

BILL ANALYSIS

Senate Research Center

H.B. 64
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Border Affairs - Special
5/6/1999
Committee Report (Amended)

DIGEST

Currently, as an investment to spur economic growth in economically depressed areas, certain corporations and institutions make loans to small minority-owned businesses. Since there is a greater measure of risk involved, it can be difficult to obtain funds for such investment programs. H.B. 64 creates the Texas community investment program to provide matching grants for investment programs that assist businesses in distressed areas of the state, to be administered by the Texas Department of Economic Development.

PURPOSE

As proposed, H.B. 64 creates the Texas community investment program to assist certain businesses in distressed areas of the state.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the governing board of the community investment program in SECTION 1 (Sections 481.223 and 481.232, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 481, Government Code, by adding Subchapter Q, as follows:

SUBCHAPTER Q. TEXAS COMMUNITY INVESTMENT PROGRAM

Sec. 481.221. DEFINITIONS. Defines “community development investor,” “multibank community development corporation,” and “program.”

Sec. 481.222. COMMUNITY INVESTMENT PROGRAM. Requires the Texas Department of Economic Development (department) to establish a community investment program (program) which eventually invests money in businesses in distressed areas of Texas and that cannot qualify for conventional bank loans. Requires the department to determine the eligibility of a community development investor (CDI), and authorizes the department to set a limit on the number of participants. Provides that \$400,000 raised to make loans or investments qualifies a CDI to participate in the program. Requires a participation agreement from a CDI.

Sec. 481.223. RULEMAKING AUTHORITY. Requires the governing board to adopt rules regarding the implementation of the program and to accomplish the purposes of this subchapter.

Sec. 481.224. APPLICATION. Authorizes an eligible CDI to file an application on a department-approved form. Sets forth requirements of the application. Requires the executive director to act on an application within 30 days of its filing.

Sec. 481.225. USE OF MONEY. Requires the CDI to take certain actions with the money it receives from the department within 18 months of its receipt. Requires the CDI to return unused funds after the 10th day after the 18-month period. Sets forth required procedures for a CDI that has losses of over 25 percent on investments made with program money.

Sec. 481.226. ELIGIBLE INVESTMENTS. Requires participating CDIs to create an investment committee to make decisions regarding requests made by businesses. Sets forth investment committee membership requirements. Authorizes a CDI to use program money only

for matters approved by the investment committee. Authorizes a subordinated debt to be made by a CDI. Requires a CDI to use at least 60 percent of program money for loans or investments in businesses that have existed for at least one year before the date the money is used.

Sec. 481.227. COLLABORATIVE EFFORT. Authorizes a CDI to make a loan or investment with financial institutions through partnerships or joint investments.

Sec. 481.228. LIMITATIONS RELATING TO LOANS. Sets forth maximum loan amounts, and provides that the maximum loan term is 15 years.

Sec. 481.229. LIMITATIONS RELATING TO EQUITY INVESTMENTS. Limits the maximum equity investment for a single business to \$50,000, and the maximum term of investment to be seven years. Limits the maximum ownership that a CDI can acquire in a business to be 50 percent of the business's equity.

Sec. 481.230. OWNERSHIP OF INCOME. Provides that all income from a loan or investment made with program money is property of the CDI.

Sec. 481.231. SEMIANNUAL REPORT. Requires the CDI to submit a detailed report to the executive director within a certain deadline. Sets forth report requirements.

Sec. 481.232. ANNUAL AUDIT. Requires the participation agreement to provide for an annual audit of all program money received by the CDI. Requires the governing board to adopt rules regarding the format of the audit, including a limit on the amount spent to finance the audit.

SECTION 2. Specifies that this Act does not make an appropriation. Requires the department to establish the program under Chapter 481Q, Government Code, if money is specifically appropriated to fund that program.

SECTION 3. Provides that this Act takes effect only if a certain appropriation is provided by the 76th Legislature. Provides that this Act has no effect if no specific appropriation is provided.

SECTION 4. Effective date: September 1, 1999.

SECTION 5. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 3.

Adds standard language regarding the effectiveness of an Act being dependent on a specific appropriation.

SECTIONS 4 and 5.

Redesignated from SECTIONS 3 and 4.