

SUBJECT: Shortening the approval period for grants under the Texas Enterprise Fund

COMMITTEE: Economic and Small Business Development — favorable, without amendment

VOTE: 9 ayes — Button, Johnson, C. Anderson, Faircloth, Isaac, Metcalf, E. Rodriguez, Villalba, Vo

0 nays

WITNESSES: For — (*Registered, but did not testify:* TJ Patterson, City of Fort Worth; Jay Barksdale, Dallas Regional Chamber; Drew Scheberle, Greater Austin Chamber of Commerce; Sarah Matz, TechAmerica; Bill Hammond, Texas Association of Business; Carlton Schwab, Texas Economic Development Council; Max Jones, Greater Houston Partnership)

Against — None

On — (*Registered, but did not testify:* Jose Romano, Office of the Governor)

BACKGROUND: Government Code, sec. 481.078 establishes the Texas Enterprise Fund. The Texas Enterprise Fund is a trustee program within the Office of the Governor that provides grants for economic development, infrastructure and community development, job training programs, and business incentives. The governor is authorized to negotiate grants from the fund on behalf of the state and must have the approval of the lieutenant governor and the House speaker before awarding grants. If the lieutenant governor and House speaker have not approved of the grant after 91 days, the grant is considered disapproved.

DIGEST: HB 1701 would amend Government Code, sec. 481.078(e) to reduce from 91 days to 31 days the amount of time that the lieutenant governor and House speaker were provided to approve a proposal.

The bill would take effect September 1, 2015, and would apply only to a

proposal submitted on or after that date.

**SUPPORTERS
SAY:**

HB 1701 would help create jobs by making Texas more competitive in bidding for economic development projects with other states. When large companies are deciding where to locate, typically they have multiple cities around the world competing for their business. Speeding up the approval process for awarding grants could give Texas an edge over other states.

By the time a company applies for an economic incentive grant, usually it has already completed months of work on the project and negotiated tax breaks and grants from the municipalities where it is trying to install the project. Some corporations will not consider locating in Texas because they prefer not to wait another 90 days on top of this process. Other states have streamlined their grant approval processes, often approving grants the same week and in some cases the same day that the state receives an application. By reducing the approval period from 91 days to 31 days, this bill would make Texas even more competitive in landing these projects.

The Texas Enterprise Fund is meant to be a deal-closing fund, which requires speed and agility. The state has already proved it can speed up the grant approval process up without jeopardizing transparency or thoroughness. When Texas approved a \$40 million grant from the Texas Enterprise Fund for Toyota to consolidate its North American corporate, manufacturing, marketing, and sales operations in Plano, the lieutenant governor and the House speaker approved the deal in a matter of days, showing that Texas would be able to shorten the grant approval period without putting due diligence at risk.

**OPPONENTS
SAY:**

HB 1701 could reduce transparency in the administration of the Texas Enterprise Fund, which gives away sizable portions of taxpayer money to large private corporations. This should not be taken lightly. Reducing the time that the lieutenant governor and House speaker were provided to consider and approve a deal could increase the risk of a questionable deal being accepted in haste. Texas benefits from a large number of highly educated workers, a low cost of living, and low utilities rates. Shortening the approval window the state is not necessary to attract jobs to Texas.