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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**

**No. 308**      Session of  
1993

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INTRODUCED BY LESCOVITZ, PESCI, HERMAN, TIGUE, BELFANTI,  
HALUSKA, TRELLO, BATTISTO, TRICH, KASUNIC, GORDNER, COY AND  
COLAIZZO, FEBRUARY 8, 1993

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REFERRED TO COMMITTEE ON AGRICULTURE AND RURAL AFFAIRS,  
FEBRUARY 8, 1993

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AN ACT

1 Establishing a rural community-based economic development  
2 program; providing for the creation of rural investment seed  
3 capital funds; providing for duties of the Department of  
4 Commerce; and making an appropriation.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Rural  
9 Community-Based Economic Development Act.

10 Section 2. Legislative findings and declaration.

11 The General Assembly finds and declares that economic  
12 development is essential to the health, safety and welfare of  
13 all citizens of this Commonwealth. As such, it has been the  
14 public policy of the Commonwealth to provide financial  
15 assistance to municipalities and business enterprises in order  
16 that they may undertake economic development activities. These  
17 funds have also served to stimulate private investment in  
18 economic development activities. The General Assembly recognizes

1 that the provision of financial assistance for economic  
2 development purposes has been mostly urban oriented. Many  
3 communities in rural areas of the Commonwealth have not  
4 benefited from Statewide economic development programs. Although  
5 economic development is increasingly dependent upon the  
6 availability of small businesses to finance growth and trade  
7 activities, many small businesses, especially those located in  
8 rural areas, lack the capital necessary to initiate expansion  
9 projects. This problem cannot be solved by the private sector  
10 alone. Accordingly, the General Assembly declares that a program  
11 directing financial assistance to rural community-based economic  
12 development organizations will foster economic development. Such  
13 a program will further serve to broaden and strengthen State and  
14 local tax bases, provide meaningful employment opportunities,  
15 ensure the retention of sustainable existing employment and,  
16 thereby, enhance the quality of life for the citizens of rural  
17 Pennsylvania.

18 Section 3. Definitions.

19 The following words and phrases when used in this act shall  
20 have the meanings given to them in this section unless the  
21 context clearly indicates otherwise:

22 "Applicant." A local government agency or community-based  
23 organization located in a rural county and eligible for  
24 assistance under this act.

25 "Community-based organization." An organization located in a  
26 rural county whose primary purpose is the promotion of economic  
27 development activities and which agrees to administer technical  
28 and financial assistance under the provisions of this act. The  
29 term includes a county, a countywide economic development  
30 authority or any other nonprofit economic development

1 organization designated by the Department of Commerce.

2 "Department." The Department of Commerce of the  
3 Commonwealth.

4 "Program." The rural community-based economic development  
5 program provided for in this act.

6 "Rural county." Any county of this Commonwealth which,  
7 according to the most recent Federal decennial census, has 50%  
8 or more of its population classified as rural.

9 "Seed capital fund." A special investment vehicle which  
10 provides equity and other capital to small businesses during the  
11 earliest stages of business growth.

12 "Small business." An independently owned and operated for-  
13 profit corporation, partnership or proprietorship which has 50  
14 or less employees.

15 Section 4. Rural community-based economic development program.

16 (a) Establishment.--There is hereby established within the  
17 department a rural community-based economic development program  
18 for the purpose of providing financial assistance to community-  
19 based organizations in order that they may promote and expand  
20 their economic development activities.

21 (b) Application procedures.--A community-based organization  
22 may submit an application to the department to participate in  
23 the program at such time and in such manner as the department  
24 may prescribe. The application shall include, but not be limited  
25 to, the following:

26 (1) A description of the community-based organization  
27 which will administer economic development activities.

28 (2) Justification of the need for Commonwealth  
29 assistance in financing local economic development  
30 activities.

1 (3) Documentation that the county meets the eligibility  
2 criteria specified in this act.

3 (4) An explanation of how the proposed economic  
4 development activities will create new employment  
5 opportunities or retain jobs.

6 (5) The existence of private or public matching funds.

7 (6) An outline of the county's economic development  
8 plan, if a plan exists.

9 (c) Review of applications.--The department shall review  
10 applications to ensure that proposals conform to eligible  
11 activities and objectives of this act. In evaluating  
12 applications for grants under this act, the department shall  
13 consider the following criteria:

14 (1) The financial need of the county.

15 (2) The degree to which the proposed grant will create  
16 jobs or expand business operations.

17 (3) The conformance of the proposed economic development  
18 activities with areawide and local economic development  
19 plans, if plans exist.

20 (4) The degree of economic distress in the rural county.

21 (5) Any other criteria as may be promulgated by the  
22 department.

23 Section 5. Rural community-based economic development grants.

24 (a) Use of funds.--Community-based organizations receiving  
25 grants shall use the funds in concert with local economic  
26 development and business promotion organizations to perform the  
27 following activities:

28 (1) To promote economic development activities on a  
29 local level.

30 (2) To provide financial assistance to small businesses

1 or entrepreneurs seeking to start or expand a small business  
2 enterprise.

3 (3) To provide technical and management assistance to  
4 entrepreneurs in the process of starting or expanding a small  
5 business.

6 (4) To fund the operations of an existing small  
7 business.

8 (5) The promotion and advertising of economic  
9 development activities.

10 (6) Data collection, site inventories and local economic  
11 development strategic plans.

12 (7) Other direct job creation and retention activities.

13 (b) Grant restrictions.--A community-based organization  
14 receiving assistance under this act shall not expend grant funds  
15 for any of the following:

16 (1) Activities which would affect the relocation of any  
17 operations of the company from one area of this Commonwealth  
18 to another unless the relocation is to a rural area or which  
19 would result in the abandonment of any substantial operations  
20 of the company within other areas of the Commonwealth unless  
21 completion of the activity or operation of the facility is  
22 reasonably necessary to prevent the relocation of any  
23 substantial operations of the company from an area within  
24 this Commonwealth to another state.

25 (2) To finance projects which would result in increased  
26 production or availability of goods, materials or services  
27 where sufficient capacity exists in the community to meet  
28 current and future demands.

29 (c) Amount of grants.--A grant awarded under this section  
30 shall not exceed \$500,000, and no more than one grant per county

1 shall be awarded in any one fiscal year.

2 (d) Notification of grant awards.--The department shall make  
3 a decision on awarding the grant within 90 days after receipt of  
4 the application and all supporting documentation from the  
5 community-based organization and shall give written notification  
6 of approval or disapproval of the application prior to awarding  
7 of a grant.

8 Section 6. Rural investment seed capital funds.

9 (a) Creation.--The department or any agency designated by  
10 the department is hereby authorized to award challenge grants  
11 for the purpose of establishing rural investment seed capital  
12 funds to assist small businesses in rural counties with economic  
13 development projects which will create or retain jobs.

14 (b) Application.--Community-based organizations or other  
15 organizations designated by the department and located in rural  
16 counties may submit applications to receive challenge grants to  
17 assist in establishing seed capital funds. Each application  
18 shall:

19 (1) Describe the purposes of the seed capital fund,  
20 including the types of businesses to receive investments and  
21 the types of investments to be made.

22 (2) Contain a description of the community-based  
23 organization which will establish and administer the seed  
24 fund.

25 (3) Explain the need for the challenge grant in  
26 attracting private investment to the proposed seed capital  
27 fund.

28 (4) Outline a plan for establishing the proposed seed  
29 capital fund, including the amount of private investment  
30 sought and the strategy for obtaining the investments.

1 (5) Outline private investment commitments obtained to  
2 date, if any commitments have been made.

3 (c) Use of funds.--The department shall award challenge  
4 grants to eligible applicants following approval of grant  
5 applications. Applicants receiving grants shall not expend any  
6 grant proceeds unless and until the following conditions are  
7 agreed to or satisfied:

8 (1) At least \$1 of private investment has been committed  
9 to the proposed seed capital fund for every \$1 of the  
10 challenge grant awarded and at least \$1.5 million of total  
11 investments, including the challenge grant, has been  
12 committed to the seed fund. No investment shall be made from  
13 the seed capital fund without an equal or greater investment  
14 from private sources, other than the fund, in the same small  
15 business project.

16 (2) Investments from the seed capital fund will be made  
17 exclusively in small businesses located in rural counties of  
18 this Commonwealth for the purpose of starting or expanding a  
19 small business enterprise. For the purposes of this section,  
20 small businesses may include enterprises of a mercantile or  
21 service-related nature.

22 (3) Total investments in a small business using seed  
23 capital funds shall not exceed \$500,000 during any round of  
24 financing for a small business.

25 (4) Applicants receiving challenge grants under this  
26 section shall serve as limited partners or coinvestors with  
27 limited liability in the proposed seed capital fund and  
28 returns on investments of challenge grant funds shall be  
29 reinvested in the seed capital fund.

30 Section 7. Duties of department.

1 The department shall have the following duties:

2 (1) To provide comprehensive technical and financial  
3 assistance to rural-based local public, private and nonprofit  
4 agencies in order to facilitate the planning and  
5 implementation of rural community-based economic development  
6 projects.

7 (2) To provide community-based organizations with  
8 information on available Federal and State programs which may  
9 be of assistance to improving job opportunities and general  
10 economic conditions in rural areas of this Commonwealth.

11 (3) To coordinate Federal and State economic development  
12 programs on behalf of rural agencies, both public and  
13 private, to ensure that the needs of rural areas of this  
14 Commonwealth are adequately and effectively addressed and, to  
15 the extent possible, serve as the single source for rural  
16 agencies seeking economic development assistance from the  
17 Commonwealth.

18 (4) To administer the seed capital fund grant program.

19 (5) To make grants to eligible applicants for economic  
20 development activities and award seed capital challenge  
21 grants in accordance with the provisions of this act.

22 (6) To ensure that grant recipients meet the conditions  
23 specified in this act.

24 (7) To receive and evaluate annual reports from grant  
25 recipients. The reports shall include, but not be limited to,  
26 a description of how grant proceeds were used, the names and  
27 locations of small businesses and other entities receiving  
28 assistance under the rural community-based economic  
29 development grants program and the number of jobs created or  
30 retained as a result of the program.

1 (8) To receive and evaluate annual reports for  
2 recipients of rural investment seed capital grants. These  
3 reports shall include, but not be limited to, the policies  
4 and procedures of the seed capital fund, the amount of  
5 private investment to date and the number, types and amounts  
6 of investment in small businesses by the fund.

7 (9) To provide an annual report to the General Assembly  
8 which shall include, but not be limited to:

9 (i) The number of applications received and the  
10 number approved for rural community-based economic  
11 development grants.

12 (ii) The number of jobs created or retained as a  
13 result of the rural community-based economic development  
14 grant program.

15 (iii) A list, including the location, of the  
16 applicants who received rural community-based economic  
17 development grants.

18 (iv) A description of the economic development  
19 activities initiated by grant recipients.

20 (v) The number of seed capital funds established  
21 with challenge grants, the amount of private investment  
22 in the funds and the number, types and amounts of  
23 investments in small businesses by the funds.

#### 24 Section 8. Funding.

25 Rural community-based economic development grants and seed  
26 fund challenge grants shall be made to the extent that funds are  
27 appropriated by the General Assembly to the Department of  
28 Commerce for implementation of the provisions of this act.

#### 29 Section 9. Regulations.

30 The department shall promulgate rules and regulations to

- 1 carry out the provisions of this act.
- 2 Section 10. Effective date.
- 3 This act shall take effect in 60 days.