

BILL ANALYSIS

Senate Research Center

H.B. 3578
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Economic Development
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Engrossed

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.

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.

H.B. 3578 amends current law relating to the allocation of Texas Economic Development Bank resources.

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 OF BANK RESOURCES. Authorizes the bank, notwithstanding other provisions in this subchapter (Capital Access Program), to allocate resources, including money held in, or due to, the capital access fund account in the general revenue fund, to bank programs specified in Section 489.108 (Programs,

Services, and Funds Under Bank's Direction) and Subchapter D (Product Development and Small Business Incubators), Chapter 489. Provides that the bank is specifically authorized to transfer funds held and deposited to the capital access fund to the Texas product development fund created in Section 489.211 (Texas Product Development Fund) and the Texas small business incubator fund created in Section 489.212 (Small Business Incubator Fund). Provides that funds transferred by the bank be used by the bank, without further limitation, to make loans to a small or medium-sized business or to a nonprofit organization; be used by the business, governmental or nonprofit organization for any project, activity, or enterprise in this state that fosters economic development; or be held in reserve accounts created as a condition for the extension of financial assistance by the bank.

SECTION 2. Amends Sections 489.211 and 489.212, Government Code, as follows:

Sec. 489.211. TEXAS PRODUCT DEVELOPMENT FUND. (a) Makes no change to this subsection.

(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 pursuant to Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the product fund.

(c) Makes no change to this subsection.

Sec. 489.212. SMALL BUSINESS INCUBATOR FUND. (a) Makes no change to this subsection.

(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 pursuant to Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the small business fund.

(c) Makes no change to this subsection.

SECTION 3. Effective date: September 1, 2013.