

## **BILL ANALYSIS**

Senate Research Center  
80R8701 CLG-F

S.B. 1485  
By: Lucio  
Finance  
4/19/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas has the nation's largest rural population (in 2000, approximately 3.2 million). Between 1990 and 2000, the state's rural population grew at a fast rate, behind only the rural population growth of Georgia and North Carolina. Ongoing refinement of the Texas's efforts to assist its rural citizens is needed. Although best practices for sustainable rural development have continued to be refined, current law does not provide for state level coordination of these best practices.

As proposed, S.B. 1485 establishes the Texas Rural Development Fund (fund) to enhance the state's current rural-focused activities by using best practices and targeted activities, as well as to provide for a coordinated approach to addressing the key areas of rural development. Areas that would be supported by the fund include capacity or leadership enhancement, community asset identification, regional planning and partnership information, youth and leadership development, wealth creation and retention, and rural entrepreneurship, business innovation, and job creation. This bill would provide the Office of Rural Community Affairs the needed statutory authority to implement strategic sustainable best practices and would grant the state additional critical tools to develop and enhance rural Texas communities. This bill would allow Texas to join similar efforts in other states to provide greater economic and infrastructure development programs such as the Rural Indiana Strategy for Excellence in 2020. In doing so, this bill will help Texas to sharpen its rural development efforts and bolster the long-term sustainability of rural Texas.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the executive committee of the Office of Rural Community Affairs in SECTION 2 (Sections 487.854, 487.952, 487.953, 487.1003, 487.1008, and 487.1055, Government Code) 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 Chapter 487, Government Code, by adding Subchapters Q, R, S, T, U, V, and W, as follows:

#### **SUBCHAPTER Q. TEXAS RURAL DEVELOPMENT FUND**

Sec. 487.751. TEXAS RURAL DEVELOPMENT FUND. (a) Provides that the Texas Rural Development Fund (fund) is an account in the general revenue fund composed of legislative appropriations, gifts, donations, grants, matching funds received under Subsection (b), and other money required by law to be deposited in the account.

(b) Authorizes the Office of Rural Community Affairs (office) 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 R, S, T, U, V, and W.

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

(d) Authorizes money in the fund to be used only for the purpose of implementing and maintaining the programs established under Subchapters R, S, T, U, V, and W.

[Reserves Sections 487.752-487.800 for expansion.]

## SUBCHAPTER R. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION PROGRAM

Sec. 487.801. DEFINITIONS. Defines "microenterprise," "minimum wage," "program," and "small business."

Sec. 487.802. PROGRAM. Requires the office to create a rural entrepreneurship and business innovation program (innovation program) to contain certain elements.

Sec. 487.803. INCENTIVES. (a) Requires the 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 innovation program on an application form prescribed by the office.

(c) Requires a loan applicant, to be eligible for a loan, to provide at least five percent of the equity for each project. Authorizes the office to consider the amount of equity provided by an applicant in scoring a loan application. Provides that an eligible business or entrepreneur is not eligible for more than one loan for each created or retained job.

(d) Requires the office to make a loan to an eligible business or entrepreneur under the innovation program in a certain order of preference.

(e) Provides the maximum loan amount to be made by the innovation program for each eligible employee position retained or created.

(f) Provides the specific schedule used to determine the amount of the loan issued by the innovation program.

(g) Requires the maximum number of loans made by the innovation program each biennium to be determined based on the total amount appropriated by the legislature during the biennium to the fund established under Subchapter Q.

(h) Authorizes the office, after job creation, to forgive up to 25 percent of the total amount of a loan made under this section.

(i) Prohibits a loan from being used to attract a business from another location in this state, unless the office determines that the business would otherwise leave the state.

Sec. 487.804. 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 the office.

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

Sec. 487.805. SUPPORT SERVICES. Authorizes the office to contract to provide services to entrepreneurs or businesses for purposes of implementing the innovation program.

[Reserves Sections 487.806-487.850 for expansion.]

## SUBCHAPTER S. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION MATCHING GRANT PROGRAM

Sec. 487.851. DEFINITION. Defines "program."

Sec. 487.852. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION MATCHING GRANT PROGRAM. (a) Requires the office to create the rural area regional planning and implementation matching grant program (planning program) to foster regional collaboration for community and economic development in rural areas.

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

Sec. 487.853. ELIGIBLE ENTITIES. (a) Requires an application, including a description of the project proposal, to be jointly submitted by two or more certain entities in the form prescribed by the office in order to be awarded a matching grant under the planning program.

(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. 487.854. GRANT AWARDS; CRITERIA. (a) Requires the office to give preference to eligible applicants that demonstrate an inclusive planning and implementation process over other eligible applicants for an award under the planning program.

(b) Requires the executive committee of the office (committee) by rule to develop criteria for eligible projects and for the awarding of matching grants under the planning program.

[Reserves Section 487.855-487.900 for expansion.]

#### SUBCHAPTER T. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM

Sec. 487.901. DEFINITION. Defines "program."

Sec. 487.902. PROGRAM. Requires the office to create the rural capacity and leadership enhancement program (leadership program) to assist municipalities and unincorporated communities with a population of less than 10,000 to develop leadership capacity, improve the business practices of municipal government, increase awareness of the benefits of renewable energy, identify community assets that can be used to enhance community and economic development, and provide assistance for emergency services districts.

Sec. 487.903. RURAL LEADERSHIP CURRICULUM. Requires the office to coordinate with an interested public junior college or public technical institute, as defined by Section 61.003 (Definitions), Education Code, that is located in a rural area or a consortium of those colleges or institutes to develop a rural leadership curriculum to implement the leadership program.

Sec. 487.904. LEADERSHIP TRAINING. Authorizes the office to award a stipend under the leadership program to an individual who completes training based on the curriculum developed under Section 487.903.

[Reserves Sections 487.905-487.950 for expansion.]

#### SUBCHAPTER U. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM

Sec. 487.951. DEFINITION. Defines "program."

Sec. 487.952. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM. (a) Requires the office to create the rural community asset study matching grant program (study program) to assist communities in rural areas in identifying community assets.

(b) Authorizes the office to issue matching grants to fund community asset studies in accordance with criteria established by rule of the committee.

Sec. 487.953. ELIGIBLE ENTITIES. (a) Requires an application, including a description of the project proposal, to be jointly submitted by two or more certain entities in the form prescribed by the office in order to be awarded a matching grant under the study program.

(b) Requires the office to give preference to eligible applicants that demonstrate an inclusive planning and implementation process over other eligible applicants for an award under the study program.

(c) Requires the committee by rule to develop criteria for eligible projects for the awarding of matching grants under the study program.

[Reserves Sections 487.954-487.1000 for expansion.]

#### SUBCHAPTER V. TEXAS RURAL YOUTH CORPS PROGRAM

Sec. 487.1001. DEFINITIONS. Defines "executive director" and "program."

Sec. 487.1002. TEXAS RURAL YOUTH CORPS PROGRAM. (a) Requires the office to create the Texas rural youth corps program (youth program) to encourage youth participation in civic improvement activities in rural areas. Sets forth elements required to be included in the youth program.

(b) Authorizes the office to designate personnel as necessary to administer the program.

Sec. 487.1003. RULES. Requires the committee to adopt rules as necessary to implement the youth program, including rules for auditing and accountability.

Sec. 487.1004. GRANTS. Authorizes the executive director of the office (director) to award grants under the youth program to eligible entities for projects that meet the requirements of this subchapter.

Sec. 487.1005. ELIGIBLE ENTITIES. (a) Sets forth certain entities that are eligible to submit an application as provided by Section 487.1007 to receive a grant for a proposed project under this subchapter, except as provided by Subsection (b).

(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. 487.1006. ELIGIBLE PROJECTS. Requires a proposed project of an eligible applicant to provide, by using the services and skills of youth participants who are between 12 and 19 years of age, certain services to the rural community in which the project is located to receive a grant under the youth program.

Sec. 487.1007. GRANT APPLICATION. Requires a grant application for a proposed project to be filed with the office in a form prescribed by the office and to include certain information.

Sec. 487.1008. **PROJECT SELECTION; CRITERIA.** (a) Requires the committee by rule to establish criteria for selecting projects for the awarding of a grant under this subchapter.

(b) Requires the committee to give preference to an applicant or project for certain reasons in establishing criteria under Subsection (a).

(c) Authorizes the committee to give preference to an applicant or project for certain reasons in establishing criteria under Subsection (a).

Sec. 487.1009. **ADVISORY BOARD; PARTICIPANT COUNCIL.** Requires successful grantees, on receipt of a grant under the youth program, to establish an advisory board for the project that includes certain members and a project participant council to provide comments and suggestions regarding project policies.

Sec. 487.1010. **ASSISTANCE FOR GRANTEES.** Requires the office, on receipt of a grant under the youth program, to provide successful grantees with access to curriculum materials created under Section 487.903, in particular, materials that are designed to develop certain skills and ethics.

Sec. 487.1011. **OTHER FUNDING SOURCES REQUIRED.** Requires more than 50 percent of a proposed project's budget to be derived from a source other than the award of a grant or other incentive from the office.

Sec. 487.1012. **LIMIT ON ADMINISTRATIVE EXPENSES.** Prohibits a grantee from spending grant money for more than 15 percent of a proposed project's administrative costs.

Sec. 487.1013. **REPORTING.** Requires the office to include certain information regarding the youth program in its biennial report to the legislature under Section 487.056.

[Reserves Sections 487.1014-487.1050 for expansion.]

## **SUBCHAPTER W. RURAL WEALTH CREATION AND RETENTION PROGRAM**

Sec. 487.1051. **DEFINITION.** Defines "program."

Sec. 487.1052. **RURAL WEALTH CREATION AND RETENTION PROGRAM.** Requires the office to create a rural wealth creation and retention program (retention program) to assist rural communities in identifying community wealth, 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 dependence on state and federal resources.

Sec. 487.1053. **CONTRACT FOR SERVICES; CRITERIA.** (a) Authorizes the office to contract with other entities to provide services under the retention program.

(b) Requires the office, 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. 487.1054. **SUPPORT SERVICES.** Authorizes the office, or a contracting entity under Section 487.1053, to provide support services for the implementation of the retention program, including financial management, strategic development, and education training.

Sec. 487.1055. **FEE.** Authorizes the office, or a contracting entity under Section 487.1053, to charge a fee for services provided under the retention program. Requires the fee to be determined by rule of the committee.

SECTION 3. Requires the committee to adopt rules for the programs established under Subchapters R, S, T, U, V, and W, Chapter 487, Government Code, as added by this Act, not later than March 1, 2008.

SECTION 4. Provides that implementation of the programs established under Subchapters R, S, T, U, V, and W, Chapter 487, Government Code, as added by this Act, is contingent upon appropriation of funding by the legislature.

SECTION 5. Effective date: upon passage or September 1, 2007.