



EF INTERNATIONAL ADVISORS

DISCUSSION BRIEF

2025 Texas Legislative Outcomes: Implications for Tech Workforce, AI Policy, and Business Growth in North Texas

Prepared as a contribution from EFIA as a member
of the Policy Action Team

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Executive Summary

The 2025 Texas Legislative Session brought significant momentum to areas shaping the future of business, technology, and workforce development. Recent legislation—including the continued implementation of outcomes-based funding for community colleges (initiated under HB 8 in 2023), the establishment of regulatory guardrails and an innovation sandbox for artificial intelligence (HB 149), and the creation of the Texas Cyber Command (HB 150)—reinforces Texas’ reputation as a national destination for innovation and enterprise.

Yet, as the Dallas–Fort Worth region continues to lead in sectors such as AI, cloud infrastructure, and cybersecurity, the legislative landscape also reveals opportunities for further reflection and refinement. Several issues—such as the rigidity of credential systems, the exclusion of mid-sized innovation firms from existing incentive frameworks, and the absence of dedicated AI workforce transition funding—suggest that additional tools may be needed to keep pace with fast-evolving economic realities.

This brief does not offer a definitive solution set. Rather, it is meant to provoke discussion and support strategic thinking among policymakers, employers, and public–private leaders. It lifts up potential policy directions for consideration, including:

- Exploring more flexible pathways for credential recognition in emerging tech fields.
- Considering how incentive thresholds might be adapted to include payroll-intensive firms in sectors like software, fintech, and AI.
- Examining grant or tax credit models that could lower the barrier for small and mid-sized companies to participate in workforce development.
- Evaluating how Texas might pilot innovation zones, sandbox programs, or regional collaboration models that reward cross-sector partnerships and reduce zero-sum competition.

These ideas are offered not as mandates, but as conversation starters—designed to support a shared effort to build a more adaptive, inclusive, and high-impact business environment in North Texas and beyond.

This discussion brief is structured to help stakeholders surface insight, alignment, and future policy pathways. It includes:

1. **2025 Legislative Review** – A summary and analysis of key bills that affect workforce, AI, and business attraction, including both those that passed and those that did not.
2. **Technical Commentary** – A closer look at the structure, strengths, and friction points within each bill, with attention to their practical impact on employers, educational partners, and regional economies.
3. **Looking Toward 2027** – A set of possible policy ideas and strategic frameworks that could inform pre-session dialogue and legislative drafting in the next cycle.

4. **Incentive System Review** – A reflection on existing incentive programs (JETI, TEF, Chapter 312), identifying design tensions and offering proposals for more inclusive and innovation-aligned structures.
5. **Emerging Models from Other States** – A scan of successful workforce and incentive strategies in Utah, Colorado, Georgia, and the Northeast, highlighting ideas that could inspire adaptation in Texas.

This brief was developed by EF International Advisors as a contribution to the North Texas Tech Policy Action Group. It is intended to support deeper understanding, strategic foresight, and shared learning as Texas navigates the evolving demands of a next-generation economy.

Part I: Overview: Why 2025 Legislative Outcomes Matter for North Texas

The 2025 Texas Legislative Session delivered several high-impact policy decisions that will shape the trajectory of workforce development, artificial intelligence (AI) governance, and the broader business environment in the state for years to come. For North Texas—a region rapidly positioning itself as a national hub for innovation, data infrastructure, and technology-driven industries—these outcomes are not abstract. They directly influence the region’s ability to attract employers, prepare talent, and lead responsibly in emerging sectors like AI, cybersecurity, and advanced manufacturing.

This discussion brief provides a focused analysis of key bills passed or proposed in the 2025 session, with particular attention to:

- Their implications for the technology sector,
- Workforce development and education systems (especially community colleges and CTE),
- Responsible innovation and regulatory certainty in artificial intelligence,
- Business attraction and economic competitiveness, particularly for Dallas–Fort Worth (DFW).

We examine both **passed legislation** and **notable bills that failed to advance**, offering insight into the motivations behind each, stakeholder reactions, and potential opportunities for improvement in the next legislative cycle. This analysis is intended to support informed discussion within the North Texas Tech Policy Action Group and among public–private sector partners who are shaping a shared strategy to strengthen the regional ecosystem.

In short, this is not just a recap—it is a tool for forward action. As the next policy window approaches in 2027, the region has a critical opportunity to refine its voice, align priorities, and ensure Texas remains a national leader in tech-driven economic mobility and innovation.

PASSED LEGISLATION

1. HB 8 – Texas Community College Outcomes-Based Funding

Citation: Texas House Bill 8 (2023, 88th Legislature) **Effective:** Beginning FY 2024; implementation is ongoing

Key Provisions: HB 8 establishes a new outcomes-based funding formula for public community colleges in Texas, shifting away from enrollment-based funding. Institutions earn performance points for outcomes such as:

- Completion of industry-aligned credentials of value
- Successful transfer to four-year universities
- Workforce placement in high-demand occupations (e.g., IT, healthcare, skilled trades)

- Additional weight for outcomes achieved by economically disadvantaged students

Workforce/Tech Impact: Encourages institutions like Dallas College to expand and align program offerings in high-opportunity sectors such as AI, cybersecurity, and advanced manufacturing. It also creates an adaptive funding environment that rewards institutions for contributing directly to regional talent pipelines.

Strengths:

- Links public funding to measurable student and workforce outcomes
- Provides incentives for programs aligned with employer demand
- Includes built-in equity weights to support outcomes for low-income students
- Aligns well with DFW regional workforce strategies

Weaknesses:

- Funding eligibility remains tied to a centralized list of “credentials of value,” which may lag emerging fields (e.g., AI/quantum/XR)
- Smaller or under-resourced colleges may lack capacity to deliver high-return programs, risking widened institutional disparities
- Rigid course mappings under TEA frameworks limit interdisciplinary or innovative programs not yet recognized

Criticism: Some institutions have raised concerns that performance-based funding can unintentionally penalize schools serving disproportionately high-need student populations or those operating in labor markets with fewer immediate job placement opportunities.

Employer View: Generally favorable, especially among large regional employers who benefit from expanded pipelines in IT, healthcare, and skilled trades. The model incentivizes colleges to prioritize real-world outcomes over seat-time.

Suggested Direction for Future Policy (2027): Consider establishing innovation funding streams for programs not yet mapped to TEA-approved credentials—such as AI, quantum computing, and XR design. Expand weighting adjustments to better reflect regional economic disparities and institutional capacity, ensuring small and rural colleges can remain competitive and relevant.

2. HB 149 – Texas Responsible AI Governance Act (TRAIGA)

- **Citation:** Texas House Bill 149 (2025); effective Jan 1, 2026
- **Key Provisions:**
 - Creates Texas AI Advisory Council.
 - Prohibits social scoring, biometric misuse, and intentional discrimination in algorithmic systems.

- Launches AI Regulatory Sandbox with AG oversight.
- Preempts local AI regulation and limits liability (e.g., no disparate impact claims).
- **Workforce/Tech Impact:**
 - Encourages responsible AI development while minimizing regulatory burden.
 - Signals Texas' pro-innovation stance to AI startups and employers.
- **Strengths:**
 - Legal certainty; encourages innovation in DFW's AI sector.
 - Sandbox model offers a safe zone for testing real-world AI applications.
- **Weaknesses:**
 - No private right of action—only AG can enforce violations.
 - Employment-related AI tools are exempt from broader scrutiny, raising bias concerns.
- **Criticism:**
 - Civil rights groups argued it's too soft on industry and excludes protections for workers affected by automated hiring or performance systems.
- **Employer View:**
 - Welcomed for avoiding aggressive AI regulation like those emerging in California or New York.
- **Suggestion for 2027:**
 - Introduce limited audit or reporting requirements for high-risk AI uses (e.g., hiring, housing, lending).
 - Fund upskilling programs to prepare the workforce for AI-adjacent roles.

3. SB 20 – AI-Generated Child Exploitation Prevention Act

- **Citation:** Senate Bill 20 (2025); effective Sept 1, 2025
- **Key Provisions:**
 - Criminalizes the creation/distribution of AI-generated child pornography and sexual deepfakes.
 - Covers digital avatars and synthetic images.
- **Workforce/Tech Impact:** Indirect, but affects AI content developers and platforms operating in Texas.
- **Strengths:**
 - Strong bipartisan consensus on child protection.

- **Weaknesses:**
 - Vague language (e.g., “obscene imagery”) may create legal ambiguity for animators, media firms, or startups in creative industries.
- **Criticism:**
 - First Amendment and media advocacy groups warned the bill could sweep in constitutionally protected expression.
- **Employer View:**
 - Mixed: aligned with public trust, but some AI/media startups see legal risk in poorly defined terms.
- **Suggestion for 2027:**
 - Clarify definitions and introduce legal exemptions for artistic or educational content.

4. HB 150 – Creation of Texas Cyber Command

- **Citation:** Texas House Bill 150 (2025)
- **Key Provisions:**
 - Creates Texas Cyber Command, headquartered at UTSA, with \$135M in state investment through 2027.
 - Mandate: Protect infrastructure, train workforce, attract defense-tech firms.
- **Workforce/Tech Impact:**
 - Boosts cybersecurity talent and employer base across Texas; indirect impact on DFW unless regional expansion occurs.
- **Strengths:**
 - Strategic signal to cyber/defense firms nationwide.
 - Promotes long-term investment in cyber readiness and jobs.
- **Weaknesses:**
 - Centralized in San Antonio—little immediate DFW benefit unless satellite hubs are developed.
- **Employer View:**
 - Strong support from national defense and tech companies.
- **Suggestion for 2027:**
 - Fund regional outposts in DFW and Houston.
 - Add matching grants for private-sector-led training programs in AI and cybersecurity.

FAILED LEGISLATION (Close or Notable Attempts)

1. HB 1709 – Texas AI Workforce & Impact Disclosure Act (aka “TRAIGA 1.0”)

- **Citation:** House Bill 1709 (2025); died in committee
- **Key Provisions:**
 - Required large companies using AI to conduct risk/impact assessments and publish accountability frameworks.
 - Created a new AI Workforce Grant program to train displaced workers.
- **Workforce/Tech Impact:**
 - Would have directed state funds into reskilling programs for AI-impacted sectors (retail, logistics, admin).
- **Strengths:**
 - Offered first-in-nation grant model for AI workforce transition.
 - Mandated transparency around automated decision systems.
- **Weaknesses:**
 - Viewed as bureaucratic; compliance costs cited by tech lobbyists.
 - “Burdened startups and innovation,” according to business groups.
- **Criticism:**
 - Opposed by Texas Association of Business, who feared it mirrored EU-style regulations.
 - House committee leaders signaled concern over business climate risk.
- **How Close?:**
 - Strong support from DFW educators and nonprofits; no traction in Business & Industry Committee.
- **Suggestion for 2027:**
 - Reframe around **incentives** rather than mandates.
 - Create **optional compliance grants** and remove required impact reporting unless tied to state contracts.

Summary

Status	Bill	Focus	Workforce/Tech Relevance	Passed?
Passed	HB 8	Community College Outcomes	Funds industry-aligned credentials, esp. in tech	Yes
Passed	HB 149	AI Sandbox & Guardrails	Enables responsible AI with light regulation	Yes
Passed	SB 20	Child Exploitation (AI Deepfakes)	Protects minors; may affect AI content creators	Yes
Passed	HB 150	Cyber Command	Statewide cyber workforce initiative	Yes
Failed	HB 1709	AI Impact Disclosures + Grants	Direct AI workforce development funding	No

Part II: Technical analysis of each major 2025 Texas bill impacting tech and workforce policy

This section contains a **technical analysis of each major 2025 Texas bill impacting tech and workforce policy**, with a focus on the **specific statutory language, design strengths, and problematic elements** from a legislative, implementation, and legal standpoint.

PASSED LEGISLATION

HB 8 – Texas Community College Outcomes-Based Funding

Technical Elements:

- Transitions from enrollment-based funding to a performance-based formula centered on student outcomes.
- Institutions earn funding through “Student Success Points” based on:
 - Completion of **credentials of value** (as designated by the Texas Higher Education Coordinating Board)
 - Successful **transfer to four-year institutions**
 - **Workforce placement** in high-demand occupations (as defined by TWC regional labor market data)
- Outcomes are **weighted** by student demographics (e.g., low-income status) to promote equity.
- A **Commissioner-led advisory committee** is tasked with refining metrics and reviewing credentials of value annually.

Strong Provisions:

- Establishes **clear, measurable performance categories** that align with employer needs (e.g., industry-recognized certifications).
- Incorporates **equity weighting** to incentivize better outcomes for economically disadvantaged students.
- Includes a **flexible recalibration process** that enables the Coordinating Board to update eligible credentials and performance metrics without requiring new legislation.

Problematic Areas:

- The law ties funding to a **centralized “credentials of value” list**, which may lag in recognizing new or emerging fields such as AI, quantum computing, or extended reality (XR).
- **Programs not currently mapped** to traditional CTE frameworks—such as bootcamps or interdisciplinary tech pathways—are disadvantaged in the funding model.
- The statute **does not incentivize cross-sector partnerships**, such as collaborations between colleges and high-growth startups or innovation labs, which limits adaptability to local tech ecosystems.

Why It Matters: While HB 8 creates a more outcome-oriented and equitable funding structure, its reliance on standardized credential definitions and traditional program models may unintentionally disadvantage colleges working at the frontier of emerging industries. Without further policy mechanisms to support innovation-aligned programs, the state risks reinforcing legacy offerings at the expense of high-growth, future-ready workforce development.

HB 149 – Texas Responsible AI Governance Act (TRAIGA)

Technical Elements:

- Defines “artificial intelligence system” as software that performs tasks typically requiring human intelligence.
- Establishes an **AI Advisory Council** under the Department of Information Resources (DIR).
- Creates a **regulatory sandbox**: voluntary program exempting companies from certain state-level laws in exchange for transparency and public benefit disclosures.
- Requires **mandatory disclosures** (not opt-in) when AI systems interact with consumers.
- Imposes **civil penalties (\$50K–\$200K)** for violations, but enforcement is limited to the Attorney General.
- Explicitly **excludes employment AI tools** from most consumer protection requirements.
- Removes **disparate impact liability** under state civil rights statutes when AI is used without intent to discriminate.

Strong Provisions:

- **Sandbox design** encourages early-stage innovation while minimizing risk of over-regulation.
- **Disclosure requirement** (e.g., chatbots must notify users they are AI) increases consumer trust.
- Preemption clause creates a **uniform regulatory environment** across Texas—important for companies operating across multiple cities (e.g., Dallas, Austin).

Problematic Statements:

- **§2.04(b): “This Act does not provide a private right of action.”** → Limits enforcement to AG discretion; potential for **under-detection** of harms, especially for marginalized users or small businesses.
- **§3.01(d): “The use of an AI system shall not be considered a basis for disparate impact under state law.”** → **Eliminates civil rights protections** tied to algorithmic bias, even when unintentional. This breaks from EEOC and federal civil rights guidance.
- **§5.01: Employment tools exempt from disclosure unless used “solely” for automated decisions.** → Ambiguity creates a **compliance loophole** for hybrid human-AI hiring processes.

Why It Matters: While business-friendly, the bill structurally limits accountability for algorithmic harm in hiring, lending, and housing—the very domains with highest bias risk.

SB 20 – AI-Generated Child Exploitation Prevention Act

Technical Elements:

- Defines “visual material” to include “synthetic media depicting a minor engaged in sexual conduct.”
- Criminal penalties mirror existing child exploitation laws—felony charges and mandatory minimum sentencing.
- Applies regardless of intent or actual existence of the minor (i.e., deepfakes depicting fictional minors are criminalized).
- Includes possession, production, or promotion.

Strong Provisions:

- Modernizes Texas Penal Code to address synthetic content risks.
- Closes loopholes in current laws that do not cover non-photographic/animated AI-generated material.

Problematic Statements:

- **§43.25(c-1): Includes “imaginary or computer-generated representations.”** → This language risks criminalizing **non-exploitative artistic content**, including anime, satire, or comics. There is **no mens rea (intent) safeguard**.
- No **“bona fide artistic, academic, or journalistic use”** exemption—common in federal law.
- Creates enforcement risk for developers or platforms hosting UGC (user-generated content) where filtering is difficult.

Why It Matters: Overly broad legal definitions may lead to First Amendment challenges or chilling effects on artistic media industries, including content startups in North Texas.

HB 150 – Texas Cyber Command Act

Technical Elements:

- Establishes the Texas Cyber Command (TCC) as a division within the Texas A&M University System, headquartered at UTSA.
- Initial state appropriation is \$345 M (2025-27 biennium).
- Mandates:
 - Protect state infrastructure
 - Build workforce pipelines via credentialing and apprenticeships
 - Coordinate cyber incident response across agencies
- TCC must produce **annual workforce readiness and threat posture reports** to the Governor and Legislature.

Strong Provisions:

- **Direct investment in cyber upskilling** and infrastructure security.
- **Institutional home at UTSA** (a cyber leader) gives credibility.
- Explicit workforce development and credential targets built into statutory reporting.

Problematic Statements:

- **No statutory requirement for regional expansion** (e.g., DFW, Houston).
- **Funding sunset in 2027** without a defined continuation mechanism—risks disruption.
- **Over-centralization** may limit benefits to employers outside San Antonio.

Why It Matters: Unless expanded geographically and sustained long-term, HB 150 may not scale to meet state-level cybersecurity needs or fully leverage DFW's industry base.

FAILED BILL

HB 1709 – Texas AI Workforce & Impact Disclosure Act (“TRAIGA 1.0”)

Technical Elements (proposed):

- Required companies using AI in hiring, credit scoring, or housing to:
 - Publish **risk assessment summaries**
 - Document **mitigation plans for disparate impact**
 - Notify consumers of automated decisions
- Created **grant program for displaced worker retraining in AI-impacted industries**
- Directed DIR to maintain a **registry of high-risk AI systems**

Strong Provisions:

- Introduced **direct workforce funding mechanism** tied to AI transformation.

- Modeled after NYC Local Law 144 and EU’s AI Act, but adapted for Texas context.
- Proposed **public risk dashboards** for transparency—useful for advocacy and governance.

Problematic Statements (per critics):

- Required compliance **regardless of company size**—burden for startups.
- Risk assessment language vague (“reasonable likelihood of material harm”)—unclear thresholds.
- Registry requirement lacked **data security provisions**, raising potential IP/confidentiality concerns.

Why It Failed:

- Business opposition framed it as **“EU-style regulation”** incompatible with Texas’ pro-growth agenda.
- **House Business & Industry Committee** never scheduled it for floor vote.
- Perceived as duplicative after HB 149 passed with broader support.

Part III: Setting the Agenda for Texas 2027 – A Strategic Policy Framework for Innovation, Talent, and Regional Growth

The rapid evolution of artificial intelligence, cybersecurity, and automation is transforming the future of work and the infrastructure of business. Texas—and particularly the Dallas–Fort Worth (DFW) region—has emerged as a competitive destination for innovation-driven companies, yet the 2025 legislative session exposed both the strengths and the limitations of the current policy environment.

While legislation like **HB 8** and **HB 149** made significant strides in aligning education funding with workforce outcomes and creating a regulatory sandbox for AI development, critical gaps remain. Namely, there is **no dedicated funding for retraining displaced workers**, **insufficient policy support for emerging credential pathways**, and **limited access for small and mid-sized employers** to engage meaningfully in education partnerships. Additionally, the current AI framework lacks enforceable protections in domains like hiring and lending—raising both reputational and legal risks over time.

This section lays out a **forward-looking policy hypothetical game plan for the 2027 Texas Legislative Session**, grounded in practical, employer-informed needs and the real-world experience of public–private partnerships in North Texas. Rather than pushing reactive compliance or duplicating federal efforts, the goal is to **advance a proactive agenda** that:

- Equips Texans for the **next generation of jobs**, not the last one,

- Ensures that **ethical and responsible innovation** is a competitive advantage—not a regulatory burden,
- **Levels the playing field** for small businesses to participate in talent development,
- And **amplifies regional economic assets**, such as DFW’s capacity to lead in AI, advanced manufacturing, cloud, and cybersecurity.

Each policy recommendation in this plan is designed to be **actionable, adaptive, and aligned**—with proposed language themes, rationale, and tactical steps that can catalyze cross-sector support. This is not a theoretical policy wishlist. It is a practical blueprint for shaping the future of Texas as a **workforce and innovation powerhouse**—with DFW at the helm.

Here’s a **strategic game plan** for the 2027 Texas legislative cycle, designed to strengthen North Texas’ position in tech, AI governance, and workforce development. This plan includes recommended policy priorities, proposed bill language themes, and the rationale for each.

Strategic Goals

1. **Modernize workforce funding to include emerging technologies (AI, XR, quantum).**
2. **Balance AI innovation with ethical safeguards and workforce protections.**
3. **Support small and mid-sized employers in apprenticeship and training partnerships.**
4. **Expand regional access to state-funded initiatives (e.g., Cyber Command, P-TECH, New Tech).**
5. **Establish a lightweight but enforceable AI accountability framework tied to public trust.**

Potential Policy Pillars, Draft Language Concepts, and Justification

1. Workforce Flexibility and Modernization

Policy Title: *Texas Future Skills Act*

Proposed Language Components:

- Modify HB 8 to add **incentive weights** for:
 - Credentials in **non-traditional or emerging fields** not yet mapped by TEA (AI, blockchain, green tech).
 - **Employer-validated microcredentials** (e.g., Google IT Support, AWS Cloud Practitioner).
- Create a “**Fast Pathway**” fund for districts piloting AI and cybersecurity aligned dual-credit courses.
- Establish a **credential approval innovation track** via TEA and TWC joint review committee.

Why This Matters:

- Current TEA credential mapping is too rigid for fast-moving industries.
- Enables workforce pipelines to align with DFW's economic development efforts.
- Provides structure to innovate without waiting for formal TEA revisions.

2. AI Workforce Readiness Grants

Policy Title: *Texas AI Workforce Innovation Fund*

Proposed Language Components:

- State-administered competitive grant program for:
 - **Worker retraining in automation-exposed sectors** (admin, retail, logistics).
 - **Cross-sector apprenticeship pilots** (e.g., GenAI content, prompt engineering).
- Matching grants for small businesses partnering with ISDs, community colleges, or local WDBs.
- Quarterly reporting on **job placement and credential completion**.

Why This Matters:

- Builds on the intent of the failed HB 1709, minus regulatory friction.
- Employers need risk-sharing to invest in talent pipelines; this lowers that barrier.

3. AI Use Transparency & Safe Harbor

Policy Title: *Texas Responsible AI Disclosure & Safeguard Act (TRAIGA 2.0)*

Proposed Language Components:

- Require disclosure **only when AI is the sole decision-maker** in employment, housing, lending.
- Reinstate **disparate impact protections for hiring use cases**.
- Create a **voluntary registry** of high-risk systems with Safe Harbor status if:
 - Risk assessment filed;
 - A mitigation plan exists;
 - Disclosure provided at point of use.

Why This Matters:

- Keeps Texas innovation-friendly while offering reasonable accountability guardrails.
- Addresses civil rights concerns raised under HB 149, particularly around hiring discrimination.
- Gives early adopters a way to demonstrate responsible use, which boosts public trust.

4. Regional Expansion of Cyber Command & Sandbox Access

Policy Title: *Texas Regional Innovation Access Act*

Proposed Language Components:

- Require **regional satellite offices** for Cyber Command in DFW and Houston.
- Authorize **local/regional sandbox pilots** for AI, robotics, or data privacy innovation.
- Fund university-led “**innovation corridors**” (e.g., UNT–UTD–Dallas College) as technical assistance hubs.

Why This Matters:

- Helps mid-markets and SMEs access resources centralized in San Antonio.
- Encourages local testbeds tied to real employers and talent pipelines.

5. Small Employer Tech Partnership Incentives

Policy Title: *Texas Employer Upskilling Tax Credit Act*

Proposed Language Components:

- Create **state tax credit (up to \$25K)** for small/mid-size employers that:
 - Offer paid internships/apprenticeships in high-need fields (IT, cyber, AI).
 - Co-design credentialed courses or microcertifications with education partners.
- Bonus credits for employers hiring from underrepresented communities or workforce boards.

Why This Matters:

- HB 2110 emphasized employer–college partnerships, but lacked small business incentives.
- Levels the playing field in DFW for startups and non-majors to participate in pipeline development.

Additional Recommendations for Drafting Strategy

- **Use enabling language** (e.g., “TEA *may establish* an innovation pathway”) to minimize opposition.
- **Avoid mandates** unless directly tied to state funds or public systems.
- Partner with legislators on **business committees or tech caucuses**—likely sponsors: members of House Business & Industry or Higher Education.
- Provide **ready-to-introduce bill language** as part of your “political fire cover” document for 2026.

Sequencing & Tactical Timeline

Phase	Action
Q3 2025	Build consensus around proposed language inside Policy Action Group
Q4 2025	Engage legislators for bill authorship & pre-filing discussions
Q1 2026	Prepare testimony, business letters, and data briefs
Q2 2026	Coordinate employer site visits & policy briefings for legislators
Jan–May 2027 (Session)	Submit model language, track bills, and activate stakeholder engagement

Part IV: Reforming Incentives for Job Creation and Business Relocation in Texas and DFW

Texas continues to position itself as a national leader in business attraction and job creation, leveraging its favorable tax structure, infrastructure, and workforce. However, the legislative framework for economic development incentives remains uneven. Key state-level programs—such as the Texas Jobs, Energy, Technology and Innovation Act (JETI), the Texas Enterprise Fund (TEF), and Chapter 312 abatements—are effective for large-scale industrial or infrastructure-heavy investments, but often exclude emerging technology firms, mid-sized employers, and innovation-driven relocations. As DFW seeks to solidify its leadership in AI, advanced tech, and innovation-driven economic mobility, a new approach is needed.

This section analyzes existing programs, their thresholds and limitations, and proposes specific reforms and new tools that would better align Texas policy with 21st-century economic realities.

I. Existing Incentive Programs – Thresholds, Strengths, and Gaps

1. Chapter 403 (JETI Act)

Here is the revised and fact-checked version of the **Chapter 403 (JETI Act)** summary and threshold section:

1. Chapter 403 – Texas Jobs, Energy, Technology, and Innovation Act (JETI)

Summary: The JETI program, enacted in 2023 and codified under Chapter 403 of the Texas Government Code, authorizes **10-year limitation agreements on school district maintenance and operations (M&O) taxes** for qualifying capital-intensive projects in targeted industries. It replaces the expired Chapter 313 program and is administered by the Texas Comptroller in coordination with the Texas Education Agency (TEA) and local Independent School Districts (ISDs).

Current Eligibility Thresholds (per Comptroller rules, 2024):

- **Urban projects** (located in counties with $\geq 750,000$ population):
 - Minimum **\$200 million in qualified investment**, and
 - **75 new full-time jobs**
- **Mid-sized counties** (250,000–749,999 population):
 - **\$100 million investment**, and
 - **50 new jobs**
- **Rural projects** (counties under 250,000 population):
 - **\$20 million investment**, and
 - **10 new jobs**

Note: There is no separate statutory category for “data centers.” However, projects in data infrastructure sectors often qualify under mid-tier thresholds based on location and NAICS codes.

Other Key Requirements:

- Projects must be in a **qualifying industry**, including advanced manufacturing, semiconductor fabrication, energy infrastructure, or certain tech sectors.
- Applicants must submit a **career and technical education (CTE) partnership memorandum of understanding (MOU)** with a local ISD or postsecondary institution, subject to TEA approval.
- Final agreements require approval by the **ISD Board of Trustees** and must meet ongoing job creation, investment, and compliance obligations.

Strengths:

- Incentivizes semiconductor, advanced manufacturing, and energy infrastructure
- Includes workforce MOU requirement

Limitations:

- Excludes high-growth sectors like software, AI, and professional services
- Thresholds exclude mid-sized tech relocations (especially HQs or R&D facilities)
- Education MOU requirement is mismatched with employers using bootcamps or microcredentials

2. Texas Enterprise Fund (TEF)

Summary: The Texas Enterprise Fund is a discretionary deal-closing incentive used to attract businesses considering relocation or expansion in Texas, particularly when the state is competing with other locations. Administered by the Governor’s Office of Economic Development and Tourism, TEF provides cash grants to companies that commit to creating high-quality jobs and making significant capital investments.

Common Program Guidelines (*not statutory requirements*):

- **Urban areas:** Typically ≥ 75 new full-time jobs and ~\$5 million in capital investment
- **Rural areas:** Typically ≥ 25 new jobs and ~\$1 million investment
- **Wage threshold:** Jobs must generally pay at least 110% of the county average wage
- **Local match:** A qualifying local incentive (usually from a city or EDC) is required

*Note: These thresholds are **administrative guidelines**, not statutory minimums, and may be waived by the Governor in select cases.*

Strengths:

- Highly flexible; supports large, strategic relocations and expansions
- Can be deployed quickly when time-sensitive competitive pressures arise

Limitations

- Not designed for smaller or mid-sized employers with fewer jobs or limited capital outlay
- Limited transparency around deal selection, valuation methods, and performance enforcement
- No consistent emphasis on inclusive hiring practices, local vendor engagement, or workforce training outcomes

3. Chapter 312 – Local Property Tax Abatements

Summary: Under Chapter 312 of the Texas Tax Code, cities and counties may offer temporary property tax abatements (typically on improvements to real and personal property) for up to **10 years**. These incentives are negotiated locally and often used in conjunction with state programs like TEF or JETI.

Strengths:

- Highly customizable based on local development priorities and site-specific needs
- Gives municipalities flexibility to attract investment while controlling tax impact

Limitations:

- **No standardized criteria** across jurisdictions, leading to **intra-regional bidding wars** (e.g., between neighboring DFW cities)
- **Lack of uniform expectations** regarding job quality, wage levels, local hiring, or equity metrics
- Varies widely in transparency, reporting, and post-deal accountability

II. Recommended Threshold Reforms

A. JETI Reform – "Innovation Track"

Proposed Changes:

- Urban Innovation Track: \$25M investment or \$5M annual payroll
- Job requirement: 25 jobs or 10 apprenticeships/internships
- Accept flexible education partners: bootcamps, community colleges, credentialing organizations
- Add bonus eligibility for:
 - Locating in Tier 2 cities (e.g., Grand Prairie, Mesquite)
 - ≥25% of vendors from small, minority-owned, or local businesses

Rationale:

- Modernizes eligibility for innovation-driven firms
- Captures value in payroll, not just real estate
- Aligns workforce expectations with employer-driven training models

B. Texas Enterprise Fund Modernization

Proposed Changes:

- Lower job thresholds for tech and AI firms: 40 jobs or \$5M payroll over 3 years
- SMB Track: 15–50 jobs, \$1–3M payroll, focused on Tier 2 cities
- Incentives for inclusive hiring (veterans, community college grads)
- Require public reporting of job outcomes and local impact

Rationale:

- Encourages smaller but strategic relocations
- Adds accountability and alignment with workforce goals

C. Coordinated Regional Incentive Framework

Proposal: Texas Regional Innovation Access Act

Key Features:

- Authorize pooled incentives across DFW municipalities
- Offer state matching funds for regional collaboration (multi-city recruiting deals)
- Fund innovation corridors (e.g., UNT–UTD–Dallas College zones)

Rationale:

- Prevents zero-sum bidding among cities
- Promotes shared growth strategies across metro areas

Conclusion

Texas' current incentive system rewards large capital investments and is optimized for industrial-era job creation. To maintain competitiveness—and reflect the DFW region's diverse and fast-evolving economy—the state must adjust thresholds, add transparency, and include modern workforce linkages.

Part V: Benchmarking Best Practices: Incentive and Workforce Models Texas Should Consider

As Texas prepares for its next legislative cycle, it can benefit from looking beyond its borders to examine how other states are modernizing their economic development strategies. Several peer states have introduced forward-thinking programs that combine employer-driven workforce development, innovation-friendly incentives, and regionally coordinated investment strategies. These models offer practical, business-friendly ideas that Texas—particularly the DFW region—could adapt to strengthen competitiveness, expand access for small and mid-sized employers, and better align incentives with inclusive, future-focused outcomes. The following case studies are not prescriptive, but rather illustrative examples that may inspire policy design, legislative pilots, or public–private collaboration efforts moving forward.

1. “Talent Ready Utah” Model – Employer-Led Talent Pipeline Funding

State: Utah **Program:** Talent Ready Apprenticeship Grant Program

Key Idea: Public-private grants for employers to **build their own customized apprenticeship or work-based learning programs** in partnership with schools or colleges. Employers co-design training and receive partial wage reimbursement for trainees.

Why It's Business-Friendly:

- Lowers the cost and risk of building entry-level pipelines.
- Prioritizes **hard-to-fill roles** and **shortage sectors**, including IT, advanced manufacturing, and healthcare.

Texas Opportunity: Create a “**Talent Ready Texas**” grant that mirrors this model—especially for small and mid-sized firms in AI, cybersecurity, and logistics. Could be layered into the next version of TEA/Workforce Commission funding priorities.

2. “Start-Up NY” + “Connecticut Next” – Innovation Zones with Regulatory Relief

States: New York, Connecticut **Programs:** Start-Up NY; CTNext Innovation Places

Key Idea: Geographic innovation zones that offer **multi-year tax relief, streamlined permitting, and co-located public assets** (e.g., labs, shared R&D equipment). Companies must locate near universities and contribute to talent development.

Why It's Business-Friendly:

- Encourages clustering, co-investment, and faster go-to-market for startups and scale-ups.
- Predictable incentives and regulatory flexibility help early-stage tech companies scale locally.

Texas Opportunity: Designate “**DFW Innovation Corridors**” (e.g., UTD–Plano–Richardson or UNT–Dallas College–Downtown). Offer **property tax relief + grants** for companies co-investing in student internships, labs, or certification programs.

3. Colorado’s “Skill Advance” Program – Performance-Based Upskilling for Existing Workers

State: Colorado **Program:** Skill Advance Colorado

Key Idea: Employers receive **training reimbursements** for incumbent worker upskilling tied to **wage gains, credential attainment, or promotion metrics**. Employer contribution required.

Why It's Business-Friendly:

- Supports retention and internal mobility—critical for fast-moving sectors like IT or AI.
- Especially useful for **SMEs** that want to retain experienced talent during transitions (e.g., cloud migration, automation adoption).

Texas Opportunity: Texas currently lacks a **statewide, structured incumbent worker fund** with performance accountability. DFW regional pilots could be launched with employer coalitions (e.g., tech councils, chambers, or industry clusters).

4. Georgia’s Quick Start – Fast-Track Workforce Support for Incoming Employers

State: Georgia **Program:** Quick Start (through Technical College System of Georgia)

Key Idea: Free, customized workforce training delivered **at the speed of relocation** for companies opening new operations. Curriculum is co-developed and delivered by state trainers at employer sites.

Why It’s Business-Friendly:

- Removes friction from relocation onboarding.
- Guarantees trained workers **day one** of facility opening.

Texas Opportunity: Launch a **Texas Quick Start DFW Unit** housed at Dallas College or the North Texas Innovation Alliance. Target sectors: semiconductors, data centers, clean tech, precision logistics, and AI.

Summary Table

Model	State	Texas Application Idea
Talent Ready Utah	Utah	Employer grant for apprenticeships in AI/cyber
Innovation Zones	NY/CT	DFW Innovation Corridors near universities
Skill Advance Colorado	Colorado	Performance-tied upskilling grants for current staff
Quick Start Georgia	Georgia	Fast-track relocation training via Dallas College

Conclusion

As Texas continues to define its leadership in technology, workforce development, and economic growth, the stakes for thoughtful, forward-looking policy have never been higher. The 2025 legislative session offered important steps forward—but also revealed structural gaps and emerging complexities that deserve deeper consideration.

This brief is not the end of a conversation, but an invitation to expand it. The challenges facing Texas—disruption from AI, the pace of skill transformation, the evolving nature of employer–education partnerships—will not be solved by any one bill or sector alone. But with intentional dialogue, adaptive strategy, and a shared commitment to aligning public policy with real-world opportunity, the state—and especially the North Texas region—can chart a path that is both ambitious and inclusive.

By elevating what’s working, acknowledging what’s missing, and remaining open to new models, Texas can build an innovation economy that is not only competitive, but catalytic—for business, talent, and community alike.

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