

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 192 Session of
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SCRIMENTI, SURRA AND STEELMAN, FEBRUARY 4, 1997

REFERRED TO COMMITTEE ON AGRICULTURE AND RURAL AFFAIRS,
FEBRUARY 4, 1997

AN ACT

1 Establishing the 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 Community and Economic Development; and making an
5 appropriation.

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

8 Section 1. Short title.

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

11 Section 2. Legislative findings and declaration.

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

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

19 Section 3. Definitions.

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

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

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

1 authority or any other nonprofit economic development
2 organization designated by the Department of Community and
3 Economic Development.

4 "Department." The Department of Community and Economic
5 Development of the Commonwealth.

6 "Program." The Rural Community-based Economic Development
7 Program provided for in this act.

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

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

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

17 Section 4. Rural Community-based Economic Development Program.

18 (a) Establishment.--There is hereby established within the
19 department the Rural Community-based Economic Development
20 Program for the purpose of providing financial assistance to
21 community-based organizations in order that they may promote and
22 expand their economic development activities.

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

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

30 (2) Justification of the need for Commonwealth

1 assistance in financing local economic development
2 activities.

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

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

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

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

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

16 (1) The financial need of the county.

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

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

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

23 (5) Any other criteria as may be promulgated by the
24 department.

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

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

30 (1) To promote economic development activities on a

1 local level.

2 (2) To provide financial assistance to small businesses
3 or entrepreneurs seeking to start or expand a small business
4 enterprise.

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

8 (4) To fund the operations of an existing small
9 business.

10 (5) The promotion and advertising of economic
11 development activities.

12 (6) Data collection, site inventories and local economic
13 development strategic plans.

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

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

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

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

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

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

Section 6. Rural investment seed capital funds.

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

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

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

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

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

(4) Outline a plan for establishing the proposed seed

capital fund, including the amount of private investment sought and the strategy for obtaining the investments.

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

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

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

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

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

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

1 reinvested in the seed capital fund.

2 Section 7. Duties of department.

3 The department shall have the following duties:

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

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

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

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

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

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

26 (7) To receive and evaluate annual reports from grant
27 recipients. The reports shall include, but not be limited to,
28 a description of how grant proceeds were used, the names and
29 locations of small businesses and other entities receiving
30 assistance under the Rural Community-based Economic

1 Development Program and the number of jobs created or
2 retained as a result of the program.

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

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

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

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

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

20 (iv) A description of the economic development
21 activities initiated by grant recipients.

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

26 Section 8. Funding.

27 Rural community-based economic development grants and seed
28 fund challenge grants shall be made to the extent that funds are
29 appropriated by the General Assembly to the Department of
30 Community and Economic Development for implementation of the

1 provisions of this act.

2 Section 9. Regulations.

3 The department shall promulgate rules and regulations to
4 carry out the provisions of this act.

5 Section 10. Effective date.

6 This act shall take effect in 60 days.