

## **BILL ANALYSIS**

Senate Research Center

H.B. 26  
By: Button et al. (Fraser)  
Natural Resources & Economic Development  
5/15/2015  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Interested parties point out that the emergence of Texas as a leader in job creation is not a coincidence. These parties note that in addition to offering many pro-business policies, Texas offers varied incentive programs to help bring jobs and economic growth to the state. However, the parties believe that more could be done to help further ensure Texas remains a leader in encouraging economic development. H.B. 26 addresses these concerns.

H.B. 26 amends current law relating to state economic development measures, including administration of the Texas Enterprise Fund, creation of the Economic Incentive Oversight Board and the governor's university research initiative, abolishment of the Texas emerging technology fund and certain programs administered by the Texas Economic Development Bank, and renaming the Major Events trust fund to the Major Events Reimbursement Program.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the office of the governor in SECTION 1.01 (Section 481.078, Government Code) and SECTION 5.01 (Chapter 62, Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

#### ARTICLE 1. TRUSTEED PROGRAMS WITHIN OFFICE OF GOVERNOR

SECTION 1.01. Amends Section 481.078, Government Code, by amending Subsections (c), (d-1), (e), (e-1), (f), and (k) and adding Subsections (e-2), (e-3), (m), and (n), as follows:

(c) Provides that the Texas Enterprise Fund (fund), except as provided by Subsections (d) and (d-1), may be used only for:

(1) Creates this subdivision from existing text; and

(2) projects for commercialization of property derived from research developed at or through public or private institutions of higher education as provided by Section 481.081, Government Code.

(d-1) Provides that Subsections (e-2), (f), (f-1), (f-2), (g), (h), (h-1), (i), and (j) and Section 481.080 (Economic and Fiscal Impact Statement for Certain Grant Proposals), Government Code, do not apply to a grant awarded for a purpose specified by this subsection. Deletes a reference to Subsection (e-1).

(e) Makes a nonsubstantive change.

(e-1) Creates this subsection from existing text. Provides that, for purposes of this subsection, an award of money appropriated from the fund is considered disapproved by the lieutenant governor or speaker of the house of representatives if that officer does not approve the proposal to award the grant before the 31st day, rather than 91st day, after the date of receipt of the proposal from the governor.

(e-2) Redesignates existing Subsection (e-1) as Subsection (e-2).

(e-3) Provides that an entity seeking a grant is ineligible to receive the grant if, during the period beginning on the 90th day before the date on which the entity applies for the grant and ending on the date the grant is to be awarded, the entity:

(1) offers, confers, or agrees to confer a benefit, as defined by Section 36.01 (Definitions), Penal Code, with a value that exceeds \$500 in a calendar year on an officer or employee with the authority to award the grant; or

(2) makes political contributions, as defined by Section 251.001 (Definitions), Election Code, that in the aggregate exceed \$500 in a calendar year to an officer or employee with the authority to award the grant.

(f) Requires the governor to enter into a written agreement with the entity to be awarded the grant money before awarding a grant from the fund, rather than a grant under this section. Requires that the agreement, if the entity is awarded a grant for a purpose described by Subsection (c)(1), specify certain criteria set forth.

(k) Requires the governor, to encourage the development and location of small businesses in this state, to make, rather than consider making, grants from the fund to certain recipients set forth in this subsection.

(m) Requires the office of the governor to adopt rules for the operation of the trustee program established under this section. Requires that the rules include certain criteria set forth in this subsection.

(n) Requires a grant recipient that, during the period beginning on the date the grant is awarded and ending on the 180th day after the date the grant is awarded, takes an action described by Subsection (e-3)(1) or (2) to repay the grant to the state.

SECTION 1.02. Amends Section 481.079, Government Code, by amending Subsections (a) and (a-1) and adding Subsection (d), as follows:

(a) Requires the governor, before the beginning of each regular session of the legislature, to submit to the lieutenant governor, the speaker of the house of representatives, and each other member of the legislature a report on grants made under Section 481.078 (Texas Enterprise Fund), Government Code, that includes certain data set forth, categorized by region and qualified census tract.

(a-1) Requires that the report include only the amount and purpose of each grant for grants awarded for a purpose specified by Section 481.078(d-1) (relating to use of the Texas Enterprise Fund) or 481.081.

(d) Defines "qualified census tract" and "region."

SECTION 1.03. Amends Subchapter E, Chapter 481, Government Code, by adding Section 481.081, as follows:

Sec. 481.081. TEXAS ENTERPRISE FUND: GRANT FOR UNIVERSITY RESEARCH DEVELOPMENT WITH PRIVATE SPONSORSHIP. (a) Defines "fund" and "public or private institution of higher education."

(b) Authorizes the governor to provide grants to public or private institutions of higher education from the fund to supplement other funding for projects involving the commercialization of intellectual property or other property derived from research developed at or through a public or private institution of higher education. Requires that a project, to be eligible for a grant under this section, be supported by funding provided by one or more private entities participating in the project, in addition to any funding provided by the public or private institution of higher education.

(c) Prohibits the amount of a grant awarded under this section from exceeding 50 percent of the total amount of investment in the project provided by the applicable public or private institution of higher education and the participating private entity or entities.

SECTION 1.04. Amends Subchapter C, Chapter 490, Government Code, by adding Section 490.104, as follows:

Sec. 490.104. MANAGEMENT OF INVESTMENT PORTFOLIO; WINDING UP AND FINAL LIQUIDATION. (a) Defines "state's emerging technology investment portfolio."

(b) Requires the Texas Treasury Safekeeping Trust Company to manage and wind up the state's emerging technology investment portfolio. Requires the trust company to wind up the portfolio in a manner that, to the extent feasible, provides for the maximum return on the state's investment while also ensuring the return of the state's investment. Authorizes the trust company, in managing those investments through procedures and subject to restrictions that the trust company considers appropriate, to acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances then prevailing pertinent to each investment. Authorizes the trust company to recover its reasonable and necessary costs incurred in the management of the portfolio, including costs incurred in the retaining of professional or technical advisors, from the earnings on the investments in the portfolio.

(c) Requires that any realized proceeds or other earnings from the sale of stock or other investments in the state's emerging technology investment portfolio, less the amount permitted to be retained for payment of its costs for managing the portfolio as provided by Subsection (b), be remitted by the Texas Treasury Safekeeping Trust Company to the comptroller of public accounts of the State of Texas (comptroller) for deposit in the general revenue fund.

(d) Provides that the Texas Treasury Safekeeping Trust Company has any power necessary to accomplish the purposes of this section.

(e) Requires the Texas Treasury Safekeeping Trust Company, on final liquidation of the state's emerging technology investment portfolio, to promptly notify the comptroller of that occurrence. Requires the comptroller, as soon as practicable after receiving that notice, to verify that the final liquidation has been completed and, if the comptroller so verifies, to certify to the governor that the final liquidation of the portfolio has been completed. Requires the governor to post notice of the certification on the office of the governor's Internet website.

SECTION 1.05. Amends Subchapter C, Chapter 490, Government Code, effective September 1, 2016, by adding Section 490.105, as follows:

Sec. 490.105. VALUATION OF STATE'S INVESTMENT PORTFOLIO; BIENNIAL REPORT. (a) Requires the Texas Treasury Safekeeping Trust Company biennially, to the maximum extent practicable, to perform a valuation of the equity positions the governor took, on behalf of the state, in companies that received awards under the Texas emerging technology fund and of other investments made by the governor, on behalf of the state, in connection with an award under that fund. Requires that the valuation be based on a methodology that is consistent with generally accepted accounting principles.

(b) Requires the Texas Treasury Safekeeping Trust Company, not later than January 31 of each odd-numbered year, to submit to the lieutenant governor, the speaker of the house of representatives, and the standing committee of each house

of the legislature with primary jurisdiction over economic development matters and post on the trust company's Internet website a report of any valuation performed under this section during the preceding state fiscal year.

SECTION 1.06. Amends the heading to Chapter 490, Government Code, to read as follows:

CHAPTER 490. WINDING UP CONTRACTS AND STATE'S INVESTMENT PORTFOLIO  
IN CONNECTION WITH AWARDS FROM TEXAS EMERGING TECHNOLOGY FUND

SECTION 1.07. Amends Section 490.001(4), Government Code, to redefine "award."

SECTION 1.08. Amends the heading to Section 490.005, Government Code, to read as follows:

Sec. 490.005. REPORT ON AWARDS FROM FUND.

SECTION 1.09. Amends Section 490.005, Government Code, by amending Subsections (a) and (b) and adding Subsection (d), as follows:

(a) Requires the governor, not later than January 31, 2016, rather than January 31 of each year, to submit to the lieutenant governor, the speaker of the house of representatives, and the standing committee of each house of the legislature with primary jurisdiction over economic development matters and post on the office of the governor's Internet website a report that includes for each preceding state fiscal year information regarding awards made under the fund set forth in this subsection, including a brief description of the equity position that the governor, on behalf of the state, has taken in companies that received awards, rather than may take in companies receiving awards, and the names of the companies in which the state has taken an equity position.

(b) Requires that the report, rather than annual report, also contain certain data set forth in this subsection.

(d) Provides that this section expires September 1, 2017.

SECTION 1.10. Amends Subchapter A, Chapter 490, Government Code, effective September 1, 2016, by adding Section 490.0051, as follows:

Sec. 490.0051. ANNUAL REPORT ON PROJECTS FUNDED; JOB CREATION AND OUTCOMES. (a) Requires the governor, not later than January 31 of each year, to submit to the lieutenant governor, the speaker of the house of representatives, and the standing committee of each house of the legislature with primary jurisdiction over economic development matters and post on the office of the governor's Internet website a report that contains for each preceding state fiscal year the following information regarding awards made under the fund:

(1) the total number of jobs actually created by each project that received an award from the fund;

(2) an analysis of the number of jobs actually created by each project that received an award from the fund; and

(3) a brief description regarding:

(A) the methodology used to determine the information provided under Subdivisions (1) and (2), which may be developed in consultation with the comptroller's office;

(B) the intended outcomes of all projects funded under former Subchapter D; and

(C) the actual outcomes of all projects funded under former Subchapter D, including any financial impact on the state resulting from a liquidity event involving a company whose project was funded under that subchapter.

(b) Requires the governor to exclude from the report information that is made confidential by law.

(c) Provides that this section expires September 1, 2030.

SECTION 1.11. Amends Section 490.006, Government Code, as follows:

Sec. 490.006. New heading: VALUATION OF INVESTMENTS; ANNUAL REPORT.

(a) Creates this subsection from existing text. Requires the office of the governor, to the maximum extent practicable, to annually perform a valuation of the equity positions taken by the governor, on behalf of the state, in companies that received awards under the fund and of other investments made by the governor, on behalf of the state, in connection with an award under the fund. Requires that the valuation be based on a methodology that:

(1) Redesignates existing Paragraph (A) as Subdivision (1); may be developed in consultation with the comptroller's office; and

(2) Redesignates existing Paragraph (B) as Subdivision (2); is consistent with generally accepted accounting principles.

Deletes existing text requiring that the valuation be included with the annual report required under Section 490.005, Government Code.

(b) Requires the governor, except as provided by Subsection (c), not later than January 31, 2016, to submit to the lieutenant governor, the speaker of the house of representatives, and the standing committee of each house of the legislature with primary jurisdiction over economic development matters and post on the office of the governor's Internet website a report of any valuation performed under this section during the preceding state fiscal year.

(c) Requires that a valuation performed for the state fiscal year ending August 31, 2015, be included with the report required under Section 490.005 (Annual Report), Government Code.

(d) Provides that this section expires September 1, 2016.

SECTION 1.12. Amends the heading to Subchapter B, Chapter 490, Government Code, to read as follows:

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

SECTION 1.13. Amends Section 490.057, Government Code, as follows:

Sec. 490.057. CONFIDENTIALITY. (a) Provides that, except as provided by Subsection (b), information collected by the governor's office, the former Texas Emerging Technology Advisory Committee, or the committee's advisory panels concerning the identity, background, finance, marketing plans, trade secrets, or other commercially or academically sensitive information of an individual or entity that was considered for or received, rather than an individual or entity being considered for, receiving, or having received an award from the fund is confidential unless the individual or entity consents to disclosure of the information.

(b) Provides that the information set forth in this subsection collected by the governor's office, the former Texas Emerging Technology Advisory Committee,

or the committee's advisory panels under this chapter is public information and may be disclosed under Chapter 552 (Public Information), Government Code.

SECTION 1.14. Amends Section 490.101, Government Code, by adding Subsection (b-1), to provide that the fund may be used only for the purposes described by Section 490.104.

SECTION 1.15. Repealers: Sections 490.001(1) (defining "committee"), (3) (defining "institute of higher education"), and (5) (defining "research institution"), Government Code.

Repealers: Sections 490.002 (Purposes) and 490.003 (Emerging Technology Industries), Government Code.

Repealers: Sections 490.051 (Composition of Committee), 490.052 (Appointment to Committee; Nominations), 490.0521 (Financial Statement Required), 490.053 (Presiding Member), 490.054 (Terms), 490.055 (Staff and Funding), and 490.056 (Recommendations for Funding), Government Code.

Repealers: Sections 490.101(c) (relating to uses of the fund), (d) (authorizing the committee to solicit and accept gifts and grants for the fund from public and private entities), (e) (relating to use of the fund), (f) (relating to the administration of the fund), (f-1) (relating to an award of money appropriated from the fund), (g) (relating to the governor entering into a written agreement with the entity to receive the award), (h) (relating to the governor making awards), and (i) (providing that the contract between the governor and a recipient of an award under this chapter may set the terms relating to an award), Government Code.

Repealer: Section 490.102 (Allocation of Fund), Government Code.

Repealers: Subchapters D (Incentives for Commercialization Activities), E (Research Award Matching), F (Acquisition of Research Superiority), and G (Clean Coal Projects), Chapter 490, Government Code.

SECTION 1.16. (a) Provides that the Texas emerging technology fund is continued solely for the purposes of winding up the contracts governing awards from that fund and the state's portfolio of equity positions and other investments in connection with awards from that fund in accordance with Section 490.104, Government Code, as added by this Act. Provides that the Texas emerging technology fund is abolished and Sections 490.101(a), (b), and (b-1), Government Code, are repealed when the comptroller certifies to the governor as provided by Section 490.104, Government Code, as added by this Act, that the final liquidation of the state's portfolio of equity positions and other investments by the Texas Treasury Safekeeping Trust Company has been completed. Provides that any unencumbered fund balance remaining when the Texas emerging technology fund is abolished may be appropriated in accordance with Subsection (a-1) of this section.

(a-1) Authorizes any unencumbered balance of the Texas emerging technology fund to be appropriated only to one or more of the entities set forth in this subsection.

(b) Provides that the authority of the Texas research university fund to receive the appropriation described by Subsection (a-1) of this section is contingent on passage and enactment of H.B. 1000, or similar legislation relating to state support for general academic teaching institutions in this state by the 84th Legislature, Regular Session, 2015, that renames the existing Texas competitive knowledge fund and changes the purposes for which the fund can be used.

(c) Provides that the abolishment by this article of the Texas emerging technology fund and the repeal of provisions of Chapter 490 (Funding for Emerging Technology), Government Code, relating to that fund do not affect the validity of an agreement between the governor and an award recipient or a person to be awarded money that is entered into under Chapter 490, Government Code, before September 1, 2015.

(d) Provides that money that was deposited in the Texas emerging technology fund as a gift, grant, or donation under Chapter 490, Government Code, and that is encumbered by the specific terms of the gift, grant, or donation may be spent only in accordance with the terms of the gift, grant, or donation.

(e) Provides that money from the Texas emerging technology fund that is encumbered because the money is awarded or otherwise obligated by agreement before September 1, 2015, but under the terms of the award or agreement will not be distributed until a later date be distributed in accordance with the terms of the award or agreement. Requires the governor to certify that fact to the comptroller if the governor determines that the money will not be distributed in accordance with the terms of the award or agreement. Requires the comptroller, on that certification, to make that money available in the general revenue fund to be used in accordance with legislative appropriation.

(f) Requires that the payments or other amounts set forth in this subsection, on or after the effective date of this Act, be sent to the comptroller for deposit to the Texas emerging technology fund to be used solely for the purposes of winding down the state's portfolio of equity positions and other investments as provided by Sections 490.101(b-1) and 490.104, Government Code, as added by this Act.

SECTION 1.17. Provides that a regional center of innovation and commercialization established under Section 490.152 (Regional Centers of Innovation and Commercialization), Government Code, is abolished on the effective date of this Act. Requires each center to transfer to the office of the governor a copy of any meeting minutes required to be retained under Section 490.1521 (Minutes Of Certain Meetings), Government Code, as that section existed immediately before that section's repeal by this article, and the office shall retain the minutes for the period prescribed by that section.

SECTION 1.18. Provides that, on September 1, 2015, the Texas Emerging Technology Advisory Committee established under Subchapter B (Texas Emerging Technology Advisory Committee), Chapter 490, Government Code, is abolished.

SECTION 1.19. Provides that, except as provided by this Act, on September 1, 2015, the following powers, duties, functions, and activities performed by the office of the governor immediately before that date are transferred to the Texas Treasury Safekeeping Trust Company:

(1) all powers, duties, functions, and activities related to equity positions in the form of stock or other security the governor has taken, on behalf of the state, in companies that received awards under the Texas emerging technology fund before September 1, 2015; and

(2) all powers, duties, functions, and activities related to other investments made by the governor, on behalf of the state, in connection with an award made under the Texas emerging technology fund before September 1, 2015.

SECTION 1.20. Provides that, if a conflict exists between this Act and another Act of the 84th Legislature, Regular Session, 2015, that relates to the Texas emerging technology fund, this Act controls without regard to the relative dates of enactment.

## ARTICLE 2. ECONOMIC INCENTIVE OVERSIGHT BOARD

SECTION 2.01. Amends Subtitle F, Title 4, Government Code, by adding Chapter 490G, as follows:

### CHAPTER 490G. ECONOMIC INCENTIVE OVERSIGHT BOARD

Sec. 490G.001. DEFINITIONS. Defines "board," "monetary incentive," "rural county," and "tax incentive."

Sec. 490G.002. ESTABLISHMENT AND COMPOSITION. (a) Provides that the Economic Incentive Oversight Board (board) is an advisory body composed of the eight members set forth in this subsection.

(b) Requires each appointing officer, in appointing members of the board, to appoint one member who has expertise in the area of economic development.

(b-1) Provides that an individual is ineligible to serve on the board if during the 120-day period preceding the date of appointment the individual made a political contribution to the governor, the comptroller, the lieutenant governor, or the speaker of the house of representatives or to a candidate for election or selection to any of those offices.

(c) Provides that a member of the board serves at the pleasure of the appointing officer.

(d) Entitles the board members to reimbursement for actual and necessary expenses incurred by the members in serving on the board as provided by Chapter 660 (Travel Expenses), Government Code, and the General Appropriations Act.

(e) Requires the office of the governor to provide administrative support and staff to the board.

Sec. 490G.003. PRESIDING OFFICER. Requires the governor to appoint the presiding officer of the board.

Sec. 490G.004. MEETINGS. (a) Requires the board to meet at least quarterly at the call of the presiding officer.

(b) Authorizes the board to hold a meeting by telephone conference call or videoconference.

(c) Provides that a board meeting held under Subsection (b) is subject to the requirements of Subchapter F (Meetings Using Telephone, Videoconference, or Internet), Chapter 551, Government Code, except that a quorum of the board is not required to be physically present at one location of the meeting.

Sec. 490G.005. REVIEW OF CERTAIN STATE INCENTIVE PROGRAMS; PERFORMANCE MATRIX. (a) Requires the board to examine the effectiveness and efficiency of programs and funds administered by the office of the governor, the comptroller, or the Department of Agriculture that award to business entities and other persons state monetary or tax incentives for which the governor, comptroller, or department has discretion in determining whether or not to award the incentives.

(b) Requires the board to develop a performance matrix that clearly establishes the economic performance indicators, measures, and metrics that will guide the board's evaluations of those programs and funds.

(c) Requires the board, in developing the performance matrix, to consider whether the performance matrix should address the factors set forth in this subsection in relation to each business entity or other person that receives a state monetary or tax incentive under a program or from a fund described by Subsection (a).

Sec. 490G.006. SCHEDULE OF REVIEW; RECOMMENDATION TO LEGISLATIVE AUDIT COMMITTEE. (a) Requires the board to develop a schedule for the periodic review of each state incentive program or fund described by Section 490G.005, Government Code, for the purposes of making recommendations on whether to continue the program or fund or whether to improve program or fund effectiveness and efficiency.



Requires the board to review and make recommendations to the legislature regarding each program or fund according to the review schedule.

(b) Authorizes the board, after conducting a review of a state incentive program or fund under this chapter, to recommend to the legislative audit committee that an audit of the program or fund be included in the audit plan under Section 321.013 (Powers and Duties of State Auditor), Government Code.

Sec. 490G.007. ANNUAL REPORT. Requires the board, not later than January 1 of each year, to submit to the lieutenant governor, the speaker of the house of representatives, and each standing committee of the senate and house of representatives with primary jurisdiction over economic development a report containing findings and recommendations resulting from each review of state incentive programs and funds conducted by the board under this chapter during the preceding calendar year.

Sec. 490G.008. CONFLICTS OF INTEREST. (a) Requires a member of the board who has a substantial interest in a business entity or other person that previously applied for or received a state monetary or tax incentive from a program or fund subject to review by the board to disclose that interest in writing to the board and the Texas Ethics Commission (TEC).

(b) Requires a board member who has a business, commercial, or other relationship, other than an interest described by Subsection (a), that could reasonably be expected to diminish the person's independence of judgment in the performance of the person's responsibilities in relation to the board to disclose the relationship in writing to the board and TEC.

(c) Prohibits a member of the board from making a political contribution to the governor, the comptroller, the lieutenant governor, or the speaker of the house of representatives or to a candidate for election or selection to any of those offices.

Sec. 490G.009. CONFIDENTIALITY OF INFORMATION. Provides that the provision of information that is confidential by law to the board does not affect the confidentiality of the information.

SECTION 2.02. (a) Requires the appointing officials, as soon as practicable after the effective date of this Act, to appoint members to the Economic Incentive Oversight Board established under Chapter 490G, Government Code, as added by this article.

(b) Requires the Economic Incentive Oversight Board, notwithstanding Section 490G.007, Government Code, as added by this article, to submit the report required by that section beginning with the report due on January 1, 2017.

### ARTICLE 3. ONLINE INFORMATION AND APPLICATION SYSTEM FOR STATE INCENTIVES

SECTION 3.01. Amends Subtitle G, Title 10, Government Code, by adding Chapter 2301, as follows:

#### CHAPTER 2301. ELECTRONIC ECONOMIC DEVELOPMENT INCENTIVES INFORMATION AND APPLICATION SYSTEM

Sec. 2301.001. DEFINITIONS. Defines "department," "electronic government project," "state electronic Internet portal," "monetary incentive," "state agency," and "tax incentive."

Sec. 2301.002. ESTABLISHMENT OF PROJECT. Requires the Department of Information Resources (DIR) to establish an electronic government project to develop an Internet website accessible through the state electronic Internet portal that meets certain criteria set forth in this section.

Sec. 2301.003. ESTABLISHING AND OPERATING PROJECT; COORDINATION. Requires DIR, in coordination with the Texas Economic Development and Tourism Office (office) and the comptroller, in establishing and operating the electronic government project under this chapter, to direct, coordinate, and assist state agencies in establishing and using certain criteria set forth in this section.

ARTICLE 4. PROGRAMS ADMINISTERED BY TEXAS ECONOMIC DEVELOPMENT BANK

SECTION 4.01. Repealer: Subchapter N (Business Development--Linked Deposit Program), Chapter 481, Government Code.

Repealer: Chapter 503 (Texas Small Business Industrial Development Corporation), Local Government Code.

SECTION 4.02. Amends Section 447.013(i), Government Code, to provide that a recipient of a grant or loan under this section is encouraged to purchase goods and services from small businesses and historically underutilized businesses, as those terms are defined by former Section 481.191 (Definitions), Government Code, as that section existed on January 1, 2015.

SECTION 4.03. Section 489.108, Government Code, is amended to read as follows:

Sec. 489.108. PROGRAMS, SERVICES, AND FUNDS UNDER BANK'S DIRECTION. Requires that the bank, notwithstanding any other law, to perform the duties and functions of the office with respect to the following programs, services, and funds:

- (1) the capital access program established under Section 481.405 (Capital Access Program), Government Code;
- (2) the Texas leverage fund;
- (3) the enterprise zone program established under Chapter 2303 (Enterprise Zones), Government Code;
- (4) the industrial revenue bond program;
- (5) the defense economic readjustment zone program established under Chapter 2310 (Defense Economic Readjustment Zone), Government Code;
- (6) the Empowerment Zone and Enterprise Community grant program established under Section 481.025 (Empowerment Zone and Enterprise Community Program), Government Code; and
- (7) the renewal community program.

Deletes existing text requiring the bank, notwithstanding any other law, to perform the duties and functions of the office with respect to the Texas Small Business Industrial Development Corporation established under Chapter 503, Local Government Code, and the linked deposit program established under Section 481.193. Redesignates existing subsections accordingly.

SECTION 4.04. Amends Section 39.909(a), Utilities Code, to define "small business" and "historically underutilized business."

SECTION 4.05. Amends Section 52.256(a), Utilities Code, to define "small business" and "historically underutilized business."

SECTION 4.06. (a) Requires the Texas Economic Development Bank to reject any application for a linked deposit loan submitted to the bank before the effective date of this Act for which a linked deposit has not been made in accordance with Subchapter N (Business Development--Linked Deposit Program), Chapter 481, Government Code, as that subchapter existed immediately before being repealed by this article.

(b) Provides that, notwithstanding the repeal by this article of Subchapter N, Chapter 481, Government Code, Subchapter N is continued in effect for the limited purpose of allowing the Texas Economic Development Bank to administer linked deposits made before the effective date of this Act and to pursue the bank's remedies under that subchapter if a recipient of a loan to which a deposit is linked defaults on the loan, or a lending institution that makes a loan for which a linked deposit is made fails to comply with that subchapter.

SECTION 4.07. Requires the Texas Economic Development Bank, as soon as practicable after the effective date of this Act, to send to the comptroller for deposit in the general revenue fund any revenue or other money of the Texas Small Business Industrial Development Corporation held in financial institutions as provided by Section 503.055 (Depository), Local Government Code, as that section existed immediately before that section's repeal by this article.

## ARTICLE 5. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

SECTION 5.01. Amends Chapter 62, Education Code, by adding Subchapter H, as follows:

### SUBCHAPTER H. GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE

Sec. 62.161. DEFINITIONS. Defines "advisory board," "distinguished researcher," "eligible institution," "fund," "general academic teaching institution," "governing board," "health-related institution," "office," and "private or independent institution of higher education."

Sec. 62.162. ADMINISTRATION OF INITIATIVE. (a) Provides that the governor's university research initiative is administered by the Texas Economic Development and Tourism Office (office) within the office of the governor.

(b) Requires the office to award matching grants from the governor's university research initiative fund to assist eligible institutions in recruiting distinguished researchers.

(c) Authorizes the office to adopt any rules the office considers necessary to administer this subchapter.

Sec. 62.163. MATCHING GRANTS. (a) Authorizes an eligible institution to apply to the office for a matching grant from the fund. Requires the office, before approval or disapproval of a grant application, to consider the recommendation of the advisory board regarding the grant proposal. Requires the office to award to the applicant institution a grant amount equal to the amount committed by the institution for the recruitment of a distinguished researcher, except as provided by Subsection (c)(2) if the office approves a grant application.

(b) Requires that a grant application identify the source and amount of the eligible institution's matching funds and must demonstrate that the proposed use of the grant has the support of the institution's president and of the institution's governing board, the chair of the institution's governing board, or the chancellor of the university system, if the institution is a component of a university system. Authorizes an applicant eligible institution to commit for matching purposes any funds of the institution available for that purpose other than appropriated general revenue.

(c) Authorizes the office to set a deadline for grant applications for each state fiscal year. Authorizes the office, after fully funding approved grant applications received during an application period for a state fiscal year, to reopen applications for that year and:

(1) award the full amount of matching funds from the fund for new applications; or

(2) approve previously disapproved applications submitted before the original application deadline for receipt of a reduced grant amount.

(d) Prohibits a matching grant received by an eligible institution under this subchapter from being considered as a basis to reduce, directly or indirectly, the amount of money otherwise appropriated to the institution.

(e) Prohibits a matching grant from being used by an eligible institution to recruit a distinguished researcher or other employee from another eligible institution or a private or independent institution of higher education.

(f) Requires the office to require that an application and all supporting documentation be submitted to the office electronically in the manner prescribed by the office.

Sec. 62.164. GRANT AWARD CRITERIA; PRIORITIES. (a) Authorizes the office to award grants only to grant proposals that involve the recruitment of distinguished researchers in the fields of science, technology, engineering, mathematics, and medicine. Requires the office to give priority to proposals that meet certain criteria set forth in this subsection.

(b) Authorizes the office to award a grant to a proposal that:

(1) supports the recruitment of a distinguished researcher distinguished in, or to be engaged in, basic, translational, or applied research; or

(2) proposes the recruitment of a distinguished researcher for new research capabilities of the eligible institution or to expand the institution's existing research capabilities.

(c) Provides that a grant proposal should identify a specific distinguished researcher being recruited. Authorizes the office, in addition to the factors considered in evaluating proposals considered a priority under Subsection (a), to consider:

(1) the likelihood that the researcher being recruited will not accept a research position with the applicant eligible institution without the institution's receipt of a matching grant under this subchapter;

(2) the extent to which the subject matter of the researcher's research offers the opportunity for interdisciplinary and collaborative research at the applicant eligible institution and with other eligible institutions; and

(3) any commercialization track record of the researcher being recruited.

Sec. 62.165. CONFIDENTIALITY. Provides that information collected or obtained by the office or the advisory board concerning the identity of a particular distinguished researcher who is the subject of a grant proposal under this subchapter is confidential unless the researcher and the applicant eligible institution consent to disclosure of the information. Provides that the information remains confidential until the date, if any, on which the researcher enters into an employment relationship with the recruiting institution as contemplated in the grant proposal.

Sec. 62.166. **ADVISORY BOARD.** (a) Provides that the governor's university research initiative advisory board is established to assist the office with the review and evaluation of applications for funding of grant proposals under this subchapter. Requires the advisory board to make recommendations to the office for approval or disapproval of those applications.

(b) Requires that the advisory board be composed of at least nine members appointed by the governor. Provides that, of the members of the board:

(1) one-third of the members, as nearly as possible, must have a background in finance;

(2) one-third of the members, as nearly as possible, must have an academic background in science, technology, engineering, or mathematics; and

(3) one-third of the members, as nearly as possible, must be public members.

(c) Provides that Chapter 2110 (State Agency Advisory Committees), Government Code, does not apply to the size, composition, or duration of the advisory board.

(d) Prohibits a member of the advisory board who is or has been employed by, is or has been a party to a contract for any purpose with, or is a student or former student of an applicant eligible institution from being involved in the review, evaluation, or recommendation of a grant proposal made by that institution.

(e) Provides that an advisory board member is not required to be a resident of this state.

(f) Requires that appointments to the advisory board be made without regard to the race, color, disability, sex, religion, age, or national origin of the appointees.

(g) Provides that members of the advisory board serve without compensation but are entitled to reimbursement for actual and necessary expenses in attending meetings of the board or performing other official duties authorized by the office.

Sec. 62.167. **TIMELY ACTION ON APPLICATIONS.** (a) Requires the advisory board to meet in person or by teleconference to consider grant applications under this subchapter and to strive to present to the office the board's recommendation for approval or disapproval of an application not later than the 14th day after the date the board receives the application.

(b) Requires the office to make a final decision regarding approval of a grant application not later than the 14th day after the date the office receives the advisory board's recommendation.

Sec. 62.168. **GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE FUND.** (a) Provides that the governor's university research initiative fund is a dedicated account in the general revenue fund.

(b) Provides that the fund consists of:

(1) amounts appropriated or otherwise allocated or transferred by law to the fund; and

(2) gifts, grants, and other donations received for the fund.

(c) Provides that Sections 403.095 (Use of Dedicated Revenue) and 404.071 (Disposition of Interest on Investments), Government Code, do not apply to the fund.

(d) Provides that the fund may be used by the office only for the purposes of this subchapter, including for necessary expenses incurred in the administration of the fund and this subchapter.

#### ARTICLE 6. RENAMING OF MAJOR EVENTS TRUST FUND

SECTION 6.01. Amends the heading to Section 5A, Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), to read as follows:

##### Sec. 5A. PAYMENT OF STATE AND MUNICIPAL OR COUNTY OBLIGATIONS UNDER MAJOR EVENTS REIMBURSEMENT PROGRAM.

SECTION 6.02. Amends Sections 5A(a-1), (d), (d-1), (e), (f), (g), (h), (j), (k), (l), (m), (w), and (y), Chapter 1507 (S.B. 456), Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, Vernon's Texas Civil Statutes), as follows:

(a-1) Provides that an event not listed in Subsection (a)(4) of this section is ineligible for funding under this section. Authorizes a listed event may receive funding through the Major Events Reimbursement Program (program) under this section only if it meets certain criteria set forth in this subsection.

(d) Requires that each endorsing municipality or endorsing county participating in the program remit to the comptroller and that the comptroller deposit into a trust fund created by the comptroller and designated as the Major Events reimbursement program fund the amount of the municipality's or county's hotel occupancy tax revenue determined under Subsection (b)(4) or (b)(5) of this section, less any amount of the revenue that the municipality or county determines is necessary to meet the obligations of the municipality or county. Changes reference to trust fund to reimbursement program fund.

(d-1) Authorizes a municipality or county, not later than the 90th day after the last day of an event eligible for funding under the program and in lieu of the local tax revenues remitted to or retained by the comptroller under Subsection (d) of this section, to remit to the comptroller for deposit in the Major Events reimbursement program, rather than trust, fund other local funds in an amount equal to the total amount of local tax revenue determined under Subsections (b)(2) through (5) of this section. Makes conforming changes.

(e) Makes conforming changes to this subsection.

(f) Requires the comptroller to deposit into the Major Events reimbursement program fund a portion of the state tax revenue not to exceed the amount determined under Subsection (b)(1) of this section in an amount equal to the prevailing state sales tax rate, rather than 6.25, times the amount of the local revenue retained or remitted under this section, including revenues set forth. Makes a conforming change.

(g) Makes conforming changes.

(h) Makes conforming changes.

(j) Makes conforming changes.

(k) Makes conforming changes.

(l) Makes conforming changes.

(m) Makes conforming changes.

(w) Makes conforming changes.

(y) Makes conforming changes.

#### ARTICLE 7. EFFECTIVE DATE

SECTION 7.01. Effective date: except as otherwise provided by this Act, September 1, 2015.