

CHAPTER 299

H.B. No. 1287

AN ACT

relating to the establishment and funding of a young farmer loan guarantee program.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Chapter 253, Agriculture Code, is amended to read as follows:

CHAPTER 253. YOUNG FARMER LOAN GUARANTEE PROGRAM

Sec. 253.001. DEFINITIONS. *In this chapter:*

- (1) "Board" means the board of directors of the Texas Agricultural Finance Authority.
- (2) "Commercial lender" means a commercial lending institution chartered by the state or federal government, including a savings and loan association, a credit union, and a Farm Credit System institution.
- (3) "Eligible applicant" means a person applying for a loan guarantee under this chapter who:
 - (A) is at least 18 years of age but younger than 40 years of age;
 - (B) has four years of practical farm or ranch experience, with not more than two years of participation in a 4-H or an agricultural science and technology program counting as practical farm or ranch experience; and
 - (C) complies with the application procedures prescribed by this chapter.
- (4) "Plan" means a cash flow, production, or management plan.

Sec. 253.002. YOUNG FARMER LOAN GUARANTEE PROGRAM. (a) The board shall administer a loan guarantee program that benefits eligible applicants who desire to establish their first farming or ranching operation.

(b) The board may grant to an eligible applicant a guarantee of a loan made by a commercial lender for the purposes prescribed by this chapter. The guarantee amount may not exceed the lesser of \$50,000 or 90 percent of the total loan amount.

(c) The aggregate amount guaranteed under this chapter may not exceed twice the amount of current appropriations from the young farmer loan guarantee account.

(d) A loan guarantee recipient may use proceeds from the loan only for feed, seed, fertilizer, livestock, poultry, farm or ranch equipment, farm or ranch facilities, or leases of farmland or rangeland. A loan guarantee is voidable by the board if the recipient uses loan proceeds for a purpose other than those listed by this subsection. The board shall include this restriction as a condition in each loan guarantee instrument executed under this chapter.

Sec. 253.003. APPLICATION FOR LOAN GUARANTEE. (a) An eligible applicant must present to the department for the board's review:

(1) a five-year plan for the applicant's proposed farm or ranch that has been reviewed and approved by an individual who:

(A) teaches agricultural science and technology in the applicant's school district; or

(B) is a county extension agent-agriculture program leader of the Texas Agricultural Extension Service;

(2) a completed application for a loan from a commercial lender on which the eligible applicant has indicated that the loan proceeds will be used to implement the applicant's five-year plan; and

(3) the signed statement of a loan officer of the commercial lender that a loan guarantee is required for approval of the loan application.

(b) A district agricultural economist employed by the Texas Agricultural Extension Service shall assist with review and approval of a plan under Subsection (a)(1) of this section if requested to do so by the individual responsible for the review and approval.

(c) The department may charge a reasonable application fee for processing an application filed under this section.

Sec. 253.004. BOARD CONSIDERATION OF LOAN GUARANTEE APPLICATION. After reviewing the materials submitted under Section 253.003 of this chapter, the board shall consider the following factors in deciding whether to approve an application for a loan guarantee:

(1) the anticipated benefits from granting a loan guarantee to the applicant, including both potential job creation and commercial benefits to the agricultural industry;

(2) the applicant's qualifications;

(3) the feasibility of the applicant's plan; and

(4) other funding sources available to the applicant.

Sec. 253.005. DEFAULT. If the recipient of a loan guarantee defaults on a loan that is guaranteed under this chapter, and the department is required to honor its guarantee, the department, through its representative, may bring suit against the defaulting party. The suit may be brought in the county in which the defaulting party resides, in which the commercial lender is located, or in Travis County.

Sec. 253.006. MONEY FOR LOAN GUARANTEE PROGRAM. The commissioner may accept gifts and grants of money from the federal government, local governments, private corporations, or other persons for use in the young farmer loan guarantee program. The legislature may appropriate money for the program.

Sec. 253.007. YOUNG FARMER LOAN GUARANTEE ACCOUNT. (a) The young farmer loan guarantee account is an account in the general revenue fund. Money in the account may be appropriated only to the department for the purpose of making or administering loan guarantees under this chapter.

(b) The account consists of appropriations and transfers made to the account, grants and donations made for the purposes of the young farmer loan guarantee program, income earned on money in the account, and any other money received under this chapter.

Notwithstanding Section 404.071, Government Code, income and interest earned on money in the account shall be deposited to the credit of the account. The account is exempt from the application of Sections 403.094(h) and (i) and 403.095, Government Code.

(c) The board may spend not more than \$100,000 during each fiscal year from income earned on the account and from application fees collected by the department under Section 253.003 of this code to pay the costs of administering the program.

(d) The board shall attempt to administer the fund in a manner that makes private donations to the fund an eligible itemized deduction for federal income taxation.

(e) The board has the same authority in administering the young farmer loan guarantee program as it has in administering programs established by the board under Chapter 58 of this code.

~~[CHAPTER 253. YOUNG FARMER ENDOWMENT PROGRAM~~

~~[Sec. 253.001. DEFINITIONS. In this chapter:~~

~~(1) "Board" means the board of directors of the Texas Agricultural Finance Authority.~~

~~(2) "County agent" means a county extension agent agriculture program leader of the Texas Agricultural Extension Service.~~

~~(3) "District-based agricultural economist" means a district agricultural economist employed by the Texas Agricultural Extension Service.~~

~~(4) "Eligible borrower" means a person who is at least 18 years of age but younger than 40 years of age and who has four years of practical farm or ranch experience, with not more than two years of participation in a 4-H or a vocational agriculture program counting as practical farm or ranch experience.~~

~~(5) "Plan" means a cash flow, production, or management plan.~~

~~[Sec. 253.002. YOUNG FARMER ENDOWMENT PROGRAM LOANS. (a) The board shall administer a loan program supporting eligible borrowers who desire to establish their first farming or ranching operation.~~

~~(b) A young farmer endowment loan applicant may receive a loan in an amount not to exceed \$50,000.~~

~~(c) Except as provided by Section 253.003 of this code, a loan recipient may use loan proceeds only for feed, seed, fertilizer, livestock, poultry, farm equipment, farm facilities, leases of farmland, or to repay loans from other lenders borrowed to purchase or lease those items to establish the borrower's first farm or ranch operation.~~

~~(d) Loans made under this chapter are interest free.~~

~~[Sec. 253.003. LOAN PROCEEDS AS COLLATERAL. A loan recipient may use loan proceeds received under this chapter as collateral when applying for a commercial loan. If the loan recipient obtains a commercial loan with loan proceeds provided under this chapter as collateral, the loan recipient may use the commercial loan proceeds only for the purposes for which loan proceeds may be used under Section 253.002(e) of this code.~~

~~[Sec. 253.004. POWERS OF AUTHORITY. The board has the same authority in administering the young farmer endowment program as it has in administering programs established by the board under Chapter 58 of this code.~~

~~[Sec. 253.005. CRITERIA FOR LOANS. (a) The applicant must first present to the applicant's local county agent or to an agricultural science teacher who teaches in the applicant's school district a 10-year plan for the applicant's proposed farm or ranch operation. The county agent or agricultural science teacher shall assist in revising the plan and may request the assistance of the district-based agricultural economist.~~

~~(b) After the county agent or agricultural science teacher reviews the plan, the applicant may submit the plan and a loan application to the department for review by the board. After the board reviews the plan the board shall consider the applicant's loan application. The board may consider the following criteria before approving a loan:~~

~~(1) the anticipated benefits arising from a loan to the applicant, including both potential job creation and commercial benefits to the agricultural industry;~~

- ~~[(2) the qualifications of the applicant;~~
- ~~[(3) the reasonableness of the applicant's proposed budget;~~
- ~~[(4) the extent and level of other funding sources for the applicant;~~
- ~~[(5) the funding commitments needed for continued development; and~~
- ~~[(6) the comments of the county agent or agricultural science teacher who reviewed the plan.~~

~~[(c) The board shall establish a reasonable fee and collect the fee for each application submitted. The board shall deposit fees collected under this section in the state treasury to the credit of the young farmer endowment fund.~~

~~[Sec. 253.006. REPAYMENT SCHEDULE. The board shall establish a repayment schedule for each loan recipient. The schedule must require the loan recipient to begin payment of the loan not later than the second anniversary of the date on which the loan was made. The loan recipient shall fully repay the loan not later than the 15th anniversary of the date on which the loan was made. The board may grant an extension on the deadline imposed by this section.~~

~~[Sec. 253.007. MONEY FOR LOANS. The commissioner may accept gifts and grants of money from the federal government, local governments, private corporations, or other persons for use in making loans under the young farmer endowment program. The legislature may appropriate money for loans under this program.~~

~~[Sec. 253.008. YOUNG FARMER ENDOWMENT FUND. The young farmer endowment fund is a fund in the state treasury. Money appropriated to the board for use in making loans under the young farmer endowment program, other amounts received by the state for loans made under the program, and other money received by the board for the program and required by the board to be deposited in the fund shall be deposited to the credit of the fund. The fund shall operate as a revolving fund, the contents of which shall be applied and reapplied for the purposes of the young farmer endowment program. The board may use not more than \$100,000 during each fiscal year from the application fees collected under Section 253.003 and interest earned on the fund to pay the costs to the department in administering the young farmer endowment program. The board shall attempt to administer the fund in a manner that makes private donations to the fund deductible from federal income taxes.]~~

SECTION 2. Section 6a, Chapter 88, General Laws, Acts of the 41st Legislature, 2nd Called Session, 1929 (Article 6675a-6a, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 6a. [(a)] When a commercial motor vehicle is to be used for commercial purposes by the owner thereof only in the transportation of his own poultry, dairy, livestock, livestock products, timber in its natural state, and farm products to market, or to other points for sale or processing, or the transportation by the owner thereof of laborers from their place of residence, and materials, tools, equipment and supplies, without charge, from the place of purchase or storage, to his own farm or ranch exclusively for his own use, or use on such farm or ranch, the registration license fee shall be fifty per cent (50%) of the registration fee prescribed for weight classifications in Section 6 of this Act, ~~plus an additional fee of Five Dollars (\$5)~~; provided, however, that the additional use of the vehicle as a means of passenger transportation, without charge, of members of the family to attend church or school, to visit doctors for medical treatment or supplies, and for other necessities of the home or family shall not prevent its registration as a farm vehicle. Nothing in the foregoing shall be interpreted as permitting the use of a farm licensed vehicle in connection with other gainful employment. It shall be the duty of the *Texas* [State] Department of [Highways and Public] Transportation to provide license plates for vehicles registered under this Section distinguishable from license plates used for other commercial vehicles using the highways. If the owner of any commercial motor vehicle registered under this Section shall use or permit to be used any such vehicle for any other purpose than those provided for in this Section, he shall be guilty of a misdemeanor and upon conviction shall be fined in any sum not less than Twenty-five Dollars (\$25) nor more than Two Hundred Dollars (\$200), and each use of such vehicle and each permission for such use of such vehicle shall constitute a separate offense. All commercial motor vehicles, truck tractors, road tractors, trailers and semi-trailers as

defined in Section 1 of Chapter 23 of the General Laws of the Fifth Called Session of the Forty-first Legislature, not coming within the provisions of this Section, shall be required to pay all registration and license fees prescribed by other provisions of this Act.

~~[(b) The county tax collector shall send the additional Five Dollar (\$5) fee collected under this section to the state treasurer, at the time and in the manner prescribed by the treasurer, for deposit in the state treasury to the credit of the young farmer endowment fund.]~~

SECTION 3. Chapter 88, General Laws, Acts of the 41st Legislature, 2nd Called Session, 1929 (Article 6675a-1 et seq., Vernon's Texas Civil Statutes), is amended by adding Section 17 to read as follows:

Sec. 17. (a) At the time a person registers a commercial motor vehicle under Section 6a of this Act, the person shall pay a voluntary assessment in the amount of \$5.

(b) The county tax collector shall send the \$5 assessment collected under this section to the state treasurer, at the time and in the manner prescribed by the Texas Agricultural Finance Authority, for deposit in the general revenue fund to the credit of the young farmer loan guarantee account.

(c) The Texas Agricultural Finance Authority shall prescribe procedures under which an assessment collected under this section may be refunded. The county tax collector of the county in which an assessment is collected shall implement the refund procedures prescribed by the authority and shall provide notice of those procedures to a person paying an assessment at the time of the payment.

SECTION 4. (a) On the effective date of this Act, the comptroller shall transfer all money in the young farmer endowment fund in the state treasury to the young farmer loan guarantee account established under this Act.

(b) On or after the effective date of this Act, an appropriation made from the young farmer endowment fund is considered to be an appropriation made from the young farmer loan guarantee account established under this Act.

SECTION 5. The Texas Agricultural Finance Authority shall continue to administer a loan made before the effective date of this Act under the young farmer endowment program until the loan is fully repaid.

SECTION 6. An individual who before the effective date of this Act paid a \$5 fee that was deposited to the credit of the young farmer endowment fund under Section 6a, Chapter 88, General Laws, Acts of the 41st Legislature, 2nd Called Session, 1929 (Article 6675a-6a, Vernon's Texas Civil Statutes), may obtain a refund of the amount paid by filing an application for refund with the comptroller of public accounts not later than the 60th day after the effective date of this Act. Notice of the availability of the refunds shall be made by publication in local newspapers with countywide distribution. Amounts not refunded shall be considered donations for the purposes of this Act.

SECTION 7. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed by the House on May 4, 1993, by a non-record vote; passed by the Senate on May 14, 1993: Yeas 29, Nays 0.

Approved May 27, 1993.

Effective August 30, 1993, 90 days after date of adjournment.