

## **BILL ANALYSIS**

Senate Research Center  
2001S0438/1

S.B. 716  
By: Duncan  
Natural Resources  
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As Filed

### **DIGEST AND PURPOSE**

Currently, the Texas Agricultural Finance Authority, a division within the Texas Department of Agriculture, is charged with providing financial assistance for the expansion, development, and diversification of production, processing, marketing, and export of Texas agricultural products. As proposed, S.B. 716 authorizes the Texas Agricultural Finance Authority (TAFA) to implement certain programs including linked deposit loans for non-agricultural businesses; an annual transfer of state depository interest earnings into the Young Farmer Loan Guarantee Account; the issuance of revenue bonds for rural economic development; and the provision of loan guarantees to lenders for the purchase of farm and ranch real estate.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of directors of the Texas Agricultural Finance Authority in SECTION 8 (Section 58.023, Agriculture Code) and SECTION 11 (Section 59.022, Agriculture Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 44.001(2), Agriculture Code, to redefine "eligible borrower."

SECTION 2. Amends Section 44.007(a), Agriculture Code, to require the board of directors of the Texas Agricultural Finance Authority (board) to establish a linked deposit program to encourage the development or expansion of businesses in rural areas of this state; and finance, rather than for the financing of, water conservation projects or equipment for agricultural production purposes.

SECTION 3. Amends Section 44.010(a) and (b), Agriculture Code, to provide that at any one time, not more than \$30 million, rather than \$25 million, is authorized to be placed in linked deposits under this chapter, \$10 million of which is authorized to be used only to finance water conservation projects and \$5 million of which is authorized to be used only to finance the economic development of businesses in rural areas. Provides that the maximum amount of a loan under this chapter to finance a business in a rural area is \$250,000.

SECTION 4. Amends Section 58.002(1), Agriculture Code, to redefine "agricultural business."

SECTION 5. Amends Chapter 58A, Agriculture Code, by adding Section 58.003, as follows:

Sec. 58.003. VENUE. Authorizes a suit filed by or on behalf of the authority under this chapter to be brought in Travis County.

SECTION 6. Amends Section 58.014(b), Agriculture Code, to provide that except as otherwise provided by Sections 58.021(c) and 58.0211(a), the affirmative vote of a majority of the directors, rather than at least three, present is necessary to adopt a resolution. Makes a conforming change.

SECTION 7. Amends Section 58.021(a), (c), and (d), Agriculture Code, to authorize the Texas

Agricultural Finance Authority (authority) to make, guarantee, insure, coinsure, or reinstate a loan for a single eligible agricultural business that results in a aggregate amount exceeding \$2 million, but not exceeding \$5 million, if the action is approved by a two-thirds vote of the board members present. Deletes text regarding membership. Authorizes the authority, notwithstanding any other provision of this section, to also design and implement programs to further rural economic development; and reduce the amount of interest paid on loans approved by the authority.

SECTION 8. Amends Section 58.023, Agriculture Code, by adding Subsection (d), to require the board by rule to adopt an agreement to be used between an approved applicant under which the authority makes a payment from the Texas agricultural fund for the purpose of providing a reduced interest rate on a loan guaranteed to a borrower under this subchapter. Requires the board to adopt rules to implement this subsection.

SECTION 9. Amends Section 58.033(a), Agriculture Code, to require proceeds of revenue bonds to be applied in accordance with the resolution authorizing those bonds to provide financial assistance to eligible agricultural businesses and for programs designed to further rural economic development.

SECTION 10. Amends Section 58.057(a) and (b), Agriculture Code, to authorize money in this account to be used for purposes authorized by this subchapter. Deletes text regarding authority. Requires the authority, at the end of each state fiscal year, to transfer to the general credit of the Texas agricultural fund any interest earned on the account that remains after payment of any administrative expenses of the program. Makes a conforming change.

SECTION 11. Amends Section 59.022, Agriculture Code, by adding Subsection (d), to require the board to adopt rules governing loan guarantees provided to lenders by the board in an amount necessary for the lender to have a performing loan.

SECTION 12. Amends Section 59.023, Agriculture Code, to provide that the board has the power necessary to accomplish the purposes and carry out the programs provided by this chapter, including the power to provide to a lender a loan guarantee for the purchase of real property by an eligible applicant under Section 59.024.

SECTION 13. Amends Section 59.025, Agriculture Code, as follows:

Sec. 59.025. New heading: MAXIMUM AMOUNT OF LOAN OR GUARANTEE.  
Authorizes, rather than requires, the board to provide a guarantee of not more than 90 percent of a loan approved under this section. Deletes text regarding a down payment paid to the board. Deletes text regarding refund of a down payment to the borrower.

SECTION 14. Effective date: upon passage or September 1, 2001.