

By: Guillen

H.B. No. 725

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. The Department of Agriculture is required to
11 implement this Act only if the legislature appropriates money
12 specifically for that purpose. If the legislature does not
13 appropriate money specifically for that purpose, the department
14 may, but is not required to, implement this Act using other
15 appropriations available for the purpose.

16 SECTION 6. This Act takes effect September 1, 2013.