

SUBJECT: Creating the Texas Rural Development Fund

COMMITTEE: Agriculture and Livestock — favorable, without amendment

VOTE: 8 ayes — Gonzalez Toureilles, Anderson, B. Brown, Crabb, Hardcastle, Kleinschmidt, Rios Ybarra, Swinford

0 nays

1 absent — Heflin

SENATE VOTE: On final passage, April 8 — 29-2 (Patrick, Shapiro)

WITNESSES: (*On House companion bill, HB 1715:*)
For —Donna Chatham, Association of Rural Communities in TX; Wallace Klussmann, Office of Rural Community Affairs; Tommy Engelke, Texas Agricultural Cooperative Council; Ken Hodges, Texas Farm Bureau; Ken Horton, Texas Pork Producers Association; Lance Lively, NFIB Texas; Ruben Longoria, Texas Association of School Boards; Vicky Rudy, City of Rollingwood; Andy Wilson, Public Citizen)

Against — None

On —Eric Beverly, Office of Rural Community Affairs; Joe Ramos, Alamo Area Council of Governments AACOG; Charles S. Stone, Office of Rural Community Affairs)

BACKGROUND: In 2001, the 77th Legislature enacted HB 7 by Chisum, which created the Office of Rural Community Affairs (ORCA) as a state agency dedicated to serving the needs of rural Texas. ORCA’s main functions include coordinating rural programs among state agencies, participating in disaster relief efforts, and awarding grants to rural communities and non-profit hospitals that operate in rural areas.

In October 2003, the Texas Center for Rural Entrepreneurship was created by rural entrepreneurs, economic development leaders, non-profit organizations, and local, state and federal government entities to facilitate the delivery of educational and technical support to rural entrepreneurs.

During the 2005 regular session, the 79th Legislature enacted HB 1714 by Keffer, which created the Texas Entrepreneurship Network. The network, which includes the Texas Center for Rural Entrepreneurship, ORCA, the Texas Department of Agriculture, and other state agencies and non-profit groups, provides programs and services to facilitate the growth and success of entrepreneurs in rural Texas.

DIGEST:

SB 684 would establish the Texas Rural Development Fund as an account in the General Revenue Fund dedicated to funding economic development initiatives in rural areas. ORCA would administer the fund, and it would be used to support the following initiatives:

- the Rural Entrepreneurship and Business Innovation Program;
- the Texas Rural Youth Corps Program;
- Rural Community Asset Study Matching Grant Program;
- the Regional Planning and Implementation Matching Grant Program;
- the Rural Capacity and Leadership Enhancement Program; and
- the Rural Wealth Creation and Retention Program

The Rural Entrepreneurship and Business Innovation Program would provide loans with interest rates as low as one percent to businesses and entrepreneurs in the interest of creating and retaining jobs in rural areas. Loans would be for up to \$35,000 for each job created or retained, depending on the wage of a particular job. Jobs that offered higher wages would be eligible for more funding than jobs that offered lower wages.

Loans would be issued to microenterprises, small businesses, businesses using natural resources in the production process, tourism or recreation businesses, businesses that expand broadband services, and projects that develop infrastructure. Loan applicants would have to be in good legal standing and not owe any back taxes.

ORCA could require applicants to provide a commercial bank letter of credit. All loans would be accompanied by a written agreement between ORCA and the loan recipient that detailed the terms of the loan. Loan recipients would be required to submit an annual progress report to ORCA.

The program also would award challenge grants to community-based organizations that assisted entrepreneurs.

The Texas Rural Youth Corps Program would help youths aged 12 to 19 to develop job skills through participation in community service projects. The program also would involve community revitalization efforts. Organizations experienced in working with at-risk youths would be eligible to apply for grants through the program. Projects funded through the program would include:

- the building and repair of energy-efficient affordable housing for seniors, veterans, or low-income families;
- the renovation or construction of historic landmarks, community facilities, businesses, health care facilities, cultural districts, or public and non-profit parks and cemeteries;
- projects that raised awareness about renewable energy technologies,
- documentation of community history;
- identification of community assets; and
- marketing of community assets, amenities and history.

Applications for grants through the Texas Rural Youth Corps program would be given priority if they were to include matching contributions from other sources, offer scholarship opportunities, or were geared toward meeting the needs of at-risk youth. Grant recipients could not spend more than 8 percent of grant money on administrative costs.

Rural Community Asset Study Matching Grant Program would give out matching grants to fund community asset studies. The following types of entities would be eligible to apply for asset study grants: cities, counties, economic development corporations, community based foundations, faith-based groups, hospitals, clinics, colleges, and commissions.

The Regional Planning and Implementation Matching Grant Program would provide matching grants for projects that advanced regional development goals. Local governments and organizations in different cities and counties would team up to apply jointly for these grants, which would be used to support initiatives that would benefit an entire region.

The Rural Capacity and Leadership Enhancement Program would develop leadership, improve business practices of cities and counties, increase awareness about renewable energy, identify community assets, and assist emergency service districts. ORCA would partner with junior

colleges and technical schools to determine a curriculum for this program

The Rural Wealth Creation and Retention Program would identify sources of community wealth, educate residents about charitable giving, and encourage the creation of foundations that build wealth and decrease long-term dependence on government programs.

SB 684 would require ORCA to provide a biennial report to the Legislature detailing the grants issued through Texas Rural Development Fund programs.

ORCA would be required to adopt rules for all programs by March 1, 2010, but implementation would be contingent on appropriations by the Legislature. This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009

**SUPPORTERS
SAY:**

SB 684 would help provide sustainable rural economic and community development and would encourage rural Texans to help themselves by fostering entrepreneurship and leadership capacity. SB 684 is a product of the Senate International Relations and Trade Committee's interim report during the 79th Legislature, which recommended the establishment of a Rural Development Fund to promote leadership and economic development in rural parts of the state.

SB 684 would bring to Texas a combination of rural economic development tools that have been effective in other states. Texas has the largest rural population in the nation, yet lags behind other states in implementing programs to encourage economic development in rural areas. Nebraska, for example, has a successful rural development program that includes programs to assist entrepreneurs and develop community leaders. SB 684 would direct much needed resources Texas' 881 rural cities.

SB 684 would provide a statutory framework for programs that could be funded in the future. Some programs in the bill would require no new resources, and cost effectiveness could be realized by better coordination of existing programs.

OPPONENTS

Community and economic development programs for rural Texas need

SAY: adequate funding, not more new programs. There has been no shortage of programs intended to help rural communities enacted by the Legislature in recent years, but initiatives such as the Texas Entrepreneurship Network have fallen short of goals due to a lack of funding. In addition, ORCA officials report that the agency can fund only one-third of applications for its existing programs, and much of ORCA's funding for the rural leadership program was eliminated in 2003.

NOTES: The fiscal note indicates that the bill would cost \$3,451,031 in general revenue to implement during fiscal 2010-2011.

The House companion bill, HB 1715 by Gonzalez Toureilles, was reported favorably, without amendment, by the Agriculture and Livestock Committee on March 24, but died in the House Calendars Committee.