

- SUBJECT:** Diverting farm and ranch land bonds to Texas agricultural fund
- COMMITTEE:** Agriculture and Livestock — favorable, with amendments
- VOTE:** 7 ayes — Patterson, R. Cuellar, King, Rabuck, Rusling, Swinford, Walker  
0 nays  
2 absent — Finnell, Hawley
- WITNESSES:** None
- BACKGROUND:** Article 3, sec. 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds to provide financing for the purchase of farm and ranch land. The principal amount of bonds outstanding at one time may not exceed \$500 million.
- Article 3, sec. 49-i, of the Texas Constitution, adopted in 1989, authorizes the issuance of up to \$25 million in general obligation bonds for Texas agricultural fund in the state treasury. The Texas agricultural fund may be used only to provide financial assistance to develop, increase, improve, or expand the production, processing, marketing, or export of crops or products grown or produced primarily in this state by Texas agribusiness enterprises. It also authorizes issuance of up to \$5 million in bonds for the rural microenterprise development fund.
- DIGEST:** HJR 92, as amended, would allow \$200 million of the \$500 million in bonds for the farm and ranch finance program fund to be used for the purposes of the Texas agricultural fund. Bond proceeds would be deposited in, and administered in the same manner as, the the Texas agricultural fund.
- The proposed constitutional amendment would be presented to voters at an election on November 7, 1995. The ballot proposal would read: "The constitutional amendment including diversifying the production, processing, marketing and export of Texas agricultural products and other rural economic development programs as authorized uses of farm and ranch finance program bonds approved by the voters in 1989."

**SUPPORTERS  
SAY:**

HJR 92 would provide a needed injection of capital to help the state preserve its agricultural economy without increasing the state's total bond debt authorization. The Texas agricultural fund provides financial assistance to small Texas agricultural businesses to produce, process and market crops and products grown or produced primarily in Texas. Demand for the seed capital provided by this program is high.

The Texas Farm and Ranch Finance Program, administered by the Texas Department of Agriculture (TDA), provides financing to eligible farmers and ranchers to purchase land for a base of operation. The Constitution allows up to \$500 million in bonds to be outstanding at one time, but the administrators of the program report the demand for loans has come nowhere near that amount. Shifting part of the bond authority from the land purchase program to the agricultural fund would be consistent with the goal of promoting Texas agriculture and would be a more efficient use of this unused bond authority.

This constitutional amendment would allow up to \$200 million of the excess bond capacity in the farm and ranch land program to be diverted to the Texas agricultural fund, which provides low-interest financing to promote agricultural enterprises, agricultural products and other rural economic development programs.

The Texas agricultural fund may be financed with up to \$500 million in revenue bonds through statutory authority as well as \$25 million in general obligation bonds. Since general obligation bonds are backed by the state, they carry a lower interest rate than revenue bonds. Since the proposal would shift existing bond authority, it would not add to the state's authorized bond debt. The fund depends on loan repayments to pay back the bonds and does not use general revenue.

**OPPONENTS  
SAY:**

Texas voters have twice rejected additional bond authority for the Texas agricultural fund — \$100 million initially in 1987, as part of a general business development loan proposal, and an extra \$75 million for the fund only two years ago. Voters are wary of using public credit to subsidize private business enterprises.

The farm and ranch land purchase program, which promotes maintaining family agriculture, serves a different purpose than the Texas agricultural fund, which promotes business enterprises. Bond authority that the land program may need later should not be diverted.

NOTES: The committee amendment would change the proposed ballot language to refer to prior voter approval of the Texas agricultural fund.