractors. All too often in the high-tech world there are a limited number of facilities that can fabricate or manufacture a very new, specific technology. Often these facilities are not in Texas. It may prove unfeasible to replicate them in Texas, meaning a university could not avail itself of the benefits of a research technology corporation.

Additionally, some very high end manufacturing facilities in Texas are prevented by a federal grant or other restriction from manufacturing goods for commercial purposes. A research technology corporation might not be able to contract with them.