

GOVERNMENT CODE  
TITLE 4. EXECUTIVE BRANCH  
SUBTITLE F. COMMERCE AND INDUSTRIAL DEVELOPMENT  
CHAPTER 489. TEXAS ECONOMIC DEVELOPMENT BANK

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 489.001. DEFINITIONS. In this chapter:

(1) "Bank" means the Texas Economic Development Bank established under Section [489.101](#).

(2) "Fund" means the Texas economic development bank fund.

(3) "Office" means the Texas Economic Development and Tourism Office.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.002. RULES. The office shall adopt rules necessary to carry out the purposes of this chapter.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

SUBCHAPTER B. CREATION AND OPERATION OF BANK; TEXAS ECONOMIC  
DEVELOPMENT BANK FUND

Sec. 489.101. CREATION OF BANK. (a) The office shall establish the Texas Economic Development Bank for the purpose of:

(1) providing globally competitive, cost-effective state incentives to expanding businesses operating in this state and businesses relocating to this state; and

(2) ensuring that communities and businesses in this state have access to capital for economic development purposes.

(b) The bank's effectiveness shall be measured on the basis of the number of jobs created and retained and the total amount of nonstate funds leveraged as a result of the bank's efforts.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.102. POWERS AND DUTIES OF BANK. (a) The bank shall offer a variety of financial incentives to help communities and businesses in this state compete and succeed in the global marketplace. The bank shall assist communities in accessing financing with which to fund their economic development efforts.

(b) The bank may:

(1) provide, as provided under the programs the bank administers under Section 489.108 or otherwise as provided by law:

(A) qualifying communities with tax incentives for expanding businesses or businesses relocating to this state;

(B) incentives to lenders to:

(i) make loans to near-bankable businesses in the lender's community; and

(ii) make low-interest loans to qualifying businesses; and

(C) bond-based long-term debt financing for capital investment in public entities, in large commercial and industrial projects, and for other economic development purposes;

(2) act as a link between businesses searching for investment capital and potential investors;

(3) inform institutional lenders of economic development plans and strategies for each region of this state and encourage institutional lenders to support those plans in their marketing and investment strategies;

(4) offer communities a one-stop source of financing for their economic development efforts;

(5) provide communities with technical assistance in the development of their incentive programs to attract and retain businesses and in the design of incentive packages for specific proposals;

(6) provide expanding businesses or businesses relocating to this state with a single source of information concerning financial incentives offered by this state to those businesses; and

(7) provide grants or financing to the Texas Department of Transportation to implement the department's powers

and duties relating to rural rail development under Chapter [91](#), Transportation Code.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 1410 (H.B. [2660](#)), Sec. 1, eff. June 15, 2007.

Sec. 489.103. FEES. The bank shall charge fees to the beneficiaries of its services as the bank determines necessary. Amounts collected under this section may be used to support the administration of the bank's programs and implementation of the bank's strategies.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.104. ALLOCATION OF RESOURCES. The bank may allocate its resources as necessary to efficiently meet the level of demand experienced by:

(1) each program or service described by Section [489.108](#); and

(2) the Texas Department of Transportation under Section [489.102](#)(b)(7).

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 1410 (H.B. [2660](#)), Sec. 2, eff. June 15, 2007.

Sec. 489.105. TEXAS ECONOMIC DEVELOPMENT BANK FUND. (a) The Texas economic development bank fund is a dedicated account in the general revenue fund.

(b) The fund consists of:

(1) appropriations for the implementation and administration of this chapter;

(2) investment earnings under the original capital access fund established under Section [481.402](#);

- (3) fees charged under Subchapter BB, Chapter 481;
- (4) interest earned on the investment of money in the fund;
- (5) fees charged under this chapter;
- (6) investment earnings from the programs administered by the bank;
- (7) amounts transferred under Section 2303.504(b), as amended by Article 2, Chapter 1134, Acts of the 77th Legislature, Regular Session, 2001;
- (8) investment earnings under the Texas product development fund under Section 489.211;
- (9) investment earnings under the Texas small business incubator fund under Section 489.212; and
- (10) any other amounts received by the state under this chapter.

(c) Money in the fund may be used only to carry out the purposes of this chapter.

(d) The financial transactions of the fund are subject to audit by the state auditor as provided by Chapter 321.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 1004 (H.B. 3271), Sec. 17, eff. June 18, 2021.

Sec. 489.106. ADMINISTRATION OF FUND AND CHAPTER. The office shall administer the fund. In administering the fund and this chapter, the office has the powers necessary to carry out the purposes of this chapter, including the power to:

- (1) make, execute, and deliver contracts, conveyances, and other instruments;
- (2) impose and collect fees and charges in connection with any transaction and provide for reasonable penalties for delinquent payments or performance; and
- (3) issue bonds for economic development projects as that term is defined by Section 501.101, Local Government Code, or Section 505.151, 505.152, 505.153, 505.154, 505.155, or 505.156,

Local Government Code.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 3.08, eff. April 1, 2009.

Sec. 489.107. ANNUAL REPORT. On or before January 1 of each year, the office shall submit to the legislature an annual status report on the activities of the bank.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.108. PROGRAMS, SERVICES, AND FUNDS UNDER BANK'S DIRECTION. Notwithstanding any other law, the bank shall perform the duties and functions of the office with respect to the following programs, services, and funds:

(1) the original capital access program established under Section [481.405](#);

(2) the Texas leverage fund;

(3) the enterprise zone program established under Chapter [2303](#);

(4) the industrial revenue bond program;

(5) the defense economic readjustment zone program established under Chapter [2310](#);

(6) the Empowerment Zone and Enterprise Community grant program established under Section [481.025](#); and

(7) the renewal community program.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 3.09, eff. April 1, 2009.

Acts 2015, 84th Leg., R.S., Ch. 364 (H.B. [2667](#)), Sec. 3, eff. September 1, 2015.

Acts 2021, 87th Leg., R.S., Ch. 1004 (H.B. [3271](#)), Sec. 18, eff. June 18, 2021.

## SUBCHAPTER C. MISCELLANEOUS PROVISIONS

Sec. 489.151. STATE LIABILITY PROHIBITED. The state and state officers or employees are not liable to participants for grants, loans, or other transactions under this chapter except as specifically provided by law.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.152. GIFTS, GRANTS, AND DONATIONS. The office may accept gifts, grants, and donations from any source for the purposes of this chapter.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

## SUBCHAPTER D. PRODUCT DEVELOPMENT AND SMALL BUSINESS INCUBATORS

Sec. 489.201. DEFINITIONS. In this subchapter:

(1) "Board" means the Product Development and Small Business Incubator Board.

(2) "Financing" means a loan, loan guarantee, or equity investment from the product fund to a person for use in the development and production of a product in this state, or a grant, loan, or loan guarantee from the small business fund to a person for use in the development of a small business in this state.

(3) "Office" includes the designee of the office.

(4) "Product" includes an invention, device, technique, or process, without regard to whether a patent has been or could be granted, that has advanced beyond the theoretical stage and has or is readily capable of having a commercial application. The term does not include pure research.

(5) "Product fund" means the Texas product development fund.

(6) "Program" means the product development program or the small business incubator program.

(7) "Small business fund" means the Texas small

business incubator fund.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.202. PRODUCT DEVELOPMENT AND SMALL BUSINESS INCUBATOR BOARD. (a) The Product Development and Small Business Incubator Board is created in the office.

(b) The bank administers the programs, the product fund, and the small business fund.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.203. BOARD MEMBERS; APPOINTMENT; TERMS OF OFFICE. (a) The board consists of nine persons appointed by the governor.

(b) In appointing members of the board, the governor shall appoint:

(1) three persons having significant business leadership experience in technology, particularly experience with the transfer of research results into commercial applications;

(2) two persons employed by institutions of higher education of this state who have experience in technological research and its commercial applications;

(3) two persons experienced and knowledgeable in structuring and providing financing for technological products or businesses; and

(4) two persons who reside in a county of this state with above state average unemployment and below state average per capita income and who have experience and knowledge in technology-related business growth.

(c) Appointed members of the board serve six-year staggered terms, with the terms of three members expiring February 1 of each odd-numbered year.

(d) The governor shall appoint the presiding officer of the board.

(e) The board shall appoint a secretary of the board whose duties may be prescribed by law and by the board.

(f) Appointed members of the board serve without pay but are entitled to reimbursement for their actual expenses incurred in attending meetings of the board or in performing other work of the board if that work is approved by the governor or the governor's designee.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2005, 79th Leg., Ch. 40 (H.B. 2307), Sec. 1, eff. May 10, 2005.

Sec. 489.204. REMOVAL OF BOARD MEMBER. (a) It is a ground for removal from the board if an appointed member:

(1) cannot because of illness or disability discharge the member's duties for a substantial part of the term for which the member is appointed; or

(2) is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year unless the absence is excused by majority vote of the board.

(b) The validity of an action of the board is not affected by the fact that the action was taken when a ground for removal of a board member existed.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.205. TRAINING OF BOARD MEMBERS. (a) Before an appointed member of the board may assume the member's duties, the member must complete at least one course of the training program established under this section.

(b) A training program established under this section shall provide information to the member regarding:

(1) the enabling legislation that created the board;

(2) the programs operated by the board;

(3) the role and functions of the board;

(4) the rules of the board, with an emphasis on the rules that relate to disciplinary and investigatory authority;



- (5) the current budget for the board;
- (6) the results of the most recent formal audit of the board;
- (7) the requirements of the:
  - (A) open meetings law, Chapter 551;
  - (B) open records law, Chapter 552; and
  - (C) administrative procedure law, Chapter 2001;
- (8) the requirements of the conflict of interest laws and other laws relating to public officials; and
- (9) any applicable ethics policies adopted by the board or the Texas Ethics Commission.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.206. MEETINGS. (a) The board shall hold regular meetings in Austin and other meetings at places and times scheduled by the board in formal sessions and called by the bank.

(b) The board shall develop and implement policies that provide the public with a reasonable opportunity to appear before the board and to speak on any issue under the jurisdiction of the board.

(c) The board shall make minutes of all meetings available in the board's office for public inspection.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.207. APPLICABILITY OF OPEN MEETINGS LAW AND ADMINISTRATIVE PROCEDURE LAW. The board is subject to the open meetings law, Chapter 551, and the administrative procedure law, Chapter 2001.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.208. STAFF. (a) The employees of the office selected by the executive director of the office for that purpose serve as the staff of the board.

(b) The executive director of the office shall select and

supervise the staff of the board and perform other duties delegated to the office by the board.

(c) The executive director of the office shall provide to members of the board and to board staff, as often as necessary, information regarding their qualifications for office or employment under this subchapter and their responsibilities under applicable laws relating to standards of conduct for state officers or employees.

(d) The board shall develop and implement policies that clearly separate the policy-making responsibilities of the board and the management responsibilities of the office, the bank, and the executive director of the office.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.209. PROGRAM AND FACILITY ACCESSIBILITY. (a) The board shall comply with federal and state laws related to program and facility accessibility.

(b) The board shall prepare and maintain a written plan that describes how a person who does not speak English can be provided reasonable access to the board's programs and services.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.210. POWERS OF BOARD AND BANK; BONDS. (a) The board and bank have the powers necessary and reasonable to carry out this subchapter and the board may adopt rules, policies, and procedures necessary or reasonable to implement this subchapter.

(b) The bank may issue general obligation bonds, up to the amounts authorized and as provided by Section 71, Article XVI, Texas Constitution, to fund the program.

(c) Not more than an amount equal to five percent of the total amount of bonds issued may be used to pay administrative fees involved in selling the bonds.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.211. TEXAS PRODUCT DEVELOPMENT FUND. (a) The Texas product development fund is a revolving fund in the state treasury.

(b) The product fund is composed of proceeds of bonds issued under this subchapter, financing application fees, loan repayments, guarantee fees, royalty receipts, dividend income, money appropriated by the legislature for authorized purposes of the product fund, amounts received by the state from loans, loan guarantees, and equity investments made under this subchapter, amounts received by the state from federal grants or other sources, amounts transferred from the original capital access fund under Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the product fund. The product fund contains a program account, an interest and sinking account, and other accounts that the bank authorizes to be created and maintained. Money in the product fund is available for use by the board under this subchapter. Investment earnings under the product fund must be transferred to the fund created under Section 489.105. Notwithstanding any other provision of this subchapter, any money in the product fund may be used for debt service.

(c) Money in the program account of the product fund, minus the costs of issuance of bonds under this subchapter and necessary costs of administering the product fund, may be used only to provide financing to aid in the development and production, including the commercialization, of new or improved products in this state. The bank shall provide financing from the product fund on the terms and conditions that the bank determines to be reasonable, appropriate, and consistent with the purposes and objectives of the product fund and this subchapter, for the purpose of aiding in the development and production of new or improved products in this state.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1092 (H.B. 3578), Sec. 2, eff. September 1, 2013.

Acts 2021, 87th Leg., R.S., Ch. 1004 (H.B. 3271), Sec. 19,

eff. June 18, 2021.

Sec. 489.212. SMALL BUSINESS INCUBATOR FUND. (a) The Texas small business incubator fund is a revolving fund in the state treasury.

(b) The small business fund is composed of proceeds of bonds issued under this subchapter, financing application fees, loan repayments, guarantee fees, royalty receipts, dividend income, money appropriated by the legislature for authorized purposes of the small business fund, amounts received by the state from loans, loan guarantees, and equity investments made under this subchapter, amounts received by the state from federal grants or other sources, amounts transferred from the original capital access fund under Section 481.415, and any other amounts received under this subchapter and required by the bank to be deposited in the small business fund. The small business fund contains a project account, an interest and sinking account, and other accounts that the bank authorizes to be created and maintained. Money in the small business fund is available for use by the board under this subchapter. Investment earnings under the small business fund must be transferred to the fund created under Section 489.105. Notwithstanding any other provision of this subchapter, any money in the small business fund may be used for debt service.

(c) Money in the project account of the small business fund, minus the costs of issuance of bonds under this subchapter and necessary costs of administering the small business fund, may be used only to provide financing to foster and stimulate the development of small businesses in this state. The bank shall provide financing from the small business fund on the terms and conditions that the bank determines to be reasonable, appropriate, and consistent with the purposes and objectives of the small business fund and this subchapter, for the purpose of fostering and stimulating the development of new or existing small businesses in this state.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1092 (H.B. 3578), Sec. 3, eff. September 1, 2013.

Acts 2021, 87th Leg., R.S., Ch. 1004 (H.B. 3271), Sec. 20, eff. June 18, 2021.

Sec. 489.213. ELIGIBLE PRODUCTS AND BUSINESSES; FINANCING.

(a) Financing may be made under this subchapter only for a product or small business approved by the bank.

(b) In determining eligible products and businesses, the bank shall give special preference to products or businesses in the areas of semiconductors, nanotechnology, biotechnology, and biomedicine that have the greatest likelihood of commercial success, job creation, and job retention in this state. The bank shall give further preference to providing financing to projects or businesses that are:

(1) grantees under the small business innovation research program established under 15 U.S.C. Section 638, as amended;

(2) companies formed in this state to commercialize research funded at least in part with state funds;

(3) applicants that have acquired other sources of financing;

(4) companies formed in this state and receiving assistance from designated state small business development centers; or

(5) applicants who are residents of this state doing business in this state and performing financed activities predominantly in this state.

(c) The board shall adopt rules governing the terms and conditions of the financing, specifically including requirements for appropriate security or collateral, equity interest, and the rights and remedies of the board and bank in the event of a default on the loan. The rules must include a requirement that applicants report to the bank on the use of money distributed through either fund.

(d) Before approving the provision of financing to a person, the bank shall enter into an agreement with the person under which

the bank will obtain an appropriate portion of royalties, patent rights, equitable interests, or a combination of those royalties, rights, and interests from or in the product or the proceeds of the product for which financing is requested. Contracts executed under this subchapter must include agreements to ensure proper use of funds and the receipt of royalties, patent rights, or equity interest, as appropriate.

(e) The board may appoint an advisory committee of experts in the areas of semiconductors, nanotechnology, biotechnology, and biomedicine to review projects and businesses seeking financing from the bank.

(f) Repealed by Acts 2003, 78th Leg., 3rd C.S., ch. 10, Sec. 9.02.

(g) A claim of the state for a payment owed to the state under this subchapter by a person who has been provided financing has priority over all other claims against the person.

(h) Any business in this state is eligible for funding distributed through the small business incubator fund if it is determined that the business is substantially likely to develop and expand the opportunities for small businesses in the semiconductor, nanotechnology, biotechnology, or biomedicine industry in this state.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003. Amended by Acts 2003, 78th Leg., 3rd C.S., ch. 10, Sec. 9.01, eff. Oct. 20, 2003; Acts 2003, 78th Leg., 3rd C.S., ch. 10, Sec. 9.02, eff. Oct. 20, 2003.

Sec. 489.214. APPLICATION PROCESS. (a) To apply for financing from the bank, an applicant shall submit to the bank:

(1) an application for financing on a form prescribed by the bank; and

(2) a reasonable application fee set by the bank.

(b) The application must include a business plan containing the information required by the bank, including at a minimum:

(1) information regarding:

(A) the history and financial condition of the applicant, including the applicant's income statement;

(B) the applicant's present markets and market prospects; and

(C) the integrity of the applicant's management;

(2) a statement of the feasibility of the product for which financing is requested, including the state of development of any product to be developed and the proposed schedule of its commercialization; and

(3) if applicable, documentation of attempts to obtain private financing.

(c) The bank shall determine, with respect to each application for financing, whether:

(1) the product or business for which financing is requested is economically sound;

(2) there is a reasonable expectation that the product or business will be successful;

(3) the product or business will create or preserve jobs and otherwise benefit the economy of the state;

(4) the applicant has the management resources and other funding to complete the project;

(5) financing is necessary because full financing is unavailable in traditional capital markets or credit has been offered on terms that would preclude the success of the project; and

(6) there is reasonable assurance that the potential revenues to be derived from the sale of the product will be sufficient to repay any financing approved by the bank.

(d) After considering the application and all other information it considers relevant, the bank shall approve or deny the application and promptly notify the applicant of its decision.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.215. INFORMATION CONFIDENTIAL. (a) Information described by Subsection (b) collected, assembled, or maintained by or for the bank is confidential and may not be disclosed by the bank, the board, the office, or the executive director of the office.

(b) This section applies to information in any form provided by or on behalf of an applicant for financing or a recipient of financing under this subchapter, including information contained in, accompanying, or derived from any application or report, that relates to a product, to the development, application, manufacture, or use of a product, or to the markets, market prospects, or marketing of a product and that is proprietary information of actual or potential commercial value to the applicant or recipient that has not been disclosed to the public. Confidential information includes scientific and technological information, including computer programs and software, and marketing and business operation information, regardless of whether the product to which the information relates is patentable or capable of being registered under copyright or trademark laws or has a potential for being sold, traded, or licensed for a fee. This section does not make confidential information in an account, voucher, or contract relating to the receipt or expenditure of public funds by the bank, board, or the department or its successor under this subchapter.

(c) Any application for financing that is withdrawn by the applicant before approval or funding or that is denied by the bank shall be returned to the applicant promptly on request, together with all materials submitted by or on behalf of the applicant that relate to the application, except that the bank may retain a record of the submission and disposition of the application that does not include any information described by Subsection (b).

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.216. PROGRAM COORDINATION. The bank and the office shall coordinate the administration and funding of the programs.

Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

Sec. 489.217. EXPENDITURES. All expenditures of the program must be approved on behalf of the state by the bank. Expenses incurred by the program in the operation and



administration of its programs and affairs, including expenditures for employees and program assistance or development, shall be paid out of fees collected or revenues generated under this subchapter. Added by Acts 2003, 78th Leg., ch. 814, Sec. 2.01, eff. Sept. 1, 2003.

#### SUBCHAPTER E. TEXAS SMALL AND RURAL COMMUNITY SUCCESS FUND

Sec. 489.251. DEFINITION. In this subchapter, "fund" means the Texas small and rural community success fund established by Section [489.252](#).

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.252. TEXAS SMALL AND RURAL COMMUNITY SUCCESS FUND.

(a) The Texas small and rural community success fund is created as a trust fund held outside the state treasury by the comptroller as trustee. The comptroller shall hold money in the fund in escrow and in trust for and on behalf of the bank and the owners of bonds issued under Section [489.253](#).

(b) The fund consists of:

(1) proceeds from the issuance of bonds under Section [489.253](#);

(2) payments of principal and interest on loans made under this subchapter;

(3) loan origination fees imposed on loans made under this subchapter;

(4) investment earnings described by Subsection (e); and

(5) any other money received by the bank under this subchapter.

(c) The fund may be used only:

(1) to make loans to economic development corporations for eligible projects as authorized by Chapters [501](#), [504](#), and [505](#), Local Government Code;

(2) to pay the bank's necessary and reasonable costs of administering the program established by this subchapter,

including the payment of letter of credit fees and credit rating fees;

(3) to pay the principal of and interest on bonds issued under Section [489.253](#);

(4) to pay reasonable fees and other costs incurred by the bank in administering the fund; and

(5) for any other purpose authorized by this subchapter.

(d) The bank, in coordination with the comptroller, may provide for the establishment and maintenance of separate accounts or sub-accounts in the fund, including interest and sinking accounts, reserve accounts, program accounts, or other accounts. The accounts and sub-accounts must be kept and held in escrow and in trust as provided by Subsection (a).

(e) Pending use, the comptroller may invest and reinvest the money in the fund in investments authorized by law for state funds. Earnings on the investments shall be credited to the fund.

(f) The bank may use money in the fund for the purposes specified by and according to the procedures established by this subchapter. This state may take action with respect to the fund only as specified by this subchapter and only in accordance with the resolutions of the executive director of the office adopted under Section [489.253](#).

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.253. REVENUE-BASED BONDS AUTHORIZED. (a) The bank, the office, or the office's successor agency may provide for the issuance, sale, and retirement of bonds, including obligations in the form of commercial paper notes, to provide funding for economic development purposes as authorized by Section [52-a](#), Article III, Texas Constitution, and this subchapter.

(b) The bonds are special obligations of the bank and the principal of and interest on the bonds must be payable solely from the revenues derived by the bank under this subchapter, including loan repayments secured by a pledge of the local economic development sales and use tax revenues imposed by municipalities

for the benefit of economic development corporations created under Chapters 504 and 505, Local Government Code. The bonds do not constitute an indebtedness of this state, the office, or the bank in the meaning of the Texas Constitution or of any statutory limitation. The bonds do not constitute a pecuniary liability of this state, the office, or the bank or constitute a charge against the general credit of this state, the office, or the bank, or against the taxing power of this state. The limitations provided by this subsection must be stated plainly on the face of each bond.

(c) The executive director of the office by resolution may provide for the bonds to:

(1) be executed and delivered at any time in one or more series as a single issue or as several issues;

(2) be in any denomination and form, including registered uncertificated bonds not represented by written instruments and commonly known as book-entry obligations, the registration of ownership and transfer of which the bank shall provide for under a system of books and records maintained by a financial institution serving as trustee, paying agent, or bond registrar;

(3) be of a term authorized by the executive director, not to exceed 40 years from their date;

(4) be in coupon or registered form;

(5) be payable in installments and at a time or times not exceeding the term authorized by applicable law;

(6) be subject to terms of redemption;

(7) be payable at a place or places;

(8) bear no interest or bear interest at any rate or rates, fixed, variable, floating, or otherwise determined by the bank or determined under a contractual arrangement approved by the executive director, except that the maximum net effective interest rate, computed in accordance with Section 1204.005, on the bonds may not exceed a rate equal to the maximum annual interest rate established by Section 1204.006; and

(9) contain provisions not inconsistent with this subchapter.

(d) Bonds issued under this section are subject to review

and approval by the attorney general in the same manner and with the same effect as may be required by law, including Chapter [1202](#) or [1371](#), as applicable.

(e) This state pledges to and agrees with the owners of any bonds issued under this section that this state will not limit or alter the rights vested in the bank to fulfill the terms of any agreements made with an owner or in any way impair the rights and remedies of an owner until the bonds, together with any premium and the interest on the bonds, with interest on any unpaid premium or installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged. The bank may include this pledge and agreement of this state in any agreement with the owners of the bonds.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.254. BOND SALE AND ISSUANCE. (a) Bonds issued under Section [489.253](#) may be sold at public or private sale at a price and in a manner and from time to time as resolutions of the executive director of the office that authorize issuance of the bonds provide.

(b) From the proceeds of the sale of the bonds, the bank may pay expenses, premiums, and insurance premiums that the bank considers necessary or advantageous in connection with the authorization, sale, and issuance of the bonds.

(c) In connection with the issuance of its bonds, the bank may exercise the powers granted to the governing body of an issuer in connection with the issuance of obligations under Chapter [1371](#). However, any bonds issued in accordance with this subchapter and Chapter [1371](#) are not subject to the rating requirement for an obligation issued under Chapter [1371](#).

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.255. AGREEMENTS IN BONDS. (a) A resolution of the executive director of the office that authorizes bonds to be issued

under Section 489.253 or a security agreement, including a related indenture or trust indenture, may contain any agreements and provisions customarily contained in instruments securing bonds, including provisions respecting the fixing and collection of obligations, the creation and maintenance of special funds, and the rights and remedies available, in the event of default to the holders of the bonds or to the trustee under the security agreement, all as the bank considers advisable and consistent with this subchapter. However, in making such an agreement or provision, the bank may not incur:

(1) a pecuniary liability of this state, the office, or the bank; or

(2) a charge against the general credit of this state, the office, or the bank, or against the taxing powers of this state.

(b) The resolution of the executive director of the office authorizing the issuance of the bonds and a security agreement securing the bonds may provide that, in the event of default in payment of the principal of or interest on the bonds or in the performance of an agreement contained in the proceedings or security agreement, the payment and performance may be enforced as provided by Sections 403.055 and 403.0551, by mandamus, or by the appointment of a receiver in equity with power to charge and collect bonds and to apply revenues pledged according to the proceedings or the provisions of the security agreement. A security agreement may provide that, in the event of default in payment or the violation of an agreement contained in the security agreement, a trustee under the security agreement may enforce the bondholder's rights by mandamus or other proceedings at law or in equity to obtain any relief permitted by law, including the right to collect and receive any revenue used to secure the bonds.

(c) A breach of a resolution of the executive director of the office adopted under Section 489.253, a breach of an agreement made under this section, or a default under bonds issued under this subchapter does not constitute:

(1) a pecuniary liability of this state, the office, or the bank; or

(2) a charge against the general credit of this state,

the office, or the bank, or against the taxing power of this state.

(d) The trustee or trustees under a security agreement or a depository specified by the security agreement may be any person that the bank designates, regardless of whether the person is a resident of this state or incorporated under the laws of the United States or any state.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.256. REFUNDING BONDS. (a) Bonds issued under Section 489.253 may be refunded by the bank by the issuance of the bank's refunding bonds in the amount that the bank considers necessary to refund the unpaid principal of the refunded bonds, together with any unpaid interest, premiums, expenses, and commissions required to be paid in connection with the refunded bonds. Refunding may be effected whether the refunded bonds have matured or are to mature later, either by sale of the refunding bonds or by exchange of the refunding bonds for the refunded bonds.

(b) A holder of refunded bonds may not be compelled to surrender the bonds for payment or exchange before the date on which the bonds are payable, or, if the bonds are called for redemption, before the date on which they are by their terms subject to redemption.

(c) Refunding bonds having a final maturity not to exceed that permitted for other bonds issued under Section 489.253 may be issued under the same terms and conditions provided by this subchapter for the issuance of bonds or may be issued in the manner provided by statute, including Chapters 1207 and 1371.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.257. USE OF BOND PROCEEDS. The proceeds from the sale of bonds issued under this subchapter may be applied only for a purpose for which the bonds were issued, except that:

(1) any secured interest received in the sale shall be applied to the payment of the principal of or interest on the bonds sold and, if a portion of the proceeds is not needed for a purpose

for which the bonds were issued, that portion shall be applied to the payment of the principal of or interest on the bonds; and

(2) any premium received in the sale of the bonds shall be applied in accordance with Section [1201.042](#)(d).

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.258. BONDS AS LEGAL INVESTMENTS FOR FIDUCIARIES AND OTHER PERSONS. (a) Bonds of the bank issued under this subchapter are securities in which all public officers and bodies of this state; municipalities; municipal subdivisions; insurance companies and associations and other persons carrying on an insurance business; banks, bankers, trust companies, savings and loan associations, investment companies, and other persons carrying on a banking business; administrators, guardians, executors, trustees, and other fiduciaries; and other persons authorized to invest in other obligations of this state may invest funds, including capital, in their control or belonging to them.

(b) Notwithstanding any other provision of law, the bonds of the bank issued under this subchapter are also securities that may be deposited with and received by public officers and bodies of this state and municipalities and municipal subdivisions for any purpose for which the deposit of other obligations of the state are authorized.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.259. ADMINISTRATION OF FUND. The bank shall administer the fund. In administering the fund and this subchapter, the bank has the powers necessary to carry out the purposes of this subchapter, including the power to:

(1) make, execute, and deliver contracts, conveyances, and other instruments; and

(2) impose charges and provide for reasonable penalties for delinquent payments or performance in connection with any transaction.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1,

eff. June 18, 2021.

SUBCHAPTER F. MICRO-BUSINESS DISASTER RECOVERY LOAN GUARANTEE  
PROGRAM

Sec. 489.301. DEFINITIONS. In this subchapter:

(1) "Declared disaster" means a state of disaster declared by the governor under Chapter 418.

(2) "Financial institution" includes a bank, trust company, banking association, savings and loan association, mortgage company, investment bank, credit union, and nontraditional financial institution.

(3) "Micro-business" means a corporation, partnership, sole proprietorship, or other legal entity that:

(A) is domiciled in this state and has at least 95 percent of its employees located in this state;

(B) is formed to make a profit; and

(C) employs not more than 20 employees.

(4) "Participating financial institution" means a financial institution participating in the program.

(5) "Program" means the micro-business disaster recovery loan guarantee program.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.302. MICRO-BUSINESS DISASTER RECOVERY FUND.

(a) The micro-business disaster recovery fund is a dedicated account in the general revenue fund.

(b) The micro-business disaster recovery fund is composed of:

(1) money appropriated by the legislature for the implementation and administration of this subchapter;

(2) amounts received by the state from federal grants or other sources;

(3) interest earned on the investment of money in the micro-business disaster recovery fund;

(4) amounts transferred from the Texas economic



development bank fund; and

(5) any other amounts received under this subchapter and required by the bank to be deposited in the micro-business disaster recovery fund.

(c) Money in the micro-business disaster recovery fund may be appropriated only to the bank for use in carrying out the purposes of this subchapter.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.303. POWERS OF BANK IN ADMINISTERING MICRO-BUSINESS DISASTER RECOVERY FUND. In administering the micro-business disaster recovery fund, the bank has the powers necessary to carry out the purposes of this subchapter, including the power to invest money at the bank's discretion in obligations determined proper by the bank.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.304. MICRO-BUSINESS DISASTER RECOVERY LOAN GUARANTEE PROGRAM. (a) The bank shall establish and administer a micro-business disaster recovery loan guarantee program in which money in the micro-business disaster recovery fund is used to guarantee loans made by participating financial institutions to micro-businesses that have suffered economic injury as a result of a declared disaster.

(b) The bank shall determine the eligibility of a financial institution to participate in the program and may set a limit on the number of eligible financial institutions that may participate in the program.

(c) To participate in the program, an eligible financial institution must enter into a participation agreement with the bank that sets out the terms and conditions under which loans made to micro-businesses recovering from a declared disaster will be guaranteed.

(d) To qualify for a loan guarantee under the program, a micro-business:

(1) must:

(A) be in good standing under the laws of this state; and

(B) not owe delinquent taxes to a taxing unit of this state before the date of the initial issuance of the disaster declaration; and

(2) may not:

(A) have total revenue that exceeds the amount for which no franchise tax is due under Section 171.002(d)(2), Tax Code; or

(B) be a franchise, a national chain with operations in this state, a lobbying firm, or a private equity firm or backed by a private equity firm.

(e) A micro-business that receives a loan guarantee shall apply the loan to working capital or to the purchase, construction, or lease of capital assets damaged, reduced, or lost as a result of the declared disaster.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.305. RULEMAKING AUTHORITY. The executive director of the office shall adopt rules relating to the implementation of the program and any other rules necessary to accomplish the purposes of this subchapter.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. 1465), Sec. 1, eff. June 18, 2021.

Sec. 489.306. ANNUAL REPORT BY PARTICIPATING FINANCIAL INSTITUTION. A participating financial institution shall submit an annual report to the bank. The report must:

(1) provide information regarding outstanding loan guarantees, loan guarantee losses, and any other information on loan guarantees under the program the bank considers appropriate;

(2) state the total amount of loans that the bank has guaranteed under this subchapter;

(3) include a copy of the financial institution's most recent financial statement; and

(4) include information regarding the type and size of micro-businesses with loan guarantees.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.

Sec. 489.307. ANNUAL REPORT TO LEGISLATURE. The bank shall submit to the legislature an annual status report on the program's activities.

Added by Acts 2021, 87th Leg., R.S., Ch. 947 (S.B. [1465](#)), Sec. 1, eff. June 18, 2021.