

By: Lucio

S.B. No. 826

A BILL TO BE ENTITLED

AN ACT

relating to the establishment, operation, and funding of certain programs for rural economic development.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 481.001, Government Code, is amended by adding Subdivision (8) to read as follows:

(8) "Rural area" means an area that is predominately rural in character as defined by the office.

SECTION 2. Subchapter B, Chapter 481, Government Code, is amended by adding Section 481.030 to read as follows:

Sec. 481.030. TRAINING. (a) The office may develop and administer a training program related to the programs and activities established under Subchapters Q, R, S, T, U, and V.

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

SECTION 3. Chapter 481, Government Code, is amended by adding Subchapters Q, R, S, T, U, and V to read as follows:

SUBCHAPTER Q. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION

PROGRAM

Sec. 481.221. DEFINITIONS. In this subchapter:

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

(2) "Minimum wage" means the minimum wage set by federal law as of January 1, 2011.

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

3 (4) "Small business" means a business in a rural area
4 with not more than 200 employees.

5 Sec. 481.222. PROGRAM. The office shall create a rural
6 entrepreneurship and business innovation program to:

7 (1) assist in the development and expansion of
8 businesses in rural areas;

9 (2) assist entrepreneurs in rural areas; and

10 (3) recruit out-of-state businesses to locate and
11 transact business in rural areas.

12 Sec. 481.223. INCENTIVES; LOANS. (a) The program shall
13 offer incentives in the form of loans to entrepreneurs and
14 businesses for purposes of the creation or retention of jobs in
15 rural areas.

16 (b) An eligible business or entrepreneur may apply for a
17 loan under the program on an application form prescribed by the
18 office.

19 Sec. 481.224. ELIGIBLE BUSINESS OR ENTREPRENEUR; BORROWING
20 REQUIREMENTS. (a) The office may make a loan under the program to
21 any of the following eligible businesses or entrepreneurs:

22 (1) microenterprises;

23 (2) small businesses;

24 (3) businesses dependent on natural resources in
25 developing value-added products;

26 (4) tourism or recreation businesses; and

27 (5) projects to develop infrastructure for the benefit

1 of entrepreneurs and businesses in rural areas.

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

4 (1) be in good standing under the laws of the state in
5 which the entity was formed or organized, as evidenced by a
6 certificate issued by the secretary of state or the state official
7 having custody of the records pertaining to entities or other
8 organizations formed under the laws of that state; and

9 (2) owe no delinquent taxes to a taxing unit of this
10 state.

11 (c) The office may require a commercial bank letter of
12 credit. The office may determine and require other terms and
13 conditions, including insurance or a bank guarantee, for the making
14 of a loan under the program.

15 Sec. 481.225. MAXIMUM LOAN AMOUNT. (a) The maximum loan
16 amount to be made by the program is \$35,000 for each eligible
17 employee position retained or created.

18 (b) A loan made by the program may be based on the following
19 schedule:

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

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

26 (3) up to \$28,000 for each eligible employee position
27 retained or created with wages greater than or equal to 250 percent

1 and less than 300 percent of the minimum wage; and
2 (4) up to \$35,000 for each eligible employee position
3 retained or created with wages greater than or equal to 300 percent
4 of the minimum wage.

5 Sec. 481.226. RESTRICTION ON USE OF LOAN. A loan may not be
6 used to attract a business from another location in this state,
7 unless the office determines that the business would otherwise
8 leave the state.

9 Sec. 481.227. LOAN TERMS. (a) Loan interest rates must be
10 based on the capacity of the borrower and the risk of the project,
11 as determined by the office.

12 (b) Loan interest rates may be as low as one percent.

13 Sec. 481.228. WRITTEN AGREEMENT. (a) Before awarding a
14 loan under this subchapter, the office shall enter into a written
15 agreement with the entity to be awarded the loan money specifying
16 that:

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

20 (A) the recipient shall repay the loan and any
21 related interest to the state at the agreed rate and on the agreed
22 terms;

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

26 (C) the office may assess specified penalties for
27 noncompliance against the recipient;

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

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

6 (B) require the recipient of the loan, if the
7 capital improvement is sold, to:

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

11 (ii) share with the state a proportionate
12 amount of any profit realized from the sale; and

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

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

22 (c) The office shall determine:

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

26 (2) if the loan agreement includes the provision
27 authorized by Subsection (b), the percentage of loan money required

1 to be withheld.

2 Sec. 481.229. ANNUAL PROGRESS REPORT. An entity entering
3 into a loan agreement under Section 481.228 shall submit to the
4 office an annual progress report containing the information
5 compiled during the previous calendar year regarding the attainment
6 of each of the performance targets specified in the agreement.

7 Sec. 481.230. REPAYMENT OF LOAN. (a) Repayment of a loan
8 under Section 481.228(a)(1)(A) may be prorated to reflect a partial
9 attainment of performance targets.

10 (b) After repayment of a loan, the office may rebate to the
11 borrower an amount to cover fees associated with a commercial bank
12 letter of credit and all, or a portion of, the borrower's incidental
13 borrowing costs.

14 (c) The office may use interest earned on any loans to repay
15 any indebtedness related to the program.

16 Sec. 481.231. SUPPORT SERVICES. The office may contract to
17 provide services to entrepreneurs or businesses for purposes of
18 implementing the program.

19 Sec. 481.232. CHALLENGE GRANTS. The office may award
20 challenge grants under the program to promote the establishment of
21 community-based organizations to work in partnership with
22 communities in rural areas to assist entrepreneurs through economic
23 development efforts in existence at the time of the organization's
24 establishment.

25 SUBCHAPTER R. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION

26 MATCHING GRANT PROGRAM

27 Sec. 481.241. DEFINITION. In this subchapter, "program"

1 means the rural area regional planning and implementation matching
2 grant program established under this subchapter.

3 Sec. 481.242. RURAL AREA REGIONAL PLANNING AND
4 IMPLEMENTATION MATCHING GRANT PROGRAM. (a) The office shall
5 create the rural area regional planning and implementation matching
6 grant program to foster regional collaboration for community and
7 economic development in rural areas.

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

11 Sec. 481.243. ELIGIBLE ENTITIES. (a) To be awarded a
12 matching grant under the program for a proposed project, an
13 application, including a description of the project proposal, must
14 be jointly submitted by two or more of the following entities in the
15 form prescribed by the office:

- 16 (1) a municipality;
- 17 (2) a county;
- 18 (3) an economic development corporation;
- 19 (4) a community foundation;
- 20 (5) a faith-based organization;
- 21 (6) a hospital or clinic;
- 22 (7) an institution of higher education, as defined by
23 Section 61.003, Education Code; or
- 24 (8) a commission, as defined by Section 391.002, Local
25 Government Code.

26 (b) Entities that jointly submit an application under
27 Subsection (a) must be physically located in at least:

1 (1) two or more adjacent rural counties; or

2 (2) two or more municipalities or census-designated
3 places in a rural county.

4 Sec. 481.244. GRANT AWARDS. The office shall give
5 preference to eligible applicants that demonstrate an inclusive
6 planning and implementation process over other eligible applicants
7 for an award of a matching grant under the program.

8 SUBCHAPTER S. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM

9 Sec. 481.251. DEFINITION. In this subchapter, "program"
10 means the rural capacity and leadership enhancement program.

11 Sec. 481.252. PROGRAM. The office shall create the rural
12 capacity and leadership enhancement program to assist
13 municipalities and unincorporated communities in rural areas to:

14 (1) develop leadership capacity;

15 (2) improve the business practices of municipal
16 government;

17 (3) increase awareness of the benefits of renewable
18 energy;

19 (4) identify community assets that can be used to
20 enhance community and economic development; and

21 (5) provide assistance for emergency services
22 districts.

23 Sec. 481.253. RURAL LEADERSHIP CURRICULUM. The office may
24 coordinate with an interested public junior college or public
25 technical institute, as those terms are defined by Section 61.003,
26 Education Code, that is located in a rural area or a consortium of
27 those colleges or institutes, the Texas Rural Leadership Program,

1 or another appropriate leadership program to develop and maintain a
2 rural leadership curriculum to implement the program.

3 Sec. 481.254. LEADERSHIP TRAINING. The office may award a
4 stipend under the program to an individual who completes training
5 based on the curriculum developed under Section 481.253.

6 SUBCHAPTER T. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM

7 Sec. 481.271. DEFINITION. In this subchapter, "program"
8 means the rural community asset study matching grant program.

9 Sec. 481.272. RURAL COMMUNITY ASSET STUDY MATCHING GRANT
10 PROGRAM. (a) The office shall create the rural community asset
11 study matching grant program to assist communities in rural areas
12 in identifying community assets.

13 (b) The office may issue matching grants to fund community
14 asset studies in accordance with criteria established by the
15 office.

16 Sec. 481.273. ELIGIBLE ENTITIES. (a) To be awarded a
17 matching grant under the program for a proposed project, an
18 application, including a description of the project proposal, must
19 be jointly submitted by two or more of the following entities in the
20 form prescribed by the office:

- 21 (1) a municipality;
- 22 (2) a county;
- 23 (3) an economic development corporation;
- 24 (4) a community foundation;
- 25 (5) a faith-based organization;
- 26 (6) a hospital or clinic;
- 27 (7) an institution of higher education, as defined by

1 Section 61.003, Education Code; or

2 (8) a commission, as defined by Section 391.002, Local
3 Government Code.

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

8 (c) The office shall develop criteria for eligible projects
9 and for the awarding of matching grants under the program.

10 SUBCHAPTER U. TEXAS RURAL YOUTH CORPS PROGRAM

11 Sec. 481.291. DEFINITIONS. In this subchapter:

12 (1) "Executive director" means the executive director
13 of the office.

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

16 Sec. 481.292. TEXAS RURAL YOUTH CORPS PROGRAM. (a) The
17 office shall create the Texas rural youth corps program to
18 encourage youth participation in civic improvement activities in
19 rural areas. The program shall:

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

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

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

1 Sec. 481.293. GRANTS. The executive director may award
2 grants under the program to eligible entities for projects that
3 meet the requirements of this subchapter.

4 Sec. 481.294. ELIGIBLE ENTITIES. (a) Except as provided by
5 Subsection (b), the following entities are eligible to submit an
6 application as provided by Section 481.296 to receive a grant for a
7 proposed project under this subchapter:

8 (1) a nonprofit organization;

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

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

13 (4) a youth organization;

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

15 (6) another entity authorized by the office.

16 (b) Each eligible applicant that submits an application
17 under Subsection (a) must demonstrate that the applicant has at
18 least three years of successful experience operating programs for
19 the benefit of youth, in particular disadvantaged or at-risk youth
20 populations.

21 Sec. 481.295. ELIGIBLE PROJECTS. To receive a grant under
22 the program, a proposed project of an eligible applicant must
23 provide, by using the services and skills of youth participants who
24 are at least 12 years of age but younger than 19 years of age, at
25 least one of the following services to the rural community in which
26 the project is located:

27 (1) rehabilitation or construction of

1 energy-efficient, affordable housing for:

2 (A) elderly individuals;

3 (B) veterans of the United States armed forces;

4 or

5 (C) low-income individuals and families;

6 (2) sustainable construction or rehabilitation of:

7 (A) historic properties;

8 (B) community facilities;

9 (C) business incubators;

10 (D) health care facilities;

11 (E) cultural districts; or

12 (F) parks or cemeteries owned or supported by

13 funds of public or nonprofit entities;

14 (3) increased access to information on new technology

15 and technological advances, including communications or renewable

16 energy technologies;

17 (4) documentation of community history;

18 (5) identification and analysis of community assets

19 through a community asset study; and

20 (6) marketing services of community assets,

21 amenities, and history identified in a community history

22 documentation or community asset study.

23 Sec. 481.296. GRANT APPLICATION. A grant application for a

24 proposed project must be filed with the office in a form prescribed

25 by the office. Each application must include:

26 (1) the amount of grant money requested;

27 (2) a description of the proposed project;

1 (3) a description of the applicant's qualifications,
2 including the applicant's experience with youth, educational
3 groups, and community groups;

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

6 (5) a description of proposed sustainable
7 construction or rehabilitation activities, including an
8 implementation schedule, if applicable;

9 (6) a description of the applicant's proposed
10 procedures for recruiting and selecting participants in the
11 project;

12 (7) a proposed budget;

13 (8) a description of proposed financing, if
14 applicable;

15 (9) a list of relevant contracts or other arrangements
16 between the applicant and public agencies to facilitate project
17 implementation;

18 (10) a list of prospective donations, grants, or
19 in-kind contributions that will supplement grant money received
20 under the program; and

21 (11) other criteria as considered necessary by the
22 office.

23 Sec. 481.297. PROJECT SELECTION; CRITERIA. (a) The office
24 shall establish criteria for selecting projects for the awarding of
25 a grant under this subchapter.

26 (b) In establishing criteria under Subsection (a), the
27 office shall:

1 (1) give preference to an applicant who can document
2 the existence of matching contributions from other sources and
3 support from local organizations, community leaders, and elected
4 officials; and

5 (2) give preference to projects that provide
6 participants with an opportunity to earn scholarship awards toward
7 college tuition expenses.

8 (c) In establishing criteria under Subsection (a), the
9 office may:

10 (1) give preference to an applicant who has experience
11 in providing the services proposed to be provided under the
12 project; and

13 (2) give preference to projects that assist youths who
14 are at least 12 years of age but younger than 19 years of age who:

15 (A) are not attending high school and have not
16 received a high school diploma or high school equivalency
17 certificate; or

18 (B) attend high school or a program leading to a
19 high school equivalency certificate, but have been identified as
20 being at risk of dropping out of high school or the program leading
21 to a high school equivalency certificate.

22 Sec. 481.298. ADVISORY BOARD; PARTICIPANT COUNCIL. On
23 receipt of a grant under the program, the successful grantees shall
24 establish:

25 (1) an advisory board for the project that includes:

26 (A) senior staff that manage and operate the
27 project;

1 (B) employers and business and community leaders
2 of the community; and

3 (C) project participants; and

4 (2) a project participant council to provide comments
5 and suggestions regarding project policies.

6 Sec. 481.299. ASSISTANCE FOR GRANTEES. The office shall
7 provide grantees awarded a grant under the program access to
8 curriculum materials created under Section 481.253, in particular
9 materials that are designed to develop:

10 (1) leadership ethics;

11 (2) active citizenship;

12 (3) a sense of personal responsibility;

13 (4) critical thinking skills;

14 (5) decision-making skills;

15 (6) problem-solving skills; and

16 (7) negotiation skills.

17 Sec. 481.300. OTHER FUNDING SOURCES REQUIRED. Up to 50
18 percent of a proposed project's budget must be derived from a source
19 other than the award of a grant or other incentive from the office,
20 as determined by the office.

21 Sec. 481.301. LIMIT ON ADMINISTRATIVE EXPENSES. A grantee
22 may not spend grant money for more than eight percent of a proposed
23 project's administrative costs.

24 Sec. 481.302. REPORTING REQUIREMENT. Not later than
25 January 1 of each odd-numbered year, the office shall submit a
26 biennial report to the legislature regarding the program. The
27 report must include the following information:

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

7 SUBCHAPTER V. RURAL WEALTH CREATION AND RETENTION PROGRAM

8 Sec. 481.311. DEFINITION. In this subchapter, "program"
9 means the rural wealth creation and retention program.

10 Sec. 481.312. RURAL WEALTH CREATION AND RETENTION PROGRAM.
11 The office shall create a rural wealth creation and retention
12 program to assist rural communities in:

- 13 (1) identifying community wealth;
14 (2) educating residents about the benefits of
15 charitable giving; and
16 (3) encouraging the creation of community foundations
17 in those areas to build sustainable local wealth and decrease
18 long-term dependence on state and federal resources.

19 Sec. 481.313. CONTRACT FOR SERVICES. (a) The office may
20 contract with other entities to provide services under the program.

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

24 Sec. 481.314. SUPPORT SERVICES. The office, or a
25 contracting entity under Section 481.313, may provide support
26 services for the implementation of the program, including financial
27 management, strategic development, and education training.

1 Sec. 481.315. FEE. The office, or a contracting entity
2 under Section 481.313, may charge a fee for services provided under
3 the program. The amount of the fee shall be determined by the
4 office.

5 SECTION 4. Not later than March 1, 2012, the Texas Economic
6 Development and Tourism Office shall adopt any necessary rules for
7 the programs established under Subchapters Q through V, Chapter
8 481, Government Code, as added by this Act.

9 SECTION 5. Implementation of the programs established under
10 Subchapters Q through V, Chapter 481, Government Code, as added by
11 this Act, is contingent on appropriation of funding by the
12 legislature.

13 SECTION 6. This Act takes effect immediately if it receives
14 a vote of two-thirds of all the members elected to each house, as
15 provided by Section 39, Article III, Texas Constitution. If this
16 Act does not receive the vote necessary for immediate effect, this
17 Act takes effect September 1, 2011.