

## **BILL ANALYSIS**

Senate Research Center  
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C.S.H.B. 3578  
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Economic Development  
5/15/2013  
Committee Report (Substituted)

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

Currently a program of the Texas Economic Development Bank, the capital access program was created to assist a participating financial institution in making loans to businesses and nonprofit organizations that face barriers in accessing capital. Under the program, the bank uses money in the capital access fund to make a deposit in a participating financial institution's reserve account to be used as a source of money from which the institution may receive reimbursement for losses attributable to loans in the program.

According to interested parties, almost \$20 million from the capital access fund leveraged more than \$95 million in loans to small businesses and nonprofits in Texas at a very small cost and risk to the state over a five-year period beginning with its inception as a program in the late 1990s, achieving the program's intended purpose of encouraging lenders to make loans to small businesses that otherwise would not be made. Observers estimate that, during this time, the program created more than 2,600 new jobs and retained more than 8,600 existing jobs. Interested parties note, however, that the legislature has not appropriated money to the program for several years, that the program currently is inactive, and that more than \$16 million appropriated for the program was returned to the general revenue fund.

The bank, when it was created in 2003 and assumed the capital access program, was authorized to allocate its resources as necessary to efficiently meet the level of demand experienced by various programs and services administered by the bank. It has been reported that the assets of the capital access subaccount of the general revenue fund consist of approximately \$800,000 in cash and more than \$3 million in receivables assets. Interested parties assert that, if the bank were to be provided with the flexibility to transfer surplus capital access program funds to the Texas product development fund and the Texas small business incubator fund, more loans could be made to businesses that also could have benefited from the capital access program.

C.S.H.B. 3578 seeks to perfect the original legislative intent of the bank and to improve the effectiveness of the Texas product development fund and the Texas small business incubator fund by increasing the money deposited in those accounts.

C.S.H.B. 3578 amends current law relating to the allocation and transfer of money from the capital access fund by the Texas Economic Development Bank,

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter BB, Chapter 481, Government Code, by adding Section 481.415, as follows:

Sec. 481.415. ALLOCATION AND TRANSFER OF MONEY FROM CAPITAL ACCESS FUND. (a) Authorizes the bank, notwithstanding any other provision of this subchapter (Capital Access Program), to allocate money held in or due to the capital access fund to programs administered by the bank under Section 489.108 (Programs,

Services, and Funds Under Bank's Direction) or Subchapter D (Product Development and Small Business Incubators), Chapter 489. Authorizes the bank to transfer money from the capital access fund to the Texas product development fund or the Texas small business incubator fund.

(b) Authorizes the bank, notwithstanding Subchapter D, Chapter 489, to use money transferred under Subsection (a) to make loans to small or medium-sized businesses, governmental entities, or nonprofit organizations. Authorizes a business, governmental entity, or nonprofit organization that receives a loan under this subsection to use the money for any project, activity or enterprise in this state that fosters economic development, or hold the money in a reserve account created as an extension of the loan.

SECTION 2. Amends Sections 489.211(b), Government Code, as follows:

(b) Provides that the product fund is composed of proceeds of bonds issued under this subchapter (Product Development and Small Business Incubators), financing application fees, loan repayments, guarantee fees, royalty receipts, dividend income, money appropriated by the legislature for authorized purposes of the product fund, amounts received by the state from loans, loan guarantees, and equity investments made under this subchapter, amounts received by the state from federal grants or other sources, amounts transferred from the capital access fund under Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the product fund.

SECTION 3. Amends Section 489.212(b), Government Code, as follows:

(b) Provides that the small business fund is composed of proceeds of bonds issued under this subchapter, financing application fees, loan repayments, guarantee fees, royalty receipts, dividend income, money appropriated by the legislature for authorized purposes of the small business fund, amounts received by the state from loans, loan guarantees, and equity investments made under this subchapter, amounts received by the state from federal grants or other sources, amounts transferred from the capital access fund under Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the small business fund.

SECTION 4. Effective date: September 1, 2013.