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| BILL ANALYSIS |

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| S.B. 2037 |
| By: Hall |
| Pensions, Investments & Financial Services |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE** It has been noted that the federal Food Security Act provides that a lien on a farm product does not apply after the sale of the product unless the secured creditor provides buyers notice of a security interest before the purchase is made. This notice may be provided either through actual notice to all potential buyers or through a central notification system that satisfies the requirements in the act. It has been suggested that, in Texas, the means by which a secured creditor sends the pre-notice of a security interest is not standardized and may be effected by means of a simple notice, certified letter, or notice with acknowledgement, which often results in creditors being unsure of whether they have sent the notice to the actual ultimate purchaser. S.B. 2037 seeks to eliminate confusion for all parties in this process by requiring the secretary of state to conduct a study on the feasibility of developing and implementing a central filing system for all financing statements that cover farm products being sold and purchased in Texas that are subject to a security interest.  |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS** S.B. 2037 requires the secretary of state to conduct a study on the feasibility of developing and implementing a central filing system to be used for the filing of all financing statements that cover farm products being sold and purchased in Texas that are subject to a security interest. The bill requires the study to evaluate proposals for a central filing system that allows a secured party to file a financing statement in the system that covers farm products and allows a buyer, commission merchant, selling agent, or other person to search the system to determine whether the farm product is subject to a security interest based on the information contained in a financing statement that is filed in the system. The bill defines "buyer," "commission merchant," and "selling agent" and provides for the meaning of "security interest," "farm products," and "financing statement" by reference to the Business & Commerce Code. S.B. 2037 requires the secretary of state, not later than January 12, 2021, to report the results of the study and any recommendations to the legislature and requires the report to include any proposed legislation necessary to implement the recommendations made in the report. The bill's provisions expire June 1, 2021. |
| **EFFECTIVE DATE** September 1, 2019. |