

BILL ANALYSIS

Senate Research Center
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H.B. 43
By: Kitzman et al. (Sparks)
Water, Agriculture and Rural Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Agricultural Finance Authority (TAFA) was created in 1987 within the Texas Department of Agriculture to provide financial assistance for the expansion and development of Texas agriculture and agricultural products. Two of the most influential programs from TAFA are the young farmer grant program and the interest rate reduction program. As of right now, the grant program only allows farmers and producers who are between the ages of 18 and 46 to apply for grants up to \$20,000, and require 100 percent match from the enrollees. For the interest rate reduction program, the current statutes allow loans up to \$500,000 to have a maximum of four percent state-set deposit rate required by lenders.

According to the Texas Farm Bureau, Texas led the nation in agricultural losses at \$3.4 billion. On top of this, more than 66 percent of Texas' total losses were attributed to widespread drought, excessive heat, and hot wind. These issues coupled with supply issues and inflation put Texas agriculture in crisis.

H.B. 43 allows a producer or an agricultural business to receive the grant, changes the fund matching burden on the producer to 10 percent of the amount received, strikes the age range, and increases the maximum amount allocated to \$500,000. The bill also increases the maximum loan amounts to \$1,000,000 and decreases the maximum state-set deposit rate from four percent to one percent for the interest rate reduction program. Increasing the accessibility of these programs allows for producers, farmers, and agribusinesses essential to production to continue and maintain their contributions to agriculture in Texas. Furthermore, H.B. 43 establishes provisions for the pest control and disease program to involve specific agencies to implement the programs directly.

H.B. 43 amends current law relating to the Texas Agricultural Finance Authority and certain programs administered by the authority.

RULEMAKING AUTHORITY

Rulemaking previously granted to the board of directors of the Texas Agricultural Finance Authority is modified in SECTION 8 (Section 58.072, Agriculture Code) of this bill.

Rulemaking authority is expressly granted to the board of directors of the Texas Agricultural Finance Authority in SECTION 15 (Section 58.104, Agriculture Code) of this bill.

Rulemaking authority is expressly granted to the commissioner of agriculture in SECTION 17 of this bill.

SECTION BY SECTION ANALYSIS

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

SECTION 2. Amends Sections 58.012(a), (b), (c), and (g), Agriculture Code, as follows:

(a) Provides that the Texas Agricultural Finance Authority (TAFA) is governed by a board of directors (board) composed of the following nine members:

(1) makes a nonsubstantive change to this subdivision;

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

(3) six members appointed by the governor from the following categories: two persons who are representatives of agriculture related entities, including rural chambers of commerce, foundations, trade associations, institutions of higher education, or other entities involved in agricultural matters, two persons who represent young farmers or ranchers and the interests of young farmers or ranchers, and two persons who each operate a family farm or ranch in this state.

Deletes existing text providing that TAFA is governed by a board composed of the director of the Institute for International Agribusiness Studies at Prairie View A&M University, and nine members appointed by the commissioner. Deletes existing text requiring that members of the board be appointed in the numbers specified and from the following categories: one person who is an elected or appointed official of a municipality or county, four persons who are knowledgeable about agricultural lending practices, one person who is a representative of agricultural businesses, and 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. Makes nonsubstantive changes.

(b) Provides that the appointed members of the board serve staggered terms of two years, with the terms of four members expiring on January 1 of each even-numbered year and the terms of four, rather than five, members expiring on January 1 of each odd-numbered year.

(c) Requires that any vacancy occurring in an appointed position on the board be filled, rather than be filled by the commissioner, for the unexpired term in the same manner as provided for the appointment of the position.

(g) Authorizes age, notwithstanding Subsection (f) (relating to requiring that appointments to the board be made without regard to certain personal qualities of the appointees), to be considered by the commissioner in making appointments under Subsection (a)(3)(B) (relating to providing that TAFA is governed by a board composed of six members appointed by the governor from certain categories, including two persons who represent young farmers or ranchers and the interests of young farmers or ranchers), rather than Subsection (a)(5).

SECTION 3. Amends Sections 58.016(b) and (d), Agriculture Code, as follows:

(b) Requires the administrator, on or before August 1 of each year, to file with the board the proposed annual budgets for the agricultural loan guarantee program, rather than young farmer loan guarantee program, under Subchapter E (Agricultural Loan Guarantee Program), the farm and ranch finance program under Chapter 59 (Farm and Ranch Finance Program), and the programs administered by the board under Chapter 58 (Agricultural Finance Authority) for the succeeding fiscal year.

(d) Requires TAFA, on or before January 1 of each year, to prepare and submit to the Legislative Budget Board a report of its activities for the preceding fiscal year. Requires that the report set forth a complete operating and financial statement, including the revenues and expenditures of TAFA for each program administered by the board.

SECTION 4. Amends Section 58.021, Agriculture Code, by amending Subsections (c) and (d) and adding Subsection (e), as follows:

(c) Deletes existing text providing that, except as otherwise provided by this subsection, the maximum aggregate amount of loans made to or guaranteed, insured, coinsured, or reinsured under Subchapter C (Purposes and Powers) for a single eligible agricultural

business by TAFE from funds provided by the authority is \$2 million. Deletes existing text authorizing TAFE to make, guarantee, insure, co-insure, or reinsure a loan for a single eligible agricultural business that results in an 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.

(d) Authorizes TAFE, notwithstanding any other provision of Section 58.021 (Purposes of Authority), to also design and implement programs to perform certain actions, including further agriculture-related rural economic development.

(e) Authorizes TAFE to provide financial assistance to the Texas Animal Health Commission (TAHC), Texas A&M AgriLife Extension Service, or Texas A&M AgriLife Research to design and implement programs to control agriculture-related diseases, pests, or predators under Subchapter H.

SECTION 5. Amends the heading to Subchapter F, Chapter 58, Agriculture Code, to read as follows:

SUBCHAPTER F. FARMER INTEREST RATE REDUCTION PROGRAM

SECTION 6. Amends Sections 58.071(1) and (2) to redefine "eligible lending institution" and "linked deposit."

SECTION 7. Amends the heading to Section 58.072, Agriculture Code, to read as follows:

Sec. 58.072. FARMER INTEREST RATE REDUCTION PROGRAM.

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

(a) Makes conforming changes to this subsection.

(b) Authorizes the board to disperse a loan under the 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. Deletes existing text requiring an applicant, to be eligible to participate in the young farmer interest rate reduction program, to be at least 18 years of age but younger than 47 years of age.

(d)-(e) Makes conforming changes to these subsections.

(k) Authorizes the Comptroller of Public Accounts of the State of Texas, if a lending institution holding linked deposits ceases to be either a state depository or a Farm Credit System institution, rather than a Farm Credit System institution headquartered in this state, to withdraw the linked deposits.

(m)-(n) Makes conforming changes to these subsections.

SECTION 9. Amends Section 58.075(a), Agriculture Code, to provide that the maximum amount of a loan under Subchapter F (Young Farmer Interest Rate Reduction Program) is \$1 million, rather than \$500,000.

SECTION 10. Amends the heading to Subchapter G, Chapter 58, Agriculture Code, to read as follows:

SUBCHAPTER G. AGRICULTURE GRANT PROGRAM

SECTION 11. Amends Section 58.091(a), Agriculture Code, as follows:

(a) Requires TAFE to administer an agriculture grant program, rather than a young farmer program. Requires that a grant 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 people, rather than young people, in this state.

SECTION 12. Amends Section 58.092, Agriculture Code, as follows:

Sec. 58.092. ELIGIBILITY. Requires an applicant, to be eligible to receive a grant under this subchapter, to be an agricultural producer or business and provide matching funds in an amount not less than 10 percent of the grant money received. Deletes existing text requiring a person, to be eligible to receive a grant under this subchapter, to be an agricultural producer who is at least 18 years of age but younger than 46 years of age and provide matching funds in the amount of not less than one dollar for each dollar of grant money received. Makes nonsubstantive changes.

SECTION 13. Amends Section 58.093, Agriculture Code, as follows:

Sec. 58.093. AMOUNT OF GRANTS. Prohibits a grant under the agriculture grant program, rather than young farmer grant program, from being less than \$5,000 or more than \$500,000, rather than \$20,000.

SECTION 14. Amends Section 58.095, Agriculture Code, to make a conforming change.

SECTION 15. Amends Chapter 58, Agriculture Code, by adding Subchapter H, as follows:

SUBCHAPTER H. PEST AND DISEASE CONTROL AND DEPREDATION PROGRAM

Sec. 58.101. PEST AND DISEASE CONTROL AND DEPREDATION PROGRAM. (a) Requires TAFA to provide financial assistance to TAHC, Texas A&M AgriLife Extension Service, or Texas A&M AgriLife Research to implement programs to control agriculture-related pests, diseases, or predators.

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

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

Sec. 58.103. FUNDING. Provides that the source of funds for the financial assistance program under this subchapter is the Texas agricultural fund.

Sec. 58.104. RULES. Requires the board to adopt rules to implement this subchapter, including rules governing the operation of the program.

SECTION 16. Provides that the changes in law made by this Act in the qualifications of members of the board do not affect the entitlement of a member serving on the board immediately before the effective date of this Act to continue to carry out the board's functions for the remainder of the member's term. Provides that the changes in law apply only to a member appointed on or after the effective date of this Act. Provides that this Act does not prohibit a person who is a member of the board on the effective date of this Act from being reappointed to the board if the person has the qualifications required for a member under Section 58.012 (Board of Directors), Agriculture Code, as amended by this Act.

SECTION 17. Requires the commissioner, as soon as is practicable after the effective date of this Act, to adopt rules to implement Chapter 58, Agriculture Code, as amended by this Act, including rules to implement the pest and disease control and depredation program established under Subchapter H, Chapter 58, Agriculture Code, as added by this Act.

SECTION 18. Effective date: upon passage or September 1, 2025.