LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 2, 2013

TO: Honorable John Davis, Chair, House Committee on Economic & Small Business Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3039** by Workman (Relating to financing programs and activities related to rural economic development.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Agriculture Code to expand the allowable use of the Texas Agricultural Fund No. 683 (Other Funds) to include rural development programs administered by the Texas Economic Development Bank (Bank). Currently, the Texas Department of Agriculture (TDA) administers and receives appropriations from the Texas Agricultural Fund No. 683 and also administers rural economic development programs through the Texas Agricultural Finance Authority. The bill would amend the Government Code to allow the Texas Economic Development and Tourism Office (Office) which is located within the Office of the Governor, through the Texas Economic Development Bank, to issue bonds for financial assistance to stimulate the economy in rural areas.

The bill would amend the Government Code to create a dedicated account, the Rural Development Account, within the Texas Agricultural Fund No. 683 for the purpose of financing rural economic development projects authorized by Article III, Sec. 49-f(g) of the Texas Constitution. Article III, Sec. 49-f(g) of the Constitution authorizes the issuance of $200 million in general obligation bonds to further economic development. Bond issues may be used to establish the Texas Agricultural Fund, a rural microenterprise development fund, and for other rural economic development programs.

According to the Office of the Governor, the Bank would issue self-supporting general obligation bonds that would be used to provide loans to rural communities. These loans would be paid off over time by the borrowers, who are assumed to have sufficient revenue or tax capacity to repay the loans. The cost of issuance (i.e., professional services provided by financial advisors and bond underwriters) would be recovered through principal repayments from borrowers. As for any additional operating costs associated with the program, they are anticipated to fall within the 5 percent of bond par amounts authorized by the bill to be used for administration. According to the Office of the Governor, program costs are not significant (the addition of one financial analyst) and would be recovered through application fees and/or the 5 percent administrative allocation.

Since the bonds would be self-supporting, the Comptroller of Public Accounts estimates that the bill would have no significant fiscal implications for the state. However, provisions of the bill would require that at any point the Bank determines there would be insufficient funds in the interest and sinking account within the Rural Development Account to pay principal or interest due on the bonds in the coming fiscal year, the Comptroller would transfer to the Rural Development Account an amount out of the first undedicated revenue deposited to the General Revenue Fund sufficient to pay the obligations. This could occur in the event of a default by borrowers.

The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2013.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts, 347 Public Finance Authority, 352 Bond Review Board, 551 Department of Agriculture

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