

By: Burnam

H.B. No. 3616

A BILL TO BE ENTITLED

AN ACT

relating to the establishment of a community development grocery store revolving loan fund program.

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

SECTION 1. Title 2, Agriculture Code, is amended by adding Chapter 26 to read as follows:

CHAPTER 26. TEXAS COMMUNITY DEVELOPMENT GROCERY STORE REVOLVING  
LOAN FUND

Sec. 26.001. DEFINITIONS. In this chapter:

(1) "Community development financial institution" has the meaning assigned by 12 U.S.C. Section 4702.

(2) "Food desert" means a census tract, based on the most recent information published by the United States Bureau of the Census, in which:

(A) the poverty rate is 20 percent or higher or the median family income is at or below 80 percent of the area median family income; and

(B) at least 500 people or at least 33 percent of the census area's population reside more than:

(i) one mile from a grocery store, in the case of a census tract other than a rural census tract; or

(ii) 10 miles from a grocery store, in the case of a rural census tract.

(3) "Fund" means the community development grocery

1 store revolving loan fund established by this chapter.

2 (4) "Program" means the loan program authorized by  
3 this chapter.

4 (5) "Supplemental nutrition assistance program" means  
5 the nutritional assistance program formerly referred to as the food  
6 stamp program.

7 (6) "WIC program" means the federal special  
8 supplemental nutrition program for women, infants, and children  
9 authorized by 42 U.S.C. Section 1786.

10 Sec. 26.002. TRUST FUND. (a) The community development  
11 grocery store revolving loan fund is a trust fund outside the state  
12 treasury held by a community development financial institution and  
13 administered by the department as trustee on behalf of entities  
14 operating grocery stores located in food deserts in this state.

15 (b) The fund is composed of:

16 (1) money appropriated to the fund by the legislature;

17 (2) gifts or grants received from public or private  
18 sources; and

19 (3) income from other money in the fund.

20 (c) The department may accept on behalf of the fund gifts  
21 and grants for the use and benefit of the program.

22 Sec. 26.003. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION.

23 (a) The department shall contract with and award money to a  
24 community development financial institution to carry out the  
25 purposes of this chapter.

26 (b) In selecting a community development financial  
27 institution, the department shall consider the financial

1 institution's:

2 (1) demonstrated success in implementing similar  
3 economic development projects;

4 (2) ability to raise additional capital; and

5 (3) solvency.

6 (c) The community development financial institution shall:

7 (1) provide revolving loan funds to entities proposing  
8 to operate grocery stores in food deserts;

9 (2) develop, in consultation with the department, a  
10 scoring system used to score loan applications;

11 (3) accept gifts and grants; and

12 (4) seek funding from various government and private  
13 sources.

14 Sec. 26.004. INVESTMENT COMMITTEE. (a) Before contracting  
15 with a community development financial institution, the department  
16 shall require the financial institution to establish an investment  
17 committee to approve loan requests of entities proposing to operate  
18 grocery stores.

19 (b) The investment committee may not approve a loan request  
20 of an entity proposing to operate a grocery store unless the  
21 proposed grocery store:

22 (1) will be located in a food desert; and

23 (2) will accept benefits under the WIC program and the  
24 supplemental nutrition assistance program.

25 Sec. 26.005. LOANS TO GROCERY STORES. (a) The community  
26 development financial institution may not make a loan to an entity  
27 proposing to operate a grocery store in a food desert unless the

1 investment committee has approved the loan.

2 (b) A loan made by the community development financial  
3 institution may be subordinated debt.

4 (c) The community development financial institution may  
5 make a loan under the program through a partnership or joint  
6 investment with one or more financial institutions or federal or  
7 state programs.

8 (d) Payments on grocery store loans shall be made to the  
9 community development financial institution. The community  
10 development financial institution shall use the loan payment money  
11 received from entities operating grocery stores to make new loans  
12 as provided by this chapter.

13 Sec. 26.006. SELF-FUNDING. The department shall develop the  
14 fund program as a revolving loan fund that will become self-funding  
15 over the life of the program.

16 Sec. 26.007. INCOME FROM LOAN. All income received on a  
17 loan made with money received under the program is the property of  
18 the community development financial institution. Income received  
19 on a loan includes the payment of interest by a borrower and the  
20 administrative fees assessed by the community development  
21 financial institution.

22 Sec. 26.008. RULES. (a) The department shall adopt rules  
23 to administer this chapter, including rules that require:

24 (1) the department to review the lending and servicing  
25 practices of a community development financial institution to  
26 ensure the practices conform to generally accepted accounting  
27 principles;

1           (2) an eligible entity proposing to operate a grocery  
2 store to enter into an agreement with the community development  
3 financial institution that states the terms of the loan made to the  
4 entity;

5           (3) the community development financial institution  
6 to provide to the department semiannual reports giving details of  
7 the status of each loan made under the program;

8           (4) the community development financial institution  
9 to perform annual audits of grocery stores for which loans are made  
10 under the program; and

11           (5) the department to provide oversight of the  
12 community development financial institution as necessary to  
13 qualify the community development financial institution for loan  
14 guarantees from federal and state programs.

15           (b) Under rules adopted by the department, the community  
16 development financial institution may:

17           (1) make grants to eligible entities proposing to  
18 operate grocery stores from money other than money that is received  
19 from the fund and that was derived from a legislative  
20 appropriation; or

21           (2) seek funds from state or federal agencies or  
22 private sources to supplement and complement the funds received  
23 under the program.

24           (c) The department may adopt other rules as necessary to  
25 accomplish the purposes of this chapter.

26           SECTION 2. Not later than December 1, 2013, the Department  
27 of Agriculture shall adopt rules to administer Chapter 26,

1 Agriculture Code, as added by this Act.

2 SECTION 3. Not later than December 15, 2013, the Department  
3 of Agriculture shall designate a community development financial  
4 institution as provided by Section 26.003, Agriculture Code, as  
5 added by this Act.

6 SECTION 4. Not later than January 15, 2014, the Department  
7 of Agriculture shall transfer money in the community development  
8 grocery store revolving loan fund to the community development  
9 financial institution.

10 SECTION 5. This Act takes effect September 1, 2013.