

- SUBJECT:** Adjusting requirements for Emerging Technology Fund
- COMMITTEE:** Economic and Small Business Development — favorable, without amendment
- VOTE:** 7 ayes — J. Davis, Vo, Bell, Y. Davis, Murphy, Rodriguez, Workman
0 nays
2 absent — Isaac, Perez
- WITNESSES:** For — (*Registered, but did not testify*: Carlton Schwab, Texas Economic Development Council)
Against — None
- BACKGROUND:** HB 2457 by J. Davis, enacted in 2011 by the 82nd Legislature, amended the requirements for the governor’s annual report on the Emerging Technology Fund. The bill amended Government Code, sec. 490.005(b) to require the report to contain the total number of jobs created by each project receiving funding and an analysis of the number of jobs created by each project receiving funding.

HB 2457 also amended Government Code, sec. 490.056 to require that each principal of an entity recommended for an award from the fund submit to criminal history background checks.

Government Code, sec. 490.057 requires the confidential handling of sensitive information, such as marketing plans or trade secrets, collected by the fund’s advisory committee on entities being considered for, receiving, or having received an award.
- DIGEST:** HB 468 would require the governor’s annual report on the Emerging Technology Fund to include the total number of jobs created by all of the funded projects rather than the number of jobs created by each individual project. The analysis in the report also would focus on the total number of jobs created by all of the funded projects.

The bill would limit the requirement for background checks to the

principals of entities recommended for an award from money set aside to incentivize collaboration on commercialization projects between companies and universities located in the state. These background checks would remain in effect for five years, regardless of how many funding applications these entities made during that period.

The confidentiality protections on sensitive information provided by entities would be expanded to include entities that applied for funding but were not considered for an award.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

HB 468 would make small, necessary adjustments to the law governing the Emerging Technology Fund based on feedback about difficulties in implementing some of its provisions.

Current law, by requiring each start-up company receiving awards to reveal the number of jobs it has created, inadvertently gives crucial information about the company to its direct competitors. This allows competitors to gain the advantage of knowing whether the company is shrinking or growing and to monitor and track its progress. Providing this information risks harming the return to taxpayers on funds awarded. HB 468 would modify this requirement to make public overall numbers on job creation without specifying how many were created by any single company.

HB 2457 was enacted after the fund had entered into contracts with 133 companies. These contracts did not require companies to disclose their job numbers. HB 468 would correct this problem by requiring the aggregate number of jobs created across all projects to be reported publicly.

Expensive background checks are currently required whenever funds are awarded. HB 468 appropriately would apply this requirement only to commercialization incentive awards, which involve start-up companies that may previously have been unknown players. In addition, because these companies pair with institutions of higher learning, certain university personnel, such as university presidents, are required under current law to undergo repeated background checks, which is burdensome to the people involved and costly to the state. The bill would solve this problem by allowing a single background check to remain effective for five years, regardless of how many times a business and its university counterpart

applied for funding.

The fund currently ensures the confidentiality of certain information, such as trade secrets, for businesses being considered for or receiving funds. However, a loophole exists in that businesses that have applied but have not been considered for funding do not enjoy such protection. HB 468 would protect the sensitive information of businesses that have merely applied for an Emerging Technology Fund award.

**OPPONENTS
SAY:**

HB 468 would make the Emerging Technology Fund less transparent by no longer requiring the reporting of annual job numbers for each project, which currently assists stakeholders in monitoring the fund's performance. Lawmakers who supported the creation of the fund have a special obligation to ensure that it works and that the public sees that it works. Taxpayers have invested about \$200 million in Emerging Technology Fund companies and have a right to see what they are getting in return, including job numbers. Companies that do not want to disclose their job numbers to taxpayers should not accept taxpayer money.