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H.B. No. 43

A BILL TO BE ENTITLED

AN ACT

relating to the Texas Agricultural Finance Authority and certain
programs administered by the authority.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 58.002(1), Agriculture Code, is amended
to read as follows:

(1) "Agricultural business" means:

(A) a business that is or proposes to be engaged
in producing, processing, marketing, or exporting an agricultural
product;

(B) an eligible applicant as defined in
Subchapter E;

(C) the entity designated to carry out boll
weevil eradication in accordance with Section 74.1011;

(D) any agriculture-related business in rural
areas of Texas ~~[including a business that provides recreational
activities, including hiking, fishing, hunting, or any other
activity associated with the enjoyment of nature or the outdoors on
agricultural land];~~

(E) a state agency or an institution of higher
education that is engaged in producing an agricultural product; or

(F) a nonprofit organization whose primary
purpose is to maintain the agricultural use of land ~~[a business that
holds a permit under Subchapter L, Chapter 43, Parks and Wildlife~~

Code, or

~~[(C) any other business in a rural area of this state].~~

SECTION 2. Sections 58.012(a), (b), (c), and (g), Agriculture Code, are amended to read as follows:

(a) The authority is governed by a board of directors composed of the following nine members:

(1) the commissioner of agriculture;

(2) two members appointed by the commissioner who are knowledgeable about agricultural lending practices; and

(3) six~~[, the director of the Institute for International Agribusiness Studies at Prairie View A&M University, and nine]~~ members appointed by the governor ~~[commissioner. Members of the board must be appointed in the numbers specified and]~~ from the following categories:

(A) two persons who are representatives ~~[(1) one person who is an elected or appointed official of a municipality or county,~~

~~[(2) four persons who are knowledgeable about agricultural lending practices,~~

~~[(3) one person who is a representative of agricultural businesses,~~

~~[(4) one person who is a representative]~~ of agriculture related entities, including rural chambers of commerce, foundations, trade associations, institutions of higher education, or other entities involved in agricultural matters; ~~[and]~~

1 (B) [~~(5)~~] two persons who represent young
2 farmers or ranchers and the interests of young farmers or ranchers;
3 and

4 (C) two persons who each operate a family farm or
5 ranch in this state.

6 (b) The appointed members of the board serve staggered terms
7 of two years, with the terms of four members expiring on January 1
8 of each even-numbered year and the terms of four [~~five~~] members
9 expiring on January 1 of each odd-numbered year.

10 (c) Any vacancy occurring in an appointed position on the
11 board shall be filled [~~by the commissioner~~] for the unexpired term
12 in the same manner as provided for the appointment of the position.

13 (g) Notwithstanding Subsection (f), age may be considered
14 by the commissioner in making appointments under Subsection
15 (a)(3)(B) [~~(a)(5)~~].

16 SECTION 3. Sections 58.016(b) and (d), Agriculture Code,
17 are amended to read as follows:

18 (b) On or before August 1 of each year, the administrator
19 shall file with the board the proposed annual budgets for the
20 agricultural [~~young farmer~~] loan guarantee program under
21 Subchapter E, the farm and ranch finance program under Chapter 59,
22 and the programs administered by the board under this chapter for
23 the succeeding fiscal year. If there is no administrator, the
24 commissioner shall assume the duties of the administrator in
25 connection with preparation of the budget. The budget must set
26 forth the general categories of expected expenditures out of
27 revenues and income of the funds administered by the authority and

1 the amount on account of each. On or before September 1 of each
2 year, the board shall consider the proposed annual budget and may
3 approve it or amend it. If for any reason the authority does not
4 adopt an annual budget before September 2, no expenditures may be
5 made from the funds until the board approves the annual budget. The
6 authority may adopt an amended annual budget for the current fiscal
7 year.

8 (d) On or before January 1 of each year, the authority shall
9 prepare and submit to the Legislative Budget Board a report of its
10 activities for the preceding fiscal year. The report must set forth
11 a complete operating and financial statement, including the
12 revenues and expenditures of the authority for each program
13 administered by the board.

14 SECTION 4. Section 58.021, Agriculture Code, is amended by
15 amending Subsections (c) and (d) and adding Subsection (e) to read
16 as follows:

17 (c) [~~Except as otherwise provided by this subsection, the~~
18 ~~maximum aggregate amount of loans made to or guaranteed, insured,~~
19 ~~coinsured, or reinsured under this subchapter for a single eligible~~
20 ~~agricultural business by the authority from funds provided by the~~
21 ~~authority is \$2 million. The authority may make, guarantee,~~
22 ~~insure, coinsure, or reinsure a loan for a single eligible~~
23 ~~agricultural business that results in an aggregate amount exceeding~~
24 ~~\$2 million, but not exceeding \$5 million, if the action is approved~~
25 ~~by a two-thirds vote of the board members present.] The authority
26 may make, guarantee, participate in, insure, coinsure, or reinsure
27 loans to the entity designated to carry out boll weevil eradication~~

1 in accordance with Section 74.1011 in an amount approved by the
2 board to enable that entity to execute Subchapter D, Chapter 74.
3 The authority may issue an obligation on behalf of, or make,
4 guarantee, participate in, insure, coinsure, or reinsure loans to,
5 a state agency or an institution of higher education for the purpose
6 of the development, improvement, or expansion of an agricultural
7 product or an agriculture-related business in an amount approved by
8 the board. The authority may make, guarantee, participate in,
9 insure, coinsure, or reinsure loans to an eligible agricultural
10 business from the proceeds of revenue bonds issued in accordance
11 with Section 58.033 in an amount approved by the board.

12 (d) Notwithstanding any other provision of this section,
13 the authority may also design and implement programs to:

14 (1) further agriculture-related rural economic
15 development; and

16 (2) reduce the amount of interest paid on loans
17 approved by the authority.

18 (e) The authority may provide financial assistance to the
19 Texas Animal Health Commission, Texas A&M AgriLife Extension
20 Service, or Texas A&M AgriLife Research to design and implement
21 programs to control agriculture-related diseases, pests, or
22 predators under Subchapter H.

23 SECTION 5. The heading to Subchapter F, Chapter 58,
24 Agriculture Code, is amended to read as follows:

25 SUBCHAPTER F. [~~YOUNG~~] FARMER INTEREST RATE REDUCTION PROGRAM

26 SECTION 6. Sections 58.071(1) and (2), Agriculture Code,
27 are amended to read as follows:

1 (1) "Eligible lending institution" means a financial
2 institution that makes commercial loans, is either a depository of
3 state funds or an institution of the Farm Credit System
4 ~~[headquartered in this state]~~, and agrees to participate in the
5 ~~[young]~~ farmer interest rate reduction program and to provide
6 collateral equal to the amount of linked deposits placed with it.

7 (2) "Linked deposit" means a time deposit governed by
8 a written deposit agreement between the state and an eligible
9 lending institution that provides:

10 (A) that the eligible lending institution pay
11 interest on the deposit at a rate that is not less than the greater
12 of:

13 (i) the current market rate of a United
14 States treasury bill or note of comparable maturity minus three
15 percent; or

16 (ii) 0.5 percent;

17 (B) that the state not withdraw any part of the
18 deposit before the expiration of a period set by a written advance
19 notice of the intention to withdraw; and

20 (C) that the eligible lending institution agree
21 to lend the value of the deposit to an eligible borrower at a
22 maximum rate that is the linked deposit rate plus a maximum of one
23 ~~[four]~~ percent.

24 SECTION 7. The heading to Section 58.072, Agriculture Code,
25 is amended to read as follows:

26 Sec. 58.072. ~~[YOUNG]~~ FARMER INTEREST RATE REDUCTION
27 PROGRAM.

SECTION 8. Sections 58.072(a), (b), (d), (e), (k), (m), and (n), Agriculture Code, are amended to read as follows:

(a) The board shall establish a ~~[young]~~ farmer interest rate reduction program to promote the creation and expansion of agricultural businesses by ~~[young]~~ people in this state.

(b) The board may disperse a loan under the ~~[To be eligible to participate in the young]~~ farmer interest rate reduction program quarterly, annually, or biennially, or on another disbursement schedule, as determined by the board after considering the needs of the recipient ~~[, an applicant must be at least 18 years of age but younger than 46 years of age]~~.

(d) The board shall adopt rules for the loan portion of the ~~[young]~~ farmer interest rate reduction program.

(e) In order to participate in the ~~[young]~~ farmer interest rate reduction program, an eligible lending institution may solicit loan applications from eligible applicants.

(k) If a lending institution holding linked deposits ceases to be either a state depository or a Farm Credit System institution ~~[headquartered in this state]~~, the comptroller may withdraw the linked deposits.

(m) A lending institution is not ineligible to participate in the ~~[young]~~ farmer interest rate reduction program solely because a member of the board is also an officer, director, or employee of the lending institution, provided that a board member shall recuse himself or herself from any action taken by the board on an application involving a lending institution by which the board member is employed or for which the board member serves as an

officer or director.

(n) Linked deposits under the ~~[young]~~ farmer interest rate reduction program shall be funded from the Texas agricultural fund.

SECTION 9. Section 58.075(a), Agriculture Code, is amended to read as follows:

(a) The maximum amount of a loan under this subchapter is \$1 million ~~[\$500,000]~~.

SECTION 10. The heading to Subchapter G, Chapter 58, Agriculture Code, is amended to read as follows:

SUBCHAPTER G. AGRICULTURE ~~[YOUNG FARMER]~~ GRANT PROGRAM

SECTION 11. Section 58.091(a), Agriculture Code, is amended to read as follows:

(a) The authority shall administer an agriculture ~~[a young farmer]~~ grant program. A grant must be for the purpose of maintaining agricultural businesses, maintaining agricultural uses of land, or fostering supply chain resiliency or the creation and expansion of agricultural businesses by ~~[young]~~ people in this state.

SECTION 12. Section 58.092, Agriculture Code, is amended to read as follows:

Sec. 58.092. ELIGIBILITY. To be eligible to receive a grant under this subchapter, an applicant ~~[a person]~~ must:

(1) be an agricultural producer or business ~~[who is at least 18 years of age but younger than 46 years of age]~~; and

(2) provide matching funds in an ~~[the]~~ amount ~~[of]~~ not less than 10 percent ~~[one dollar for each dollar]~~ of the grant money received.

SECTION 13. Section 58.093, Agriculture Code, is amended to read as follows:

Sec. 58.093. AMOUNT OF GRANTS. A grant under the agriculture ~~[young farmer]~~ grant program may not be less than \$5,000 or more than \$500,000 ~~[\$20,000]~~.

SECTION 14. Section 58.095, Agriculture Code, is amended to read as follows:

Sec. 58.095. FUNDING. The source of funds for the agriculture ~~[young farmer]~~ grant program is the Texas agricultural fund.

SECTION 15. Chapter 58, Agriculture Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. PEST AND DISEASE CONTROL AND DEPREDACTION PROGRAM

Sec. 58.101. PEST AND DISEASE CONTROL AND DEPREDACTION PROGRAM. (a) The authority shall provide financial assistance to the Texas Animal Health Commission, Texas A&M AgriLife Extension Service, or Texas A&M AgriLife Research to implement programs to control agriculture-related pests, diseases, or predators.

(b) A program implemented under this section must be designed to mitigate agricultural losses by an agricultural business through the control of agriculture-related pests, diseases, or predators.

Sec. 58.102. APPLICATIONS. The Texas Animal Health Commission, Texas A&M AgriLife Extension Service, or Texas A&M AgriLife Research shall submit an application to receive financial assistance under this subchapter on a form approved by the board or the board's designee.

1 Sec. 58.103. FUNDING. The source of funds for the financial
2 assistance program under this subchapter is the Texas agricultural
3 fund.

4 Sec. 58.104. RULES. The board shall adopt rules to
5 implement this subchapter, including rules governing the operation
6 of the program.

7 SECTION 16. The changes in law made by this Act in the
8 qualifications of members of the board of directors of the Texas
9 Agricultural Finance Authority do not affect the entitlement of a
10 member serving on the board immediately before the effective date
11 of this Act to continue to carry out the board's functions for the
12 remainder of the member's term. The changes in law apply only to a
13 member appointed on or after the effective date of this Act. This
14 Act does not prohibit a person who is a member of the board on the
15 effective date of this Act from being reappointed to the board if
16 the person has the qualifications required for a member under
17 Section 58.012, Agriculture Code, as amended by this Act.

18 SECTION 17. As soon as is practicable after the effective
19 date of this Act, the commissioner of agriculture shall adopt rules
20 to implement Chapter 58, Agriculture Code, as amended by this Act,
21 including rules to implement the pest and disease control and
22 depredation program established under Subchapter H, Chapter 58,
23 Agriculture Code, as added by this Act.

24 SECTION 18. This Act takes effect immediately if it
25 receives a vote of two-thirds of all the members elected to each
26 house, as provided by Section 39, Article III, Texas Constitution.
27 If this Act does not receive the vote necessary for immediate

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1 effect, this Act takes effect September 1, 2025.