

1-1 By: Lucio S.B. No. 1485
1-2 (In the Senate - Filed March 8, 2007; March 20, 2007, read
1-3 first time and referred to Committee on Finance; May 8, 2007,
1-4 reported favorably by the following vote: Yeas 12, Nays 0;
1-5 May 8, 2007, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the establishment of the Texas Rural Development Fund
1-9 and to the establishment, operation, and funding of certain
1-10 programs for rural economic development.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Section 487.001, Government Code, is amended by
1-13 adding Subdivision (3) to read as follows:

1-14 (3) "Rural area" means a rural area as defined by the
1-15 office.

1-16 SECTION 2. Chapter 487, Government Code, is amended by
1-17 adding Subchapters Q through W to read as follows:

1-18 SUBCHAPTER Q. TEXAS RURAL DEVELOPMENT FUND

1-19 Sec. 487.751. TEXAS RURAL DEVELOPMENT FUND. (a) The Texas
1-20 Rural Development Fund is an account in the general revenue fund.
1-21 The account is composed of:

1-22 (1) legislative appropriations;

1-23 (2) gifts, donations, grants, and matching funds
1-24 received under Subsection (b); and

1-25 (3) other money required by law to be deposited in the
1-26 account.

1-27 (b) The office may solicit and accept gifts, donations,
1-28 grants, and matching funds of money from the federal government,
1-29 local governments, private corporations, or other persons to be
1-30 used for the purposes of Subchapters R, S, T, U, V, and W.

1-31 (c) Income from money in the account shall be credited to
1-32 the account.

1-33 (d) Money in the development fund may be used only for the
1-34 purpose of implementing and maintaining the programs established
1-35 under Subchapters R, S, T, U, V, and W.

1-36 [Sections 487.752-487.800 reserved for expansion]

1-37 SUBCHAPTER R. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION
1-38 PROGRAM

1-39 Sec. 487.801. DEFINITIONS. In this subchapter:

1-40 (1) "Microenterprise" means a business in a rural area
1-41 with not more than five employees.

1-42 (2) "Minimum wage" means the minimum wage set by
1-43 federal law as of January 1, 2007.

1-44 (3) "Program" means the rural entrepreneurship and
1-45 business innovation program established under this subchapter.

1-46 (4) "Small business" means a business in a rural area
1-47 with not more than 250 employees.

1-48 Sec. 487.802. PROGRAM. The office shall create a rural
1-49 entrepreneurship and business innovation program to:

1-50 (1) assist in the development and expansion of
1-51 businesses in rural areas;

1-52 (2) assist entrepreneurs in rural areas; and

1-53 (3) recruit out-of-state businesses to locate and
1-54 transact business in rural areas.

1-55 Sec. 487.803. INCENTIVES. (a) The program shall offer
1-56 incentives in the form of loans to entrepreneurs and businesses for
1-57 purposes of the creation or retention of jobs in rural areas.

1-58 (b) An eligible business or entrepreneur may apply for a
1-59 loan under the program on an application form prescribed by the
1-60 office.

1-61 (c) To be eligible for a loan, a loan applicant must provide
1-62 at least five percent of the equity for each project. The office
1-63 may consider the amount of equity provided by an applicant in
1-64 scoring a loan application. An eligible business or entrepreneur

2-1 is not eligible for more than one loan for each created or retained
2-2 job.

2-3 (d) The office shall make a loan to an eligible business or
2-4 entrepreneur under the program in the following order of
2-5 preference:

2-6 (1) microenterprises;

2-7 (2) small businesses;

2-8 (3) businesses dependent on natural resources in
2-9 developing value-added products;

2-10 (4) tourism or recreation businesses;

2-11 (5) entrepreneurs and businesses that expand
2-12 broadband service access for rural areas; and

2-13 (6) projects to develop infrastructure for the benefit
2-14 of entrepreneurs and businesses in rural areas.

2-15 (e) The maximum loan amount to be made by the program is
2-16 \$35,000 for each eligible employee position retained or created.

2-17 (f) A loan made by the program is based on the following
2-18 schedule:

2-19 (1) up to \$14,000 for each eligible employee position
2-20 retained or created with wages greater than or equal to 170 percent
2-21 and less than 200 percent of the minimum wage;

2-22 (2) up to \$21,000 for each eligible employee position
2-23 retained or created with wages greater than or equal to 200 percent
2-24 and less than 250 percent of the minimum wage;

2-25 (3) up to \$28,000 for each eligible employee position
2-26 retained or created with wages greater than or equal to 250 percent
2-27 and less than 300 percent of the minimum wage; and

2-28 (4) up to \$35,000 for each eligible employee position
2-29 retained or created with wages greater than or equal to 300 percent
2-30 of the minimum wage.

2-31 (g) The maximum number of loans made by the program each
2-32 biennium must be determined based on the total amount appropriated
2-33 by the legislature during the biennium to the Texas Rural
2-34 Development Fund established under Subchapter Q.

2-35 (h) After job creation, the office may forgive up to 25
2-36 percent of the total amount of a loan made under this section.

2-37 (i) A loan may not be used to attract a business from another
2-38 location in this state, unless the office determines that the
2-39 business would otherwise leave the state.

2-40 Sec. 487.804. LOAN TERMS. (a) Loan interest rates must be
2-41 based on the capacity of the borrower and the risk of the project,
2-42 as determined by the office.

2-43 (b) Loan interest rates may be as low as zero percent.

2-44 Sec. 487.805. SUPPORT SERVICES. The office may contract to
2-45 provide services to entrepreneurs or businesses for purposes of
2-46 implementing the program.

2-47 [Sections 487.806-487.850 reserved for expansion]

2-48 SUBCHAPTER S. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION
2-49 MATCHING GRANT PROGRAM

2-50 Sec. 487.851. DEFINITION. In this subchapter, "program"
2-51 means the rural area regional planning and implementation matching
2-52 grant program established under this subchapter.

2-53 Sec. 487.852. RURAL AREA REGIONAL PLANNING AND
2-54 IMPLEMENTATION MATCHING GRANT PROGRAM. (a) The office shall
2-55 create the rural area regional planning and implementation matching
2-56 grant program to foster regional collaboration for community and
2-57 economic development in rural areas.

2-58 (b) The office may award matching grants for the planning
2-59 and implementation of regionally identified objectives in a rural
2-60 area.

2-61 Sec. 487.853. ELIGIBLE ENTITIES. (a) To be awarded a
2-62 matching grant under the program for a proposed project, an
2-63 application, including a description of the project proposal, must
2-64 be jointly submitted by two or more of the following entities in the
2-65 form prescribed by the office:

2-66 (1) a municipality;

2-67 (2) a county;

2-68 (3) an economic development corporation;

2-69 (4) a community foundation;

2-70 (5) a faith-based organization;

3-1 (6) a hospital; or
3-2 (7) an institution of higher education, as defined by
3-3 Section 61.003, Education Code.
3-4 (b) Entities that jointly submit an application under
3-5 Subsection (a) must be physically located in at least:
3-6 (1) two or more adjacent rural counties; or
3-7 (2) two or more municipalities or census-designated
3-8 places in a rural county.
3-9 Sec. 487.854. GRANT AWARDS; CRITERIA. (a) The office
3-10 shall give preference to eligible applicants that demonstrate an
3-11 inclusive planning and implementation process over other eligible
3-12 applicants for an award of a matching grant under the program.
3-13 (b) The executive committee by rule shall develop criteria
3-14 for eligible projects and for the awarding of matching grants under
3-15 the program.
3-16 [Sections 487.855-487.900 reserved for expansion]
3-17 SUBCHAPTER T. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM
3-18 Sec. 487.901. DEFINITION. In this subchapter, "program"
3-19 means the rural capacity and leadership enhancement program.
3-20 Sec. 487.902. PROGRAM. The office shall create the rural
3-21 capacity and leadership enhancement program to assist
3-22 municipalities and unincorporated communities with a population of
3-23 less than 10,000 to:
3-24 (1) develop leadership capacity;
3-25 (2) improve the business practices of municipal
3-26 government;
3-27 (3) increase awareness of the benefits of renewable
3-28 energy;
3-29 (4) identify community assets that can be used to
3-30 enhance community and economic development; and
3-31 (5) provide assistance for emergency services
3-32 districts.
3-33 Sec. 487.903. RURAL LEADERSHIP CURRICULUM. The office
3-34 shall coordinate with an interested public junior college or public
3-35 technical institute, as those terms are defined by Section 61.003,
3-36 Education Code, that is located in a rural area or a consortium of
3-37 those colleges or institutes to develop a rural leadership
3-38 curriculum to implement the program.
3-39 Sec. 487.904. LEADERSHIP TRAINING. The office may award a
3-40 stipend under the program to an individual who completes training
3-41 based on the curriculum developed under Section 487.903.
3-42 [Sections 487.905-487.950 reserved for expansion]
3-43 SUBCHAPTER U. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM
3-44 Sec. 487.951. DEFINITION. In this subchapter, "program"
3-45 means the rural community asset study matching grant program.
3-46 Sec. 487.952. RURAL COMMUNITY ASSET STUDY MATCHING GRANT
3-47 PROGRAM. (a) The office shall create the rural community asset
3-48 study matching grant program to assist communities in rural areas
3-49 in identifying community assets.
3-50 (b) The office may issue matching grants to fund community
3-51 asset studies in accordance with criteria established by rule of
3-52 the executive committee.
3-53 Sec. 487.953. ELIGIBLE ENTITIES. (a) To be awarded a
3-54 matching grant under the program for a proposed project, an
3-55 application, including a description of the project proposal, must
3-56 be jointly submitted by two or more of the following entities in the
3-57 form prescribed by the office:
3-58 (1) a municipality;
3-59 (2) a county;
3-60 (3) an economic development corporation;
3-61 (4) a community foundation;
3-62 (5) a faith-based organization;
3-63 (6) a hospital; or
3-64 (7) an institution of higher education, as defined by
3-65 Section 61.003, Education Code.
3-66 (b) The office shall give preference to eligible applicants
3-67 that demonstrate an inclusive planning and implementation process
3-68 over other eligible applicants for an award of a matching grant
3-69 under the program.
3-70 (c) The executive committee by rule shall develop criteria

4-1 for eligible projects and for the awarding of matching grants under
4-2 the program.

4-3 [Sections 487.954-487.1000 reserved for expansion]

4-4 SUBCHAPTER V. TEXAS RURAL YOUTH CORPS PROGRAM

4-5 Sec. 487.1001. DEFINITIONS. In this subchapter:

4-6 (1) "Executive director" means the executive director
4-7 of the Office of Rural Community Affairs.

4-8 (2) "Program" means the Texas rural youth corps
4-9 program.

4-10 Sec. 487.1002. TEXAS RURAL YOUTH CORPS PROGRAM. (a) The
4-11 office shall create the Texas rural youth corps program to
4-12 encourage youth participation in civic improvement activities in
4-13 rural areas. The program shall:

4-14 (1) provide youth in rural areas with opportunities to
4-15 acquire job skills while participating in community service
4-16 activities; and

4-17 (2) create opportunities for youth that allow rural
4-18 communities to enhance existing community resources and improve
4-19 economic conditions.

4-20 (b) The office may designate personnel as necessary to
4-21 administer the program.

4-22 Sec. 487.1003. RULES. The executive committee shall adopt
4-23 rules as necessary to implement the program, including rules for
4-24 auditing and accountability.

4-25 Sec. 487.1004. GRANTS. The executive director may award
4-26 grants under the program to eligible entities for projects that
4-27 meet the requirements of this subchapter.

4-28 Sec. 487.1005. ELIGIBLE ENTITIES. (a) Except as provided
4-29 by Subsection (b), the following entities are eligible to submit an
4-30 application as provided by Section 487.1007 to receive a grant for a
4-31 proposed project under this subchapter:

4-32 (1) a nonprofit organization;

4-33 (2) a public agency that operates a community-based
4-34 youth employment training program;

4-35 (3) a community housing development organization
4-36 certified by this state;

4-37 (4) a youth organization;

4-38 (5) a corps-based community service organization; or

4-39 (6) another entity authorized by rule of the executive
4-40 committee.

4-41 (b) Each eligible applicant that submits an application
4-42 under Subsection (a) must demonstrate that the applicant has at
4-43 least three years of successful experience operating programs for
4-44 the benefit of youth, in particular disadvantaged or at-risk youth
4-45 populations.

4-46 Sec. 487.1006. ELIGIBLE PROJECTS. To receive a grant under
4-47 the program, a proposed project of an eligible applicant must
4-48 provide, by using the services and skills of youth participants who
4-49 are at least 12 years of age but younger than 19 years of age, at
4-50 least one of the following services to the rural community in which
4-51 the project is located:

4-52 (1) rehabilitation or construction of
4-53 energy-efficient, affordable housing for:

4-54 (A) elderly individuals;

4-55 (B) veterans of the United States armed forces;

4-56 or

4-57 (C) low-income individuals and families;

4-58 (2) sustainable construction or rehabilitation of:

4-59 (A) historic properties;

4-60 (B) community facilities;

4-61 (C) business incubators;

4-62 (D) health care facilities;

4-63 (E) cultural districts; or

4-64 (F) parks owned by public or nonprofit entities;

4-65 (3) increased access to information on new technology
4-66 and technological advances, including communications or renewable
4-67 energy technologies;

4-68 (4) documentation of community history;

4-69 (5) identification and analysis of community assets
4-70 through a community asset study; and

5-1 (6) marketing services of community assets,
 5-2 amenities, and history identified in a community history
 5-3 documentation or community asset study.

5-4 Sec. 487.1007. GRANT APPLICATION. A grant application for
 5-5 a proposed project must be filed with the office in a form
 5-6 prescribed by the office. Each application must include:

5-7 (1) the amount of grant money requested;
 5-8 (2) a description of the proposed project;
 5-9 (3) a description of the applicant's qualifications,
 5-10 including the applicant's experience with youth, educational
 5-11 groups, and community groups;

5-12 (4) a list of proposed sites for construction or
 5-13 rehabilitation of housing or other buildings, if applicable;

5-14 (5) a description of proposed sustainable
 5-15 construction or rehabilitation activities, including an
 5-16 implementation schedule, if applicable;

5-17 (6) a description of the applicant's proposed
 5-18 procedures for recruiting and selecting participants in the
 5-19 project;

5-20 (7) a proposed budget;
 5-21 (8) a description of proposed financing, if
 5-22 applicable;

5-23 (9) a list of relevant contracts or other arrangements
 5-24 between the applicant and public agencies to facilitate project
 5-25 implementation;

5-26 (10) a list of prospective donations, grants, or
 5-27 in-kind contributions that will supplement grant money received
 5-28 under the program; and

5-29 (11) other criteria as considered necessary by the
 5-30 office.

5-31 Sec. 487.1008. PROJECT SELECTION; CRITERIA. (a) The
 5-32 executive committee by rule shall establish criteria for selecting
 5-33 projects for the awarding of a grant under this subchapter.

5-34 (b) In establishing criteria under Subsection (a), the
 5-35 executive committee shall:

5-36 (1) give preference to an applicant who can document
 5-37 the existence of matching contributions from other sources and
 5-38 support from local organizations, community leaders, and elected
 5-39 officials; and

5-40 (2) give preference to projects that provide
 5-41 participants with an opportunity to earn scholarship awards towards
 5-42 college tuition expenses.

5-43 (c) In establishing criteria under Subsection (a), the
 5-44 executive committee may:

5-45 (1) give preference to an applicant who has experience
 5-46 in providing the services proposed to be provided under the
 5-47 project; and

5-48 (2) give preference to projects that assist youths who
 5-49 are at least 12 years of age but younger than 19 years of age who:

5-50 (A) are not attending high school and have not
 5-51 received a high school diploma or high school equivalency
 5-52 certificate; or

5-53 (B) attend high school or a program leading to a
 5-54 high school equivalency certificate, but have been identified as
 5-55 being at risk of dropping out of high school or the program leading
 5-56 to a high school equivalency certificate.

5-57 Sec. 487.1009. ADVISORY BOARD; PARTICIPANT COUNCIL. On
 5-58 receipt of a grant under the program, the successful grantees shall
 5-59 establish:

5-60 (1) an advisory board for the project that includes:
 5-61 (A) senior staff that manage and operate the
 5-62 project;

5-63 (B) employers and business and community leaders
 5-64 of the community; and

5-65 (C) project participants; and
 5-66 (2) a project participant council to provide comments
 5-67 and suggestions regarding project policies.

5-68 Sec. 487.1010. ASSISTANCE FOR GRANTEEES. On receipt of a
 5-69 grant under the program, the office shall provide successful
 5-70 grantees with access to curriculum materials created under Section

487.903, in particular materials that are designed to develop:

- (1) leadership ethics;
- (2) active citizenship;
- (3) a sense of personal responsibility;
- (4) critical thinking skills;
- (5) decision-making skills;
- (6) problem-solving skills; and
- (7) negotiation skills.

Sec. 487.1011. OTHER FUNDING SOURCES REQUIRED. More than 50 percent of a proposed project's budget must 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. A grantee may not spend grant money for more than 15 percent of a proposed project's administrative costs.

Sec. 487.1013. REPORTING. The office must include the following information regarding the program in its biennial report to the legislature under Section 487.056:

- (1) the total number of grants and the total amount of grant money awarded under the program;
 - (2) the geographical distribution of grants awarded;
- and
- (3) the number of youth and other persons participating in program-funded projects.

[Sections 487.1014-487.1050 reserved for expansion]

SUBCHAPTER W. RURAL WEALTH CREATION AND RETENTION PROGRAM

Sec. 487.1051. DEFINITION. In this subchapter, "program" means the rural wealth creation and retention program.

Sec. 487.1052. RURAL WEALTH CREATION AND RETENTION PROGRAM. The office shall create a rural wealth creation and retention program to assist rural communities in:

- (1) identifying community wealth;
- (2) educating residents about the benefits of charitable giving; and
- (3) 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) The office may contract with other entities to provide services under the program.

(b) In making a decision to contract with an entity under Subsection (a), the office shall give preference to an entity with a proven history of providing assistance to community foundations.

Sec. 487.1054. SUPPORT SERVICES. The office, or a contracting entity under Section 487.1053, may provide support services for the implementation of the program, including financial management, strategic development, and education training.

Sec. 487.1055. FEE. The office, or a contracting entity under Section 487.1053, may charge a fee for services provided under the program. The amount of the fee shall be determined by rule of the executive committee.

SECTION 3. Not later than March 1, 2008, the executive committee of the Office of Rural Community Affairs shall adopt rules for the programs established under Subchapters R through W, Chapter 487, Government Code, as added by this Act.

SECTION 4. Implementation of the programs established under Subchapters R through W, Chapter 487, Government Code, as added by this Act, is contingent on appropriation of funding by the legislature.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.

* * * * *