

SUBJECT: Requiring purchasers of TEF grant recipients to abide by grant terms

COMMITTEE: Technology, Economic Development and Workforce — favorable, without amendment

VOTE: 8 ayes — Strama, Parker, F. Brown, Button, Eissler, Gattis, Harless, Rodriguez
0 nays
1 absent — Ritter

WITNESSES: For — (*Registered, but did not testify*, Don Baylor, Center for Public Policy Priorities)
Against — None

BACKGROUND: The Texas Enterprise Fund (TEF) is an incentive program designed to attract new businesses to the state and to assist in the expansion of existing businesses. The money from the TEF may be used only for economic development, infrastructure development, job training, and business incentives. Grant recipients must demonstrate a significant return on the state's investment, and projects must meet performance targets, including job creation and wage goals, capital investment goals, and public and private sector financial support.

DIGEST: HB 3103 would require companies purchasing TEF grant recipients to abide by the provisions in the original company's TEF grant agreement. TEF grant agreements would have to include a clause stating that purchasing companies would be required to comply with the terms of the TEF grant received by the selling company. The bill would also require purchasing companies to report a change in ownership to the governor.

The bill would take effect September 1, 2009. The provisions in the bill would apply to contracts that began after the effective date.

SUPPORTERS SAY: HB 3103 would ensure TEF grant provisions were upheld when a TEF grant recipient was purchased by another company. Change of control provisions like those referenced in the bill are important for stability and

normal business operation during a transfer of ownership. Such provisions are commonplace, and are already a standard part of TEF agreements; HB 3103 simply would codify this standard practice.

HB 3103 would prevent companies that have received taxpayer money from shirking obligations to the state. Many companies receive grants through TEF by promising to create a certain number of jobs. For example, Countrywide entered into one of the largest job creation agreements with the state through the TEF in 2004. They received a \$20 million grant in exchange for creating 7,500 new jobs by the end of 2010. HB 3103 would ensure that Bank of America, Countrywide's new owner, would fulfill Countrywide's original job-creation goal.

**OPPONENTS
SAY:**

Change of control provisions already are a standard part of TEF agreements. HB 3103 would make no substantive changes to current practice.