

1-1 By: Lucio S.B. No. 684  
1-2 (In the Senate - Filed February 5, 2009; February 23, 2009,  
1-3 read first time and referred to Committee on Agriculture and Rural  
1-4 Affairs; March 20, 2009, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 5, Nays 0;  
1-6 March 20, 2009, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 684 By: Hinojosa

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the establishment of the Texas Rural Development Fund  
1-11 and to the establishment, operation, and funding of certain  
1-12 programs for rural economic development.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 487.001, Government Code, is amended by  
1-15 adding Subdivision (3) to read as follows:

1-16 (3) "Rural area" means an area that is predominately  
1-17 rural in character as defined by the office.

1-18 SECTION 2. Subchapter C, Chapter 487, Government Code, is  
1-19 amended by adding Section 487.062 to read as follows:

1-20 Sec. 487.062. TRAINING. (a) The office may develop and  
1-21 administer a training program related to the programs and  
1-22 activities established under Subchapters S, T, U, V, W, and X.

1-23 (b) The office may contract with a public or private entity  
1-24 to develop and provide the training under this section.

1-25 SECTION 3. Chapter 487, Government Code, is amended by  
1-26 adding Subchapters R through X to read as follows:

1-27 SUBCHAPTER R. TEXAS RURAL DEVELOPMENT FUND

1-28 Sec. 487.801. TEXAS RURAL DEVELOPMENT FUND. (a) The Texas  
1-29 Rural Development Fund is an account in the general revenue fund.  
1-30 The account is composed of:

1-31 (1) legislative appropriations;

1-32 (2) gifts, donations, grants, and matching funds  
1-33 received under Subsection (b); and

1-34 (3) other money required by law to be deposited in the  
1-35 account.

1-36 (b) The office may solicit and accept gifts, donations,  
1-37 grants, and matching funds of money from the federal government,  
1-38 local governments, private corporations, or other persons to be  
1-39 used for the purposes of Subchapters S, T, U, V, W, and X.

1-40 (c) Income from money in the account shall be credited to  
1-41 the account.

1-42 (d) Money in the development fund may be used only for the  
1-43 purpose of implementing and maintaining the programs established  
1-44 under Subchapters S, T, U, V, W, and X.

1-45 SUBCHAPTER S. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION  
1-46 PROGRAM

1-47 Sec. 487.851. DEFINITIONS. In this subchapter:

1-48 (1) "Microenterprise" means a business in a rural area  
1-49 with not more than five employees.

1-50 (2) "Minimum wage" means the minimum wage set by  
1-51 federal law as of January 1, 2009.

1-52 (3) "Program" means the rural entrepreneurship and  
1-53 business innovation program established under this subchapter.

1-54 (4) "Small business" means a business in a rural area  
1-55 with not more than 200 employees.

1-56 Sec. 487.852. PROGRAM. The office shall create a rural  
1-57 entrepreneurship and business innovation program to:

1-58 (1) assist in the development and expansion of  
1-59 businesses in rural areas;

1-60 (2) assist entrepreneurs in rural areas; and

1-61 (3) recruit out-of-state businesses to locate and  
1-62 transact business in rural areas.

1-63 Sec. 487.853. INCENTIVES; LOANS. (a) The program shall  
1-64 offer incentives in the form of loans to entrepreneurs and  
1-65 businesses for purposes of the creation or retention of jobs in

2-1 rural areas.

2-2 (b) An eligible business or entrepreneur may apply for a  
2-3 loan under the program on an application form prescribed by the  
2-4 office.

2-5 Sec. 487.854. ELIGIBLE BUSINESS OR ENTREPRENEUR; BORROWING  
2-6 REQUIREMENTS. (a) The office may make a loan under the program to  
2-7 any of the following eligible businesses or entrepreneurs:

2-8 (1) microenterprises;

2-9 (2) small businesses;

2-10 (3) businesses dependent on natural resources in  
2-11 developing value-added products;

2-12 (4) tourism or recreation businesses;

2-13 (5) entrepreneurs and small businesses that provide  
2-14 broadband service access to underserved rural areas; and

2-15 (6) projects to develop infrastructure for the benefit  
2-16 of entrepreneurs and businesses in rural areas.

2-17 (b) To be eligible to receive a loan under this subchapter,  
2-18 the applicant must:

2-19 (1) be in good standing under the laws of the state in  
2-20 which the entity was formed or organized, as evidenced by a  
2-21 certificate issued by the secretary of state or the state official  
2-22 having custody of the records pertaining to entities or other  
2-23 organizations formed under the laws of that state; and

2-24 (2) owe no delinquent taxes to a taxing unit of this  
2-25 state.

2-26 (c) The office may require a commercial bank letter of  
2-27 credit. The office may determine and require other terms and  
2-28 conditions, including insurance or a bank guarantee, for the making  
2-29 of a loan under the program.

2-30 Sec. 487.855. MAXIMUM LOAN AMOUNT. (a) The maximum loan  
2-31 amount to be made by the program is \$35,000 for each eligible  
2-32 employee position retained or created.

2-33 (b) A loan made by the program may be based on the following  
2-34 schedule:

2-35 (1) up to \$14,000 for each eligible employee position  
2-36 retained or created with wages greater than or equal to 170 percent  
2-37 and less than 200 percent of the minimum wage;

2-38 (2) up to \$21,000 for each eligible employee position  
2-39 retained or created with wages greater than or equal to 200 percent  
2-40 and less than 250 percent of the minimum wage;

2-41 (3) up to \$28,000 for each eligible employee position  
2-42 retained or created with wages greater than or equal to 250 percent  
2-43 and less than 300 percent of the minimum wage; and

2-44 (4) up to \$35,000 for each eligible employee position  
2-45 retained or created with wages greater than or equal to 300 percent  
2-46 of the minimum wage.

2-47 Sec. 487.856. RESTRICTION ON USE OF LOAN. A loan may not be  
2-48 used to attract a business from another location in this state,  
2-49 unless the office determines that the business would otherwise  
2-50 leave the state.

2-51 Sec. 487.857. LOAN TERMS. (a) Loan interest rates must be  
2-52 based on the capacity of the borrower and the risk of the project,  
2-53 as determined by the office.

2-54 (b) Loan interest rates may be as low as one percent.

2-55 Sec. 487.858. WRITTEN AGREEMENT. (a) Before awarding a  
2-56 loan under this subchapter, the office shall enter into a written  
2-57 agreement with the entity to be awarded the loan money specifying  
2-58 that:

2-59 (1) if the office finds that the loan recipient has not  
2-60 met each of the performance targets specified in the agreement as of  
2-61 a date certain provided in the agreement:

2-62 (A) the recipient shall repay the loan and any  
2-63 related interest to the state at the agreed rate and on the agreed  
2-64 terms;

2-65 (B) the office will not distribute to the  
2-66 recipient any loan money that remains to be awarded under the  
2-67 agreement; and

2-68 (C) the office may assess specified penalties for  
2-69 noncompliance against the recipient;

2-70 (2) if all or any portion of the amount of the loan is  
2-71 used to build a capital improvement, the state may:

(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:

(i) repay to the state the loan money used to pay for the capital improvement, with interest at the rate and according to the other terms provided by the agreement; and

(ii) 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 shall repay that amount and any related interest to the state at the agreed rate and on the agreed terms.

(b) The loan agreement may 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) The office shall determine:

(1) the performance targets and date required to be contained in the loan agreement as provided by Subsection (a)(1); and

(2) 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. An entity entering into a loan agreement under Section 487.858 shall submit to the office an annual progress report containing the information compiled during the previous calendar year regarding the attainment of each of the performance targets specified in the agreement.

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

(b) After repayment of a loan, the office may 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) The office may use interest earned on any loans to repay any indebtedness related to the program.

Sec. 487.861. SUPPORT SERVICES. The office may contract to provide services to entrepreneurs or businesses for purposes of implementing the program.

Sec. 487.862. CHALLENGE GRANTS. The office may award challenge grants under the 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. In this subchapter, "program" means the rural area regional planning and implementation matching grant program established under this subchapter.

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

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

Sec. 487.903. ELIGIBLE ENTITIES. (a) To be awarded a matching grant under the program for a proposed project, an application, including a description of the project proposal, must be jointly submitted by two or more of the following entities in the form prescribed by the office:

(1) a municipality;

(2) a county;

(3) an economic development corporation;

(4) a community foundation;

4-1                   (5) a faith-based organization;  
 4-2                   (6) a hospital or clinic;  
 4-3                   (7) an institution of higher education, as defined by  
 4-4 Section 61.003, Education Code; or  
 4-5                   (8) a commission, as defined by Section 391.002, Local  
 4-6 Government Code.

4-7                   (b) Entities that jointly submit an application under  
 4-8 Subsection (a) must be physically located in at least:

4-9                   (1) two or more adjacent rural counties; or  
 4-10                   (2) two or more municipalities or census-designated  
 4-11 places in a rural county.

4-12                   Sec. 487.904. GRANT AWARDS. The office shall give  
 4-13 preference to eligible applicants that demonstrate an inclusive  
 4-14 planning and implementation process over other eligible applicants  
 4-15 for an award of a matching grant under the program.

#### 4-16                   SUBCHAPTER U. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM

4-17                   Sec. 487.951. DEFINITION. In this subchapter, "program"  
 4-18 means the rural capacity and leadership enhancement program.

4-19                   Sec. 487.952. PROGRAM. The office shall create the rural  
 4-20 capacity and leadership enhancement program to assist  
 4-21 municipalities and unincorporated communities in rural areas to:

4-22                   (1) develop leadership capacity;  
 4-23                   (2) improve the business practices of municipal  
 4-24 government;  
 4-25                   (3) increase awareness of the benefits of renewable  
 4-26 energy;  
 4-27                   (4) identify community assets that can be used to  
 4-28 enhance community and economic development; and  
 4-29                   (5) provide assistance for emergency services  
 4-30 districts.

4-31                   Sec. 487.953. RURAL LEADERSHIP CURRICULUM. The office may  
 4-32 coordinate with an interested public junior college or public  
 4-33 technical institute, as those terms are defined by Section 61.003,  
 4-34 Education Code, that is located in a rural area or a consortium of  
 4-35 those colleges or institutes, the Texas Rural Leadership Program,  
 4-36 or another appropriate leadership program to develop and maintain a  
 4-37 rural leadership curriculum to implement the program.

4-38                   Sec. 487.954. LEADERSHIP TRAINING. The office may award a  
 4-39 stipend under the program to an individual who completes training  
 4-40 based on the curriculum developed under Section 487.953.

#### 4-41                   SUBCHAPTER V. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM

4-42                   Sec. 487.1001. DEFINITION. In this subchapter, "program"  
 4-43 means the rural community asset study matching grant program.

4-44                   Sec. 487.1002. RURAL COMMUNITY ASSET STUDY MATCHING GRANT  
 4-45 PROGRAM. (a) The office shall create the rural community asset  
 4-46 study matching grant program to assist communities in rural areas  
 4-47 in identifying community assets.

4-48                   (b) The office may issue matching grants to fund community  
 4-49 asset studies in accordance with criteria established by the  
 4-50 office.

4-51                   Sec. 487.1003. ELIGIBLE ENTITIES. (a) To be awarded a  
 4-52 matching grant under the program for a proposed project, an  
 4-53 application, including a description of the project proposal, must  
 4-54 be jointly submitted by two or more of the following entities in the  
 4-55 form prescribed by the office:

4-56                   (1) a municipality;  
 4-57                   (2) a county;  
 4-58                   (3) an economic development corporation;  
 4-59                   (4) a community foundation;  
 4-60                   (5) a faith-based organization;  
 4-61                   (6) a hospital or clinic;  
 4-62                   (7) an institution of higher education, as defined by  
 4-63 Section 61.003, Education Code; or  
 4-64                   (8) a commission, as defined by Section 391.002, Local  
 4-65 Government Code.

4-66                   (b) The office shall give preference to eligible applicants  
 4-67 that demonstrate an inclusive planning and implementation process  
 4-68 over other eligible applicants for an award of a matching grant  
 4-69 under the program.

4-70                   (c) The office shall develop criteria for eligible projects  
 4-71 and for the awarding of matching grants under the program.

## SUBCHAPTER W. TEXAS RURAL YOUTH CORPS PROGRAM

## Sec. 487.1051. DEFINITIONS. In this subchapter:

(1) "Executive director" means the executive director of the Office of Rural Community Affairs.

(2) "Program" means the Texas rural youth corps program.

Sec. 487.1052. TEXAS RURAL YOUTH CORPS PROGRAM. (a) The office shall create the Texas rural youth corps program to encourage youth participation in civic improvement activities in rural areas. The program shall:

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

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

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

Sec. 487.1053. GRANTS. The executive director may award grants under the program to eligible entities for projects that meet the requirements of this subchapter.

Sec. 487.1054. ELIGIBLE ENTITIES. (a) Except as provided by Subsection (b), the following entities are eligible to submit an application as provided by Section 487.1056 to receive a grant for a proposed project under this subchapter:

(1) a nonprofit organization;

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

(3) a community housing development organization certified by this state;

(4) a youth organization;

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

(6) another entity authorized by the office.

(b) Each eligible applicant that submits an application under Subsection (a) must 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. To receive a grant under the program, a proposed project of an eligible applicant must 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 the following services to the rural community in which the project is located:

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

(A) elderly individuals;

(B) veterans of the United States armed forces;

or

(C) low-income individuals and families;

(2) sustainable construction or rehabilitation of:

(A) historic properties;

(B) community facilities;

(C) business incubators;

(D) health care facilities;

(E) cultural districts; or

(F) parks or cemeteries owned or supported by funds of public or nonprofit entities;

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

(4) documentation of community history;

(5) identification and analysis of community assets through a community asset study; and

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

Sec. 487.1056. GRANT APPLICATION. A grant application for a proposed project must be filed with the office in a form prescribed by the office. Each application must include:

(1) the amount of grant money requested;

- 6-1                   (2) a description of the proposed project;  
6-2                   (3) a description of the applicant's qualifications,  
6-3 including the applicant's experience with youth, educational  
6-4 groups, and community groups;  
6-5                   (4) a list of proposed sites for construction or  
6-6 rehabilitation of housing or other buildings, if applicable;  
6-7                   (5) a description of proposed sustainable  
6-8 construction or rehabilitation activities, including an  
6-9 implementation schedule, if applicable;  
6-10                  (6) a description of the applicant's proposed  
6-11 procedures for recruiting and selecting participants in the  
6-12 project;  
6-13                   (7) a proposed budget;  
6-14                   (8) a description of proposed financing, if  
6-15 applicable;  
6-16                   (9) a list of relevant contracts or other arrangements  
6-17 between the applicant and public agencies to facilitate project  
6-18 implementation;  
6-19                   (10) a list of prospective donations, grants, or  
6-20 in-kind contributions that will supplement grant money received  
6-21 under the program; and  
6-22                   (11) other criteria as considered necessary by the  
6-23 office.
- 6-24       Sec. 487.1057. PROJECT SELECTION; CRITERIA. (a) The  
6-25 office shall establish criteria for selecting projects for the  
6-26 awarding of a grant under this subchapter.  
6-27       (b) In establishing criteria under Subsection (a), the  
6-28 office shall:  
6-29                   (1) give preference to an applicant who can document  
6-30 the existence of matching contributions from other sources and  
6-31 support from local organizations, community leaders, and elected  
6-32 officials; and  
6-33                   (2) give preference to projects that provide  
6-34 participants with an opportunity to earn scholarship awards toward  
6-35 college tuition expenses.
- 6-36       (c) In establishing criteria under Subsection (a), the  
6-37 office may:  
6-38                   (1) give preference to an applicant who has experience  
6-39 in providing the services proposed to be provided under the  
6-40 project; and  
6-41                   (2) give preference to projects that assist youths who  
6-42 are at least 12 years of age but younger than 19 years of age who:  
6-43                   (A) are not attending high school and have not  
6-44 received a high school diploma or high school equivalency  
6-45 certificate; or  
6-46                   (B) attend high school or a program leading to a  
6-47 high school equivalency certificate, but have been identified as  
6-48 being at risk of dropping out of high school or the program leading  
6-49 to a high school equivalency certificate.
- 6-50       Sec. 487.1058. ADVISORY BOARD; PARTICIPANT COUNCIL. On  
6-51 receipt of a grant under the program, the successful grantees shall  
6-52 establish:  
6-53                   (1) an advisory board for the project that includes:  
6-54                   (A) senior staff that manage and operate the  
6-55 project;  
6-56                   (B) employers and business and community leaders  
6-57 of the community; and  
6-58                   (C) project participants; and  
6-59                   (2) a project participant council to provide comments  
6-60 and suggestions regarding project policies.
- 6-61       Sec. 487.1059. ASSISTANCE FOR GRANTEEES. The office shall  
6-62 provide grantees awarded a grant under the program access to  
6-63 curriculum materials created under Section 487.953, in particular  
6-64 materials that are designed to develop:  
6-65                   (1) leadership ethics;  
6-66                   (2) active citizenship;  
6-67                   (3) a sense of personal responsibility;  
6-68                   (4) critical thinking skills;  
6-69                   (5) decision-making skills;  
6-70                   (6) problem-solving skills; and  
6-71                   (7) negotiation skills.

7-1        Sec. 487.1060. OTHER FUNDING SOURCES REQUIRED. Up to 50  
 7-2 percent of a proposed project's budget must be derived from a source  
 7-3 other than the award of a grant or other incentive from the office,  
 7-4 as determined by the office.

7-5        Sec. 487.1061. LIMIT ON ADMINISTRATIVE EXPENSES. A grantee  
 7-6 may not spend grant money for more than eight percent of a proposed  
 7-7 project's administrative costs.

7-8        Sec. 487.1062. REPORTING REQUIREMENT. The office must  
 7-9 include the following information regarding the program in its  
 7-10 biennial report to the legislature under Section 487.056:

7-11        (1) the total number of grants and the total amount of  
 7-12 grant money awarded under the program;

7-13        (2) the geographical distribution of grants awarded;  
 7-14 and

7-15        (3) the number of youth and other persons  
 7-16 participating in program-funded projects.

#### 7-17        SUBCHAPTER X. RURAL WEALTH CREATION AND RETENTION PROGRAM

7-18        Sec. 487.1101. DEFINITION. In this subchapter, "program"  
 7-19 means the rural wealth creation and retention program.

7-20        Sec. 487.1102. RURAL WEALTH CREATION AND RETENTION PROGRAM.  
 7-21 The office shall create a rural wealth creation and retention  
 7-22 program to assist rural communities in:

7-23        (1) identifying community wealth;

7-24        (2) educating residents about the benefits of  
 7-25 charitable giving; and

7-26        (3) encouraging the creation of community foundations  
 7-27 in those areas to build sustainable local wealth and decrease  
 7-28 long-term dependence on state and federal resources.

7-29        Sec. 487.1103. CONTRACT FOR SERVICES. (a) The office may  
 7-30 contract with other entities to provide services under the program.

7-31        (b) In making a decision to contract with an entity under  
 7-32 Subsection (a), the office shall give preference to an entity with a  
 7-33 proven history of providing assistance to community foundations.

7-34        Sec. 487.1104. SUPPORT SERVICES. The office, or a  
 7-35 contracting entity under Section 487.1103, may provide support  
 7-36 services for the implementation of the program, including financial  
 7-37 management, strategic development, and education training.

7-38        Sec. 487.1105. FEE. The office, or a contracting entity  
 7-39 under Section 487.1103, may charge a fee for services provided  
 7-40 under the program. The amount of the fee shall be determined by the  
 7-41 office.

7-42        SECTION 4. Not later than March 1, 2010, the board of the  
 7-43 Office of Rural Community Affairs shall adopt any necessary rules  
 7-44 for the fund established under Subchapter R, Chapter 487,  
 7-45 Government Code, as added by this Act, and the programs established  
 7-46 under Subchapters S through X, Chapter 487, Government Code, as  
 7-47 added by this Act.

7-48        SECTION 5. Implementation of the programs established under  
 7-49 Subchapters S through X, Chapter 487, Government Code, as added by  
 7-50 this Act, is contingent on appropriation of funding by the  
 7-51 legislature.

7-52        SECTION 6. This Act takes effect immediately if it receives  
 7-53 a vote of two-thirds of all the members elected to each house, as  
 7-54 provided by Section 39, Article III, Texas Constitution. If this  
 7-55 Act does not receive the vote necessary for immediate effect, this  
 7-56 Act takes effect September 1, 2009.

7-57        \* \* \* \* \*