

BILL ANALYSIS

Senate Research Center

C.S.S.B. 684
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Agriculture & Rural Affairs
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Although Texas has the largest rural population in the nation, approximately 3.6 million people, it has fallen behind other states in terms of resources and programs for this target population. Ongoing refinement of Texas' efforts to assist its rural citizens is needed. Since creation of the Office of Rural Community Affairs (ORCA), best practices for sustainable rural development have continued to be refined across the nation. Current law does not provide for state level coordination of these best practices. Allowing Texas to join similar efforts in other states would help to provide greater economic and infrastructure development programs, and help Texas sharpen its rural development efforts and bolster rural Texas' long term sustainability.

C.S.S.B. 684 establishes the Texas Rural Development Fund (fund). The bill requires ORCA to establish a Rural Entrepreneurship and Business Innovation Program, a Rural Area Regional Planning and Implementation Matching Grant Program, a Rural Capacity and Leadership Enhancement Program, a Texas Rural Youth Corps Program, and a Rural Wealth Creation and Retention Program. The bill sets forth the nature and content of the programs and the eligibility and selection criteria for participation in the programs, and provides for the establishment of various grant programs and the provision of such grants.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the board of the Office of Rural Community Affairs is modified in SECTION 4 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 487.001, Government Code, by adding Subdivision (3), to define "rural area."

SECTION 2. Amends Subchapter C, Chapter 487, Government Code, by adding Section 487.062, as follows:

Sec. 487.062. TRAINING. (a) Authorizes the Office of Rural Community Affairs (ORCA) to develop and administer a training program related to the programs and activities established under Subchapters S, T, U, V, W, and X.

(b) Authorizes ORCA to contract with a public or private entity to develop and provide the training under this section.

SECTION 3. Amends Chapter 487, Government Code, by adding Subchapters R-X, as follows:

SUBCHAPTER R. TEXAS RURAL DEVELOPMENT FUND

Sec. 487.801 TEXAS RURAL DEVELOPMENT FUND. (a) Provides that the Texas Rural Development Fund (fund) is an account in the general revenue fund. Provides that the account is composed of legislative appropriations; gifts donations, grants, and matching funds received under Subsection (b); and other money required by law to be deposited in the account.

(b) Authorizes ORCA to solicit and accept gifts, donations, grants, and matching funds of money from the federal government, local governments, private

corporations, or other persons to be used for the purposes of Subchapters S through X.

(c) Requires that income from money in the account be credited to the account.

(d) Authorizes that money in the fund be used only for the purpose of implementing and maintaining the programs established under Subchapters S through X.

SUBCHAPTER S. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION PROGRAM

Sec. 487.851. DEFINITIONS. Defines "microenterprise," "minimum wage," "program," and "small business."

Sec. 487.852. PROGRAM. Requires ORCA to create a rural entrepreneurship and business innovation program to perform certain tasks.

Sec. 487.853. INCENTIVES; LOANS. (a) Requires the rural entrepreneurship and business innovation program to offer incentives in the form of loans to entrepreneurs and businesses for purposes of the creation or retention of jobs in rural areas.

(b) Authorizes an eligible business or entrepreneur to apply for a loan under the rural entrepreneurship and business innovation program on an application form prescribed by ORCA.

Sec. 487.854. ELIGIBLE BUSINESS OR ENTREPRENEUR; BORROWING REQUIREMENTS. (a) Authorizes ORCA to make a loan under the rural entrepreneurship and business innovation program to certain businesses or entrepreneurs.

(b) Requires an applicant, to be eligible to receive a loan under this subchapter, to be in good standing under the laws of the state in which the entity was formed or organized, as evidence by a certificate issued by the secretary of state or the state official having custody of the records pertaining to the entities of other organizations formed under the laws of that state and owe no delinquent taxes to a taxing unit of this state.

(c) Authorizes ORCA to require a commercial bank letter of credit. Authorizes ORCA to determine and require other terms and conditions, including insurance or a bank guarantee, for the making of a loan under the rural entrepreneurship and business innovation program.

Sec. 487.855. MAXIMUM LOAN AMOUNT. (a) Provides that the maximum loan amount to be made by the rural entrepreneurship and business innovation program is \$35,000 for each eligible employee position retained or created.

(b) Authorizes that a loan made by the rural entrepreneurship and business innovation program be based on a certain schedule.

Sec. 487.856. RESTRICTION ON USE OF LOAN. Prohibits a loan from being used to attract a business from another location in this state, unless ORCA determines that the business would otherwise leave the state.

Sec. 487.857. LOAN TERMS. (a) Requires loan interest rates to be based on the capacity of the borrower and the risk of the project as determined by ORCA.

(b) Authorizes loan interest rates to be as low as one percent.

Sec. 487.858. WRITTEN AGREEMENT. (a) Requires ORCA, before awarding a loan under this subchapter, to enter into a written agreement with the entity to be awarded the loan money specifying that:

(1) if ORCA finds that the loan recipient has not met each of the performance targets specified in the agreement as of a date certain provided in the agreement:

(A) the recipient is required to repay the loan and any related interest to the state at the agreed rate and on the agreed terms;

(B) ORCA will not distribute to the recipient any loan money that remains to be awarded under the agreement; and

(C) ORCA is authorized to assess specified penalties for noncompliance against the recipient;

(2) if all or any portion of the amount of the loan is used to build a capital improvement, the state is authorized to:

(A) retain a lien or other interest in the capital improvement in proportion to the percentage of the loan amount used to pay for the capital improvement; and

(B) require the recipient of the loan, if the capital improvement is sold, to repay to the state the loan money used to pay for the capital improvement, with the interest at the rate and according to the other terms provided by the agreement, and share with the state a proportionate amount of any profit realized from the sale; and

(3) if, as of a date certain provided in the agreement, the loan recipient has not used loan money awarded under this subchapter for the purposes for which the loan was intended, the recipient is required to repay that amount and any related interest to the state at the agreed rate and on the agreed terms.

(b) Authorizes the loan agreement to include a provision providing that a reasonable percentage of the total amount of the loan will be withheld until specified performance targets are met by the entity as of the date described by Subsection (a)(1).

(c) Requires ORCA to determine the performance targets and date required to be contained in the loan agreement as provided by Subsection (a)(1), and if the loan agreement includes the provision authorized by Subsection (b), the percentage of loan money required to be withheld.

Sec. 487.859. ANNUAL PROGRESS REPORT. Requires an entity entering into a loan agreement under Section 487.858 to submit to ORCA an annual progress report containing the information compiled during the previous calendar year regarding the attainment of each of the performance target specified in the agreement.

Sec. 487.860. REPAYMENT OF LOAN. (a) Authorizes repayment of a loan under Section 487.858(a)(1)(A) to be prorated to reflect a partial attainment of performance targets.

(b) Authorizes ORCA, after repayment of a loan, to rebate to the borrower an amount to cover fees associated with a commercial bank letter of credit and all, or a portion of, the borrower's incidental borrowing costs.

(c) Authorizes ORCA to use interest earned on any loan to repay any indebtedness related to the rural entrepreneurship and business innovation program.

Sec. 487.861. SUPPORT SERVICES. Authorizes ORCA to contract to provide services to entrepreneurs or businesses for purposes of implementing the rural entrepreneurship and business innovation program.

Sec. 487.862. CHALLENGE GRANTS. Authorizes ORCA to award challenge grants under the rural entrepreneurship and business innovation program to promote the establishment of community-based organizations to work in partnership with communities in rural areas to assist entrepreneurs through economic development efforts in existence at the time of the organization's establishment.

SUBCHAPTER T. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION MATCHING GRANT PROGRAM

Sec. 487.901. DEFINITION. Defines "program."

Sec. 487.902. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION MATCHING GRANT PROGRAM. (a) Requires ORCA to create the rural area regional planning and implementation matching grant program to foster regional collaboration for community and economic development in rural areas.

(b) Authorizes ORCA to award matching grants for the planning and implementation of regionally identified objectives in a rural area.

Sec. 487.903. ELIGIBLE ENTITIES. (a) Requires an application, to be awarded a matching grant under the rural area regional planning and implementation matching grant program for a proposed project, including a description of the project proposal, to be jointly submitted by two or more certain entities in the form prescribed by ORCA.

(b) Requires entities that jointly submit an application under Subsection (a) to be physically located in at least two or more adjacent rural counties or two or more municipalities or census-designated places in a rural county.

Sec. 487.904. GRANT AWARDS. Requires ORCA to give preference to eligible applicants that demonstrate an inclusive planning and implementation process over other eligible applicants for an award of a matching grant under the rural area regional planning and implementation matching grant program.

SUBCHAPTER U. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM

Sec. 487.951. DEFINITION. Defines "program."

Sec. 487.952. PROGRAM. Requires ORCA to create the rural capacity and leadership enhancement program to assist municipalities and unincorporated communities in rural areas to perform certain tasks.

Sec. 487.953. RURAL LEADERSHIP CURRICULUM. Authorizes ORCA to coordinate with an interested public junior college or public technical institute, as those terms are defined by Section 61.003 (Definitions), Education Code, that is located in a rural area of consortium of those colleges or institutes, the Texas Rural Leadership Program, or another appropriate leadership program to develop and maintain a rural leadership curriculum to implement the rural capacity and leadership enhancement program.

Sec. 487.954. LEADERSHIP TRAINING. Authorizes ORCA to award a stipend under the rural capacity and leadership enhancement program to an individual who completes training based on the curriculum developed under Section 487.953.

SUBCHAPTER V. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM

Sec. 487.1001. DEFINITION. Defines "program."

Sec. 487.1002. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM. (a) Requires ORCA to create the rural community asset study matching grant program to assist communities in rural areas in identifying community assets.

(b) Authorizes ORCA to issue matching grants to fund community asset studies in accordance with criteria established by ORCA.

Sec. 487.1003. ELIGIBLE ENTITIES. (a) Requires that an application to be awarded a matching grant under the rural community asset study matching grant program for a proposed project, including a description of the project proposal, be jointly submitted by two or more certain entities in the form prescribed by ORCA.

(b) Requires ORCA to give preference to eligible applicants that demonstrate an inclusive planning and implementation process over other eligible applicants for an award of a matching grant under the rural community asset study matching grant program.

(c) Requires ORCA to develop criteria for eligible projects and for the awarding of matching grants under the rural community asset study matching grant program.

SUBCHAPTER W. TEXAS RURAL YOUTH CORPS PROGRAM

Sec. 487.1051. DEFINITIONS. Defines "executive director" and "program."

Sec. 487.1052. TEXAS RURAL YOUTH CORPS PROGRAM. (a) Requires ORCA to create the Texas rural youth corps program to encourage youth participation in civic improvement activities in rural areas. Requires the Texas rural youth corps program to provide youth in rural areas with opportunities to acquire job skills while participating in community service activities and create opportunities for youth that allow rural communities to enhance existing community resources and improve economic conditions.

(b) Authorizes ORCA to designate personnel as necessary to administer the Texas rural youth corps program.

Sec. 487.1053. GRANTS. Authorizes the executive director to award grants under the Texas rural youth corps program to eligible entities for projects that meet the requirements of this subchapter.

Sec. 487.1054. ELIGIBLE ENTITIES. (a) Provides that except as provided by Subsection (b), certain entities are eligible to submit an application as provided by Section 487.1056 to receive a grant for a proposed project under this subchapter.

(b) Requires each eligible applicant that submits an application under Subsection (a) to demonstrate that the applicant has at least three years of successful experience operating programs for the benefit of youth, in particular disadvantaged or at-risk youth populations.

Sec. 487.1055. ELIGIBLE PROJECTS. Requires that, to receive a grant under the Texas rural youth corps program a proposed project of an eligible applicant provide, by using the services and skills of youth participants who are at least 12 years of age but younger than 19 years of age, at least one of a list of certain services to the rural community in which the project is located.

Sec. 487.1056. GRANT APPLICATION. Requires that a grant application for a proposed project be filed with ORCA in a form prescribed by ORCA. Requires that each application include certain information regarding the project.

Sec. 487.1057. PROJECT SELECTION; CRITERIA. (a) Requires ORCA to establish criteria for selecting projects for the awarding of a grant under this subchapter.

(b) Requires ORCA, in establishing criteria under Subsection (a), to give preference to an applicant who can document the existence of matching contributions from other sources and support from local organizations, community leaders, and elected officials; and give preference to projects that provide participants with an opportunity to earn scholarship awards toward college tuition expenses.

(c) Authorizes ORCA, in establishing criteria under Subsection (a), to give preference to an applicant who has experience in providing the services proposed to be provided under the project and give preference to projects that assist certain youths who are at least 12 years of age but younger than 19 years of age.

Sec. 487.1058. ADVISORY BOARD; PARTICIPANT COUNCIL. Requires the successful grantees, on receipt of a grant under the Texas rural youth corps program, to establish an advisory board that includes senior staff that manage and operate the project, employers and business and community leaders of the community, and project participants; and a project participant council to provide comments and suggestions regarding project policies.

Sec. 487.1059. ASSISTANCE FOR GRANTEES. Requires ORCA to provide grantees awarded a grant under the Texas rural youth corps program access to curriculum materials created under Section 487.953, in particular materials that are designed to develop certain qualities and skills.

Sec. 487.1060. OTHER FUNDING SOURCES REQUIRED. Requires that up to 50 percent of a proposed project's budget be derived from a source other than the award of a grant or other incentive from ORCA, as determined by ORCA.

Sec. 487.1061. LIMIT ON ADMINISTRATIVE EXPENSES. Prohibits a grantee from spending grant money for more than eight percent of a proposed project's administrative costs.

Sec. 487.1062. REPORTING REQUIREMENT. Requires ORCA to include certain information regarding grant money for the Texas rural youth corps program in its biennial report to the legislature under Section 487.056 (Report to Legislature).

SUBCHAPTER X. RURAL WEALTH CREATION AND RETENTION PROGRAM

Sec. 487.1101. DEFINITION. Defines "program."

Sec. 487.1102. RURAL WEALTH CREATION AND RETENTION PROGRAM. Requires ORCA to create a rural wealth creation and retention program to assist rural communities in indentifying community wealth and educating residents about the benefits of charitable giving, and encouraging the creation of community foundations in those areas to build sustainable local wealth and decrease long term independence on state and federal resources.

Sec. 487.1103. CONTRACT FOR SERVICES. (a) Authorizes ORCA to contract with other entities to provide services under the rural wealth creation and retention program.

(b) Requires ORCA, in making a decision to contract with an entity under Subsection (a), to give preference to an entity with a proven history of providing assistance to community foundations.

Sec. 487.1104. SUPPORT SERVICES. Authorizes ORCA, or a contracting entity under Section 487.1103, to provide support services for the implementation of the rural wealth creation and retention program, including financial management, strategic development, and education training.

Sec. 487.1105. FEE. Authorizes ORCA, or a contracting entity under Section 487.1103, to charge a fee for services provided under the rural wealth creation and retention program. Requires the amount of the fee to be determined by ORCA.

SECTION 4. Requires the board of ORCA, not later than March 1, 2010, to adopt any necessary rules for the fund established under Subchapter R, Chapter 487, Government Code, as added by this Act, and the programs established under Subchapters S through X, Chapter 487, Government Code, as added by this Act.

SECTION 5. Provides that implementation of the programs established under Subchapters S through X, Chapter 487, Government Code, as added by this Act, is contingent on appropriation of funding by the legislature.

SECTION 6. Effective date: upon passage or September 1, 2009.