

SUBJECT: Creating the Office of Rural Community Affairs

COMMITTEE: Land and Resource Management — committee substitute recommended

VOTE: 8 ayes — Walker, Crabb, F. Brown, Geren, Howard, Krusee, Truitt, B. Turner

0 nays

1 absent — Mowery

WITNESSES: For — Jim Allison, County Judges and Commissioners Association of Texas; Roy Blake Jr., Deep East Texas Development Association; Tim Culp, Houston County Chamber of Commerce; Jim Dunaway, City of Elgin and Association of Rural Communities in Texas; Quincy Ellis, Early Economic Development Corp.; Richard Evans; Nicki Harle, Texas Midwest Community Network; Gregg Knaupe, Texas Organization of Rural and Community Hospitals; Reymundo Ocañas, Texas Association of Community Development Corporations; Sunny K. Philip, City of La Feria; Vince Slominski, City of Weimar

Against — None

On — Jim Butler, Texas A&M University System; Joe Cantu, Resource Conservation and Development; Susan Combs, Texas Department of Agriculture

BACKGROUND: **Center for Rural Health Initiatives (CRHI).** The Legislature created the CRHI in 1989 to help rural communities maintain access to health-care services for local citizens. The center is directed by a nine-member executive committee to which the governor, lieutenant governor, and House speaker appoint three members each. Members must live, work, or practice in rural areas or have a demonstrated knowledge and expertise in rural issues. The center administers such programs as:

- ! Texas Prairie Doc, a community-based program to recruit and retain health-care professionals;

- ! Texas Health Corps Program, stipend assistance for resident physicians willing to practice in medically underserved communities;
- ! Rural Scholar Recognition Program, a loan forgiveness program to encourage health-care profession students to practice in rural areas; and
- ! Practice Start-up Program, in which communities cover start-up costs to attract primary-care physicians.

The center also administers a program under Government Code, sec. 403.1065 that provides grants and zero-interest loans for public hospitals in rural counties with populations below 150,000. In 1999, the 76th Legislature set aside \$50 million in tobacco-settlement money for that fund.

Community development programs. In 1991, the Legislature created the Texas Department of Housing and Community Affairs (TDHCA) by merging the Texas Department of Community Affairs, the Texas Housing Agency, and the Community Development Block Grant (CDBG) program from the Texas Department of Commerce. TDHCA oversees programs to ensure the availability of affordable housing, to provide funding for infrastructure, and to regulate the manufactured housing industry.

TDHCA has 370 employees and an annual budget of about \$193 million, of which 90 percent comes from federal funds. Thirty-three staff members administer the \$80-million-a-year CDBG program. This federal program replaced a series of categorical grants — for assistance limited to certain purposes — with broader grants. CDBG funding can be used for housing programs, water and sewer improvements, economic development, and other projects to benefit communities.

Larger cities are designated as entitlement CDBG recipients and receive the funds directly from the federal government. TDHCA administers nonentitlement CDBG funding for the rest of the state. These funds are awarded to Texas counties with populations of less than 200,000 and cities and towns of less than 50,000, or about 1,300 local governments.

DIGEST: CSHB 7 would create an Office of Rural Community Affairs (ORCA) and would transfer the CRHI and the portion of TDHCA that administers the CDBG program to the new agency. ORCA would be subject to the Texas

Sunset Act and would expire on September 1, 2007, unless the Legislature continued it.

Executive committee and director. CSHB 7 would establish a nine-member executive committee to administer ORCA. The governor, lieutenant governor, and House speaker each would appoint three members for staggered six-year terms expiring February 1 of each odd-numbered year and would have to make the initial appointments no later than November 1, 2001. The terms of the initial appointees would expire in 2003, 2005, and 2007. At least two of the members appointed by each state leader would have to have “a strong understanding of and commitment to rural interests” based on the individual’s personal history. The executive committee could not take action until a majority of members had taken office. Within 60 days of its first meeting, the committee would have to choose a presiding officer.

The committee could hire an executive director and would have to do so no later than December 1, 2001. The executive director could hire staff within the committee’s guidelines and could change the duties of any employee transferred to the new office.

Duties of the office. ORCA would have to:

- ! develop a rural policy for the state in consultation with local leaders, academic and industry experts, and state elected and appointed officials;
- ! work with other state agencies and officials to improve the results and cost-effectiveness of state programs affecting rural communities;
- ! develop programs to improve the leadership capacity of rural community leaders;
- ! monitor developments that affect rural Texas communities and prepare an annual report on the condition of rural communities;
- ! administer the CDBG nonentitlement program and the programs now administered by CRHI; and
- ! perform research to determine the most beneficial and cost-effective ways to improve the welfare of rural communities.

The executive committee could adopt rules as necessary to implement its duties. It could accept gifts, grants, and donations for program activities and would have to seek funding from appropriate nonprofit foundations.

The executive committee would have to call a meeting at least once a year for the following agency heads to discuss rural issues: the commissioners of agriculture, health, human services, and higher education; executive directors of the TDHCA, Public Utility Commission, Texas Parks and Wildlife Department, and Texas Department of Transportation; director of the Texas Agricultural Extension Service; presiding officer of the Telecommunications Infrastructure Fund Board; executive administrator of the Texas Water Development Board; and the comptroller.

ORCA would have to develop, implement, and update a rural health work plan in cooperation with health-care providers, rural communities, and state health and human services agencies and would have to solicit public comment. The plan would have to identify:

- ! the office's mission, goals, and objectives in helping rural communities meet their health-care needs;
- ! ways for the state to address rural communities' unmet health-care needs;
- ! ways to coordinate the administration and delivery of rural health-care services among public and private programs; and
- ! the office's priorities to accomplish the plan's objectives.

The committee could appoint advisory committees of private citizens and state and local government representatives as needed to help the committee perform its duties, and the agency could contract with another state agency to provide routine administrative services. The agency would have to submit a biennial report to the Legislature regarding its activities and recommendations relating to rural issues.

Transfer of existing programs. CSHB 7 would abolish the CRHI on the date by which a majority of the ORCA executive committee had taken office and would transfer the center's powers, duties, contracts, leases, records, property, unspent and unobligated appropriations, and other funds to ORCA. The new agency could employ the same number of full-time equivalent employees as the center.

On the same date, the bill would transfer responsibility for administering the state's allocation of CDBG nonentitlement funds from TDHCA to ORCA, including all powers, duties, contracts, leases, records, property, and funding.

The Legislative Budget Board (LBB) would have to resolve any disputes about duties, personnel, property, and funding affected by these transfers.

ORCA could contract with the Texas Department of Agriculture (TDA) to provide economic development services now provided through the Texas Department of Economic Development and could enter into an agreement with TDA to manage the Texas Capital Fund, a CDBG-funded economic program.

Rural health incentive programs. CSHB 7 would maintain existing programs to provide scholarships and forgivable loans to encourage health-care professionals to serve rural communities, including the Outstanding Rural Scholar program and a program to promote health careers and education. The bill would change the existing rural scholar's program to allow loan forgiveness in exchange for service to another rural community should the sponsoring community not require the rural scholar's service as a health-care professional. CSHB 7 also would continue two programs to help medically underserved communities recruit primary-care physicians by providing start-up money to establish a medical office or a stipend during the completion of residency training. ORCA also would be responsible for administering the rural health-facility capital improvement program.

Other provisions. Other sections would add standard language regarding conflicts of interest, board member training, removal of executive committee members, division of responsibility, standards of conduct, provisions for public hearings, equal opportunity policies, and resolution of complaints.

CSHB 7 would take effect September 1, 2001, except that the provisions for training of board members would take effect September 1, 2002.

**SUPPORTERS
SAY:**

CSHB 7 would establish a much-needed rural policy for Texas by creating a new office that would develop a comprehensive strategy to address complex issues that have not been addressed adequately by the current patchwork of state and federal programs. The new office would ensure a continuing focus on rural issues, monitor governmental actions affecting rural Texas, study problems and recommend solutions, and coordinate rural programs among state agencies.

Rural policy is broader than agriculture alone and is a microcosm of all state policies and issues, from education and economic development to health care and the environment. Rural Texas also has unique concerns about sparse and declining populations, narrow economic bases, and the higher cost of providing basic services such as health care and education.

Speaker Laney appointed the House Select Committee on Rural Development in January 2000 to help develop a comprehensive strategy to improve the quality of life in rural areas and smaller communities throughout Texas. The committee held six public hearings on major concerns of rural Texas, including economic development, transportation, water and natural resources, agriculture, oil and gas, health care, education, housing, and telecommunications. The committee identified at least 10 states with a rural affairs office, including California, New York, Pennsylvania, and Illinois, and recommended the creation of a similar office in Texas.

CSHB 7 would implement the select committee's recommendation, building on similar proposals by rural experts and leaders going back more than a decade, that the two major existing rural programs be combined into a single agency that would have a broader purview of rural concerns. The new agency would offer opportunities for synergy and new approaches to resolve old questions. CSHB 7 would not create a new bureaucracy and would not increase the expense of state government significantly. With about 50 staff members and access to almost \$100 million in funding, the new office would have enough resources to offer meaningful assistance to rural areas.

The Sunset Advisory Commission reviewed and approved a recommendation to move the administration of CDBG from TDHCA to the new agency. The program has been moved twice before, and the 1991 transfer to TDHCA was completed smoothly. At this point of the CDBG funding cycle, all grants have been awarded, and the move could be completed before the next round of grants. The exact cost of the transfer of the CDBG program to ORCA is still being determined by the LBB and Department of Informative Resources, and any additional costs would be subject to legislative oversight.

Many state agencies and departments already address rural issues, but these efforts are not always coordinated. ORCA would place health and community development programs — important components of an effective

approach to rural concerns — under the same organizational umbrella. CSHB 7 also would require agency heads to come together to craft an interagency approach to meet the complex needs of rural Texas. This model already has proven successful in such programs as the Coastal Coordination Council and can be adapted easily to address rural problems.

ORCA would have the resources to conduct the research and analysis necessary to develop public policy to address rural issues. The information would be available to assist the public and local decision-makers as well as legislators and state agencies.

Rural needs. Even as Texas becomes an increasingly urbanized state, a significant portion of Texans still live in rural areas and small towns. They should not be considered a “disposable” population. In absolute terms, the number of Texans living in rural areas now is slightly larger than the rural population in 1930, when almost 60 percent of the state was considered rural. Texas’ rural population of about 3.35 million is larger the 1999 population estimates for 25 individual states.

Lack of opportunity forces rural residents — particularly younger Texans — to leave rural areas and move to larger cities for employment. Urban areas already face growing problems with traffic congestion, pollution, and sprawl, while existing infrastructure and public investment in rural areas go underused. Because of changes in technology, industrial development no longer requires concentration of workers in an urban setting. Industries can be decentralized and located in rural areas if adequate infrastructure and health-care systems were available.

Rural economic development requires new strategies to address more than agriculture or mineral extraction. The current “Wal-Mart and prisons” model of economic development does not offer a promising future for rural Texas. Government-related employers and retail establishments fail to create the value-added type of economical development that would ensure a prosperous economic future for rural areas and end the migration to urban areas of young people seeking employment. ORCA could help coordinate state resources in fashioning economic development programs to address these needs.

ORCA also would have resources to help develop a comprehensive policy to address rural health concerns. Non-urban areas include both a growing population of mostly older Anglo citizens and a younger, predominantly minority population. These factors, coupled with a higher incidence of poverty and unemployment in rural areas, create a medically vulnerable population. In addition, since health care is interrelated with economic status and development, the availability of health-care services is vital in attracting new businesses and enhancing the quality of life for rural residents.

CSHB 7 also would protect existing programs to help unincorporated communities or colonias that lack potable water supply, adequate sewer systems, or decent, safe and sanitary housing. The colonia fund, which is guaranteed 12.5 percent of CDBG funds, would continue to provide planning and construction grants to help those communities.

Advocacy and leadership. ORCA would be a strong advocate for rural Texans and would serve as a liaison between rural areas and state government. State government can be confusing and intimidating for citizens. Elected officials and staff members from local governments in rural areas tend to be generalists with many responsibilities. Rural residents must save their own communities, but they need assistance.

A major responsibility for ORCA would be to increase capacity for rural leadership. Often the same people are called upon repeatedly to serve in county and city government and on boards administering school, hospital, and water districts. ORCA could help identify and train a new generation of community leaders.

Appointments. The governor, lieutenant governor, and House speaker should have broad discretion in appointing members of the executive committee so that it represents a diversity of rural interests. Mandating special appointments for those specializing in rural health or economic development programs would be too restrictive given the board's broad authority. Designating such slots would make it difficult to resist calls in the future to reserve appointments for other special interests. The ORCA executive committee would be authorized to appoint advisory committees that would include specialists with expertise in priority areas such as rural health care to advise the office as needed.

- OPPONENTS SAY:** CSHB 7 would create a new bureaucracy that the state does not need. Existing agencies already are addressing the issues that the proposed rural affairs agency would address. These agencies could coordinate policies on an issue-by-issue basis or through special committees of department heads or their designated representatives. A separate agency for rural affairs would be expensive and unnecessary.
- Creation of ORCA could cost up to \$2 million during the first year to provide the necessary administrative staff and information systems to monitor the CDBG program and meet federal requirements. The provision for an interagency contract to provide administrative support is too vague as to how accounting and legal services would be provided. Moving existing agencies could disrupt ongoing programs, cause delays in paying contractors, and jeopardize the state's eligibility to receive federal funds. The proposed merger would require matching differing bureaucratic cultures and could result in loss of productivity and waste of taxpayer money.
- CSHB 7 would increase demands on state spending at a time when resources are limited. The executive director of the proposed new agency would join the list of other agency heads asking for more funding and staff during future legislative sessions.
- OTHER OPPONENTS SAY:** CSHB 7 would not require the executive committee to include members with experience or expertise in rural health care. Given the importance of health care in rural areas, the board should have representation from the rural health-care community.
- Texas also lacks a comprehensive urban policy, and state programs for urban areas have been equally piecemeal and uncoordinated. The state needs an office of urban affairs to address the unmet needs of urban Texas at least as much as it needs a rural affairs office, since the great majority of Texans now live in urban areas.
- NOTES:** The bill's fiscal note anticipates no significant fiscal implication to the state, assuming that any additional costs above the amounts transferred to ORCA from other states could be met through interagency contracts. According to the fiscal note, the bill would have a positive impact on rural governments that would vary according to local needs.

The committee substitute added these provisions that were not in the filed version:

- ! the requirement for an annual meeting of agency heads to discuss rural issues;
- ! the sunset date of September 1, 2007;
- ! authorization for the executive director to change the duties of any employee transferred to the new office; and
- ! the requirement that the LBB resolve any disputes related to transfer of duties.

The companion bill, SB 1756 by Sibley, has been referred to the Senate State Affairs Committee.