

BILL ANALYSIS

Senate Research Center

H.B. 3050
By: Counts (Duncan)
Natural Resources
5/12/1999
Committee Report (Amended)

DIGEST

Currently, the Texas Department of Agriculture administers several programs to aid, assist, and promote the agriculture industry. H.B. 3050 recreates the Young Farmer Loan Guarantee Program to effectively refinance loans and clarify the approval process for linked deposit applications.

PURPOSE

As proposed, H.B. 3050 recreates the Young Farmer Loan Guarantee Program.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the board of directors of the Texas Agriculture Finance Authority in SECTION 5 (Section 44.010(b), Agriculture Code) and SECTION 13 (Section 58.052(e), Agriculture Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 44.001, Agriculture Code, to redefine “eligible borrower,” “linked deposit,” “microenterprise,” and “board,” and delete the definition of “small business incubator.”

SECTION 2. Amends Section 44.002, Agriculture Code, as follows:

Sec. 44.002. New heading: CREATION OF MICROENTERPRISE PROGRAMS. Deletes text regarding an agricultural diversification program.

SECTION 3. Amends Section 44.0045, Agriculture Code, to authorize an applicant applying on behalf of a proposed microenterprise, rather than a loan applicant, to receive a loan of \$25,000, rather than \$15,000. Authorizes an applicant applying on behalf of an established microenterprise to receive a loan of \$50,000, rather than \$30,000, to improve an established operation, rather than microenterprise. Deletes text regarding the microenterprise support program, and refinancing of debts.

SECTION 4. Amends Section 44.007, Agriculture Code, to require the board of directors of the Texas Agricultural Finance Authority (board) in Chapter 58, Agriculture Code, to approve or disapprove applications, under certain conditions. Requires board rules to include certain considerations and identification of criteria. Deletes the board from being an entity to which certain applications are given. Requires the board or the commissioner to provide recommendations regarding an application. Authorizes the comptroller to place time deposits at an interest rate described by Section 44.001(4), rather than 44.001(5)(A), of this chapter. Requires a board member to recuse himself or herself from certain actions to remain eligible for participation in the linked deposit program. Deletes text regarding a crop list and the board. Makes conforming changes.

SECTION 5. Amends Section 44.010, Agriculture Code, to authorize a maximum of \$25 million, rather than \$15 million, to be placed in linked deposits. Provides that the maximum loan amount to finance production of a crop declared eligible for natural disaster relief is \$250,000. Authorizes a loan to be used for certain agriculture-related operating expenses. Deletes text regarding required application of loan money and a water conservation project. Makes conforming changes.

SECTION 6. Amends Section 44.012 and 44.013, Agriculture Code, as follows:

Sec. 44.012. New heading: MONEY FOR LOANS. Deletes text referencing grants and the

agriculture diversification program.

Sec. 44.013. RURAL MICROENTERPRISE DEVELOPMENT FUND. Provides that the rural microenterprise development fund resides in the comptroller's office, rather than the state treasury. Appropriates money to the board, rather than the Agricultural Diversification Board.

SECTION 7. Amends Section 58.002, Agriculture Code, by amending Subdivision (1) and adding Subdivision (9), to redefine "agricultural business" and to define "rural area."

SECTION 8. Amends Section 58.016(b), Agriculture Code, to require the administrator to file certain budgets under Subchapter E, rather than Chapter 253, Agriculture Code.

SECTION 9. Amends Section 58.0172, Agriculture Code, by adding Subsection (e), to make a conforming change regarding program eligibility.

SECTION 10. Amends Section 58.021, Agriculture Code, to provide that promotion of the development of agriculture-related rural businesses is a purpose of the authority. Requires the authority's programs to address costs incurred in connection with the development, increase, improvement, or expansion of certain aspects of Texas agricultural products, costs involved in the development of rural agriculture-related businesses, and the costs of insect eradication and suppression programs. Sets forth provisions for the eradication of boll weevils. Authorizes the authority to take certain actions for the purpose of developing, improving, or expanding an agricultural product or an agriculture-related business in a board-approved amount. Authorizes the authority to take certain actions regarding loans to an eligible agricultural business from the proceeds of revenue bonds issued in accordance with Section 58.033, Agriculture Code, in an amount approved by the board. Makes conforming changes.

SECTION 11. Amends Section 58.023(a), Agriculture Code, to delete a provision that the board is required to adopt rules that would otherwise not be made regarding financial assistance to agricultural businesses.

SECTION 12. Amends Chapter 58C, Agriculture Code, by adding Section 58.026, as follows:

Sec. 58.026. LIMITATION OF LIABILITY FOR CERTAIN RECREATIONAL ACTIVITIES. Provides that nothing in this chapter shall affect the applicability of Chapter 75, Civil Practice and Remedies Code.

SECTION 13. Amends Chapter 58, Agriculture Code, by adding Subchapter E, as follows:

SUBCHAPTER E. YOUNG FARMER LOAN GUARANTEE PROGRAM

Sec. 58.051. DEFINITIONS. Defines "commercial lender," "eligible applicant," and "plan."

Sec. 58.052. YOUNG FARMER LOAN GUARANTEE PROGRAM. Requires the board to administer a program that benefits applicants who wish to establish or enhance a farming or ranching operation or an agriculture-related business. Authorizes the board to grant a guarantee amount, and prohibits the amount from exceeding the lesser of \$250,000 or 90 percent of the loan amount. Prohibits the aggregate guarantee amount from exceeding twice the amount of the young farmer loan guarantee account within the Texas agricultural fund. Authorizes certain applications for the proceeds of the loan. Provides that a loan guarantee is voidable under certain conditions. Requires the board to include certain information in each loan guarantee instrument. Requires the board to adopt an agreement which sets forth payment provisions for the loan. Requires the board to adopt rules to implement this subsection. Prohibits the maximum rate reduction from exceeding three percentage points.

Sec. 58.053. APPLICATION FOR LOAN GUARANTEE. Requires certain documentation from an eligible applicant. Authorizes the board to charge an application fee.

Sec. 58.054. BOARD CONSIDERATION OF LOAN GUARANTEE APPLICATION. Sets forth consideration requirements for the board regarding a loan guarantee application.

Sec. 58.055. DEFAULT. Sets forth provisions for a default by a loan guarantee recipient.

Authorizes any suit brought by the authority under this section to have venue in Travis County.

Sec. 58.056. MONEY FOR LOAN GUARANTEE PROGRAM. Authorizes the authority to accept property from certain entities for use in the young farmer loan guarantee program. Authorizes the legislature to appropriate money for the program.

Sec. 58.057. YOUNG FARMER LOAN GUARANTEE ACCOUNT. Creates the young farmer loan guarantee account (account) in the Texas agricultural fund, and limits the use of account money for the purpose of making or administering loan guarantees. Sets forth the composition of the account. Provides that the account is exempt from the application of Section 403.095, Government Code. Limits the board to spending a maximum of \$100,000 from certain sources, to administer the program. Sets forth board requirements regarding tax deductions. Sets forth board administration authority.

SECTION 14. Amends Section 502.174(b), Transportation Code, to require deposit of certain assessments in the Texas agricultural fund, rather than the general revenue fund.

SECTION 15. Repealers: Section 44.004, Agriculture Code (Research and Innovation).
 Section 44.005, Agriculture Code (Business Assistance).
 Section 44.006, Agriculture Code (Small Business Incubators).
 Section 44.011, Agriculture Code (Criteria for all Grants).
 Chapter 253, Agriculture Code (Young Farmer Loan Guarantee Program).

SECTION 16. Emergency clause.
 Effective date: upon passage.