

By: Lozano

H.B. No. 2048

A BILL TO BE ENTITLED

AN ACT

relating to the establishment of the Texas Rural Development Fund and 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 487.001, Government Code, is amended by adding Subdivision (5) to read as follows:

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

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

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

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

SECTION 3. Chapter 487, Government Code, is amended by adding Subchapters S, T, U, V, W, X, and Y to read as follows:

SUBCHAPTER S. TEXAS RURAL DEVELOPMENT FUND

Sec. 487.821. TEXAS RURAL DEVELOPMENT FUND. (a) The Texas Rural Development Fund is an account in the general revenue fund. The account is composed of:

(1) legislative appropriations;

(2) gifts, donations, grants, and matching funds

1 received under Subsection (b); and

2 (3) other money required by law to be deposited in the  
3 account.

4 (b) The office may solicit and accept gifts, donations,  
5 grants, and matching funds of money from the federal government,  
6 local governments, private corporations, or other persons to be  
7 used for the purposes of Subchapters T, U, V, W, X, and Y.

8 (c) Income from money in the account shall be credited to  
9 the account.

10 (d) Money in the development fund may be used only for the  
11 purpose of implementing and maintaining the programs established  
12 under Subchapters T, U, V, W, X, and Y.

13 SUBCHAPTER T. RURAL ENTREPRENEURSHIP AND BUSINESS INNOVATION

14 PROGRAM

15 Sec. 487.831. DEFINITIONS. In this subchapter:

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

18 (2) "Minimum wage" means the minimum wage set by  
19 federal law as of January 1, 2013.

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

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

24 Sec. 487.832. PROGRAM. The office shall create a rural  
25 entrepreneurship and business innovation program to:

26 (1) assist in the development and expansion of  
27 businesses in rural areas;

1           (2) assist entrepreneurs in rural areas; and

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

4           Sec. 487.833. INCENTIVES; LOANS. (a) The program shall  
5 offer incentives in the form of loans to entrepreneurs and  
6 businesses for purposes of the creation or retention of jobs in  
7 rural areas.

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

11           Sec. 487.834. ELIGIBLE BUSINESS OR ENTREPRENEUR; BORROWING  
12 REQUIREMENTS. (a) The office may make a loan under the program to  
13 any of the following eligible businesses or entrepreneurs:

14                   (1) microenterprises;

15                   (2) small businesses;

16                   (3) businesses dependent on natural resources in  
17 developing value-added products;

18                   (4) tourism or recreation businesses;

19                   (5) entrepreneurs and small businesses that provide  
20 broadband service access to underserved rural areas; and

21                   (6) projects to develop infrastructure for the benefit  
22 of entrepreneurs and businesses in rural areas.

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

25                   (1) be in good standing under the laws of the state in  
26 which the entity was formed or organized, as evidenced by a  
27 certificate issued by the secretary of state or the state official

1 having custody of the records pertaining to entities or other  
2 organizations formed under the laws of that state; and

3 (2) owe no delinquent taxes to a taxing unit of this  
4 state.

5 (c) The office may require a commercial bank letter of  
6 credit. The office may determine and require other terms and  
7 conditions, including insurance or a bank guarantee, for the making  
8 of a loan under the program.

9 Sec. 487.835. MAXIMUM LOAN AMOUNT. (a) The maximum loan  
10 amount to be made by the program is \$35,000 for each eligible  
11 employee position retained or created.

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

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

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

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

23 (4) up to \$35,000 for each eligible employee position  
24 retained or created with wages greater than or equal to 300 percent  
25 of the minimum wage.

26 Sec. 487.836. RESTRICTION ON USE OF LOAN. A loan may not be  
27 used to attract a business from another location in this state,

1 unless the office determines that the business would otherwise  
2 leave the state.

3 Sec. 487.837. LOAN TERMS. (a) Loan interest rates must be  
4 based on the capacity of the borrower and the risk of the project,  
5 as determined by the office.

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

7 Sec. 487.838. WRITTEN AGREEMENT. (a) Before awarding a  
8 loan under this subchapter, the office shall enter into a written  
9 agreement with the entity to be awarded the loan money specifying  
10 that:

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

14 (A) the recipient shall repay the loan and any  
15 related interest to the state at the agreed rate and on the agreed  
16 terms;

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

20 (C) the office may assess specified penalties for  
21 noncompliance against the recipient;

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

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

27 (B) require the recipient of the loan, if the

1 capital improvement is sold, to:

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

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

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

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

16 (c) The office shall determine:

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

20 (2) if the loan agreement includes the provision  
21 authorized by Subsection (b), the percentage of loan money required  
22 to be withheld.

23 Sec. 487.839. ANNUAL PROGRESS REPORT. An entity entering  
24 into a loan agreement under Section 487.838 shall submit to the  
25 office an annual progress report containing the information  
26 compiled during the previous calendar year regarding the attainment  
27 of each of the performance targets specified in the agreement.

1       Sec. 487.840. REPAYMENT OF LOAN. (a) Repayment of a loan  
2 under Section 487.838(a)(1)(A) may be prorated to reflect a partial  
3 attainment of performance targets.

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

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

10       Sec. 487.841. SUPPORT SERVICES. The office may contract to  
11 provide services to entrepreneurs or businesses for purposes of  
12 implementing the program.

13       Sec. 487.842. CHALLENGE GRANTS. The office may award  
14 challenge grants under the program to promote the establishment of  
15 community-based organizations to work in partnership with  
16 communities in rural areas to assist entrepreneurs through economic  
17 development efforts in existence at the time of the organization's  
18 establishment.

19       SUBCHAPTER U. RURAL AREA REGIONAL PLANNING AND IMPLEMENTATION

20                       MATCHING GRANT PROGRAM

21       Sec. 487.851. DEFINITION. In this subchapter, "program"  
22 means the rural area regional planning and implementation matching  
23 grant program established under this subchapter.

24       Sec. 487.852. RURAL AREA REGIONAL PLANNING AND  
25 IMPLEMENTATION MATCHING GRANT PROGRAM. (a) The office shall  
26 create the rural area regional planning and implementation matching  
27 grant program to foster regional collaboration for community and

1 economic development in rural areas.

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

5 Sec. 487.853. ELIGIBLE ENTITIES. (a) To be awarded a  
6 matching grant under the program for a proposed project, an  
7 application, including a description of the project proposal, must  
8 be jointly submitted by two or more of the following entities in the  
9 form prescribed by the office:

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

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

- 22 (1) two or more adjacent rural counties; or
- 23 (2) two or more municipalities or census-designated  
24 places in a rural county.

25 Sec. 487.854. GRANT AWARDS. The office shall give  
26 preference to eligible applicants that demonstrate an inclusive  
27 planning and implementation process over other eligible applicants



1 for an award of a matching grant under the program.

2 SUBCHAPTER V. RURAL CAPACITY AND LEADERSHIP ENHANCEMENT PROGRAM

3 Sec. 487.861. DEFINITION. In this subchapter, "program"  
4 means the rural capacity and leadership enhancement program.

5 Sec. 487.862. PROGRAM. The office shall create the rural  
6 capacity and leadership enhancement program to assist  
7 municipalities and unincorporated communities in rural areas to:

8 (1) develop leadership capacity;

9 (2) improve the business practices of municipal  
10 government;

11 (3) increase awareness of the benefits of renewable  
12 energy;

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

15 (5) provide assistance for emergency services  
16 districts.

17 Sec. 487.863. RURAL LEADERSHIP CURRICULUM. The office may  
18 coordinate with an interested public junior college or public  
19 technical institute, as those terms are defined by Section 61.003,  
20 Education Code, that is located in a rural area or a consortium of  
21 those colleges or institutes, the Texas Rural Leadership Program,  
22 or another appropriate leadership program to develop and maintain a  
23 rural leadership curriculum to implement the program.

24 Sec. 487.864. LEADERSHIP TRAINING. The office may award a  
25 stipend under the program to an individual who completes training  
26 based on the curriculum developed under Section 487.863.

1 SUBCHAPTER W. RURAL COMMUNITY ASSET STUDY MATCHING GRANT PROGRAM

2 Sec. 487.871. DEFINITION. In this subchapter, "program"  
3 means the rural community asset study matching grant program.

4 Sec. 487.872. RURAL COMMUNITY ASSET STUDY MATCHING GRANT  
5 PROGRAM. (a) The office shall create the rural community asset  
6 study matching grant program to assist communities in rural areas  
7 in identifying community assets.

8 (b) The office may issue matching grants to fund community  
9 asset studies in accordance with criteria established by the  
10 office.

11 Sec. 487.873. 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) The office shall give preference to eligible applicants  
27 that demonstrate an inclusive planning and implementation process

1 over other eligible applicants for an award of a matching grant  
2 under the program.

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

5 SUBCHAPTER X. TEXAS RURAL YOUTH CORPS PROGRAM

6 Sec. 487.881. DEFINITIONS. In this subchapter:

7 (1) "Director" means the director of the Office of  
8 Rural Affairs appointed under Section 12.038, Agriculture Code.

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

11 Sec. 487.882. TEXAS RURAL YOUTH CORPS PROGRAM. (a) The  
12 office shall create the Texas rural youth corps program to  
13 encourage youth participation in civic improvement activities in  
14 rural areas. The program shall:

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

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

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

23 Sec. 487.883. GRANTS. The director may award grants under  
24 the program to eligible entities for projects that meet the  
25 requirements of this subchapter.

26 Sec. 487.884. ELIGIBLE ENTITIES. (a) Except as provided by  
27 Subsection (b), the following entities are eligible to submit an

1 application as provided by Section 487.886 to receive a grant for a  
2 proposed project under this subchapter:

3 (1) a nonprofit organization;

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

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

8 (4) a youth organization;

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

10 (6) another entity authorized by the office.

11 (b) Each eligible applicant that submits an application  
12 under Subsection (a) must demonstrate that the applicant has at  
13 least three years of successful experience operating programs for  
14 the benefit of youth, in particular disadvantaged or at-risk youth  
15 populations.

16 Sec. 487.885. ELIGIBLE PROJECTS. To receive a grant under  
17 the program, a proposed project of an eligible applicant must  
18 provide, by using the services and skills of youth participants who  
19 are at least 12 years of age but younger than 19 years of age, at  
20 least one of the following services to the rural community in which  
21 the project is located:

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

24 (A) elderly individuals;

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

26 or

27 (C) low-income individuals and families;

1           (2) sustainable construction or rehabilitation of:

2                   (A) historic properties;

3                   (B) community facilities;

4                   (C) business incubators;

5                   (D) health care facilities;

6                   (E) cultural districts; or

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

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

12           (4) documentation of community history;

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

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

18           Sec. 487.886. GRANT APPLICATION. A grant application for a  
19 proposed project must be filed with the office in a form prescribed  
20 by the office. Each application must include:

21                   (1) the amount of grant money requested;

22                   (2) a description of the proposed project;

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

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

1           (5) a description of proposed sustainable  
2 construction or rehabilitation activities, including an  
3 implementation schedule, if applicable;

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

7           (7) a proposed budget;

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

10          (9) a list of relevant contracts or other arrangements  
11 between the applicant and public agencies to facilitate project  
12 implementation;

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

16          (11) other criteria as considered necessary by the  
17 office.

18          Sec. 487.887. PROJECT SELECTION; CRITERIA. (a) The office  
19 shall establish criteria for selecting projects for the awarding of  
20 a grant under this subchapter.

21          (b) In establishing criteria under Subsection (a), the  
22 office shall:

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

27           (2) give preference to projects that provide

1 participants with an opportunity to earn scholarship awards toward  
2 college tuition expenses.

3 (c) In establishing criteria under Subsection (a), the  
4 office may:

5 (1) give preference to an applicant who has experience  
6 in providing the services proposed to be provided under the  
7 project; and

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

10 (A) are not attending high school and have not  
11 received a high school diploma or high school equivalency  
12 certificate; or

13 (B) attend high school or a program leading to a  
14 high school equivalency certificate, but have been identified as  
15 being at risk of dropping out of high school or the program leading  
16 to a high school equivalency certificate.

17 Sec. 487.888. ADVISORY BOARD; PARTICIPANT COUNCIL. On  
18 receipt of a grant under the program, the successful grantees shall  
19 establish:

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

21 (A) senior staff that manage and operate the  
22 project;

23 (B) employers and business and community leaders  
24 of the community; and

25 (C) project participants; and

26 (2) a project participant council to provide comments  
27 and suggestions regarding project policies.

1       Sec. 487.889. ASSISTANCE FOR GRANTEES. The office shall  
2 provide grantees awarded a grant under the program access to  
3 curriculum materials created under Section 487.863, in particular  
4 materials that are designed to develop:

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

12       Sec. 487.890. OTHER FUNDING SOURCES REQUIRED. Up to 50  
13 percent of a proposed project's budget must be derived from a source  
14 other than the award of a grant or other incentive from the office,  
15 as determined by the office.

16       Sec. 487.891. LIMIT ON ADMINISTRATIVE EXPENSES. A grantee  
17 may not spend grant money for more than eight percent of a proposed  
18 project's administrative costs.

19       Sec. 487.892. REPORTING REQUIREMENT. The department must  
20 include the following information regarding the program in its  
21 biennial report to the legislature under Section 487.056:

22           (1) the total number of grants and the total amount of  
23 grant money awarded under the program;

24           (2) the geographical distribution of grants awarded;  
25 and

26           (3) the number of youth and other persons  
27 participating in program-funded projects.



1 SUBCHAPTER Y. RURAL WEALTH CREATION AND RETENTION PROGRAM

2 Sec. 487.901. DEFINITION. In this subchapter, "program"  
3 means the rural wealth creation and retention program.

4 Sec. 487.902. RURAL WEALTH CREATION AND RETENTION PROGRAM.  
5 The office shall create a rural wealth creation and retention  
6 program to assist rural communities in:

- 7 (1) identifying community wealth;  
8 (2) educating residents about the benefits of  
9 charitable giving; and  
10 (3) encouraging the creation of community foundations  
11 in those areas to build sustainable local wealth and decrease  
12 long-term dependence on state and federal resources.

13 Sec. 487.903. CONTRACT FOR SERVICES. (a) The office may  
14 contract with other entities to provide services under the program.

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

18 Sec. 487.904. SUPPORT SERVICES. The office, or a  
19 contracting entity under Section 487.903, may provide support  
20 services for the implementation of the program, including financial  
21 management, strategic development, and education training.

22 Sec. 487.905. FEE. The office, or a contracting entity  
23 under Section 487.903, may charge a fee for services provided under  
24 the program. The amount of the fee shall be determined by the  
25 office.

26 SECTION 4. Not later than March 1, 2014, the commissioner of  
27 agriculture shall adopt any necessary rules for the fund

1 established under Subchapter S, Chapter 487, Government Code, as  
2 added by this Act, and the programs established under Subchapters T  
3 through Y, Chapter 487, Government Code, as added by this Act.

4 SECTION 5. Implementation of the programs established under  
5 Subchapters T through Y, Chapter 487, Government Code, as added by  
6 this Act, is contingent on appropriation of funding by the  
7 legislature.

8 SECTION 6. This Act takes effect immediately if it receives  
9 a vote of two-thirds of all the members elected to each house, as  
10 provided by Section 39, Article III, Texas Constitution. If this  
11 Act does not receive the vote necessary for immediate effect, this  
12 Act takes effect September 1, 2013.