

OFFICE OF RURAL COMMUNITY AFFAIRS

SUNSET STAFF REPORT

SEPTEMBER 2006



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SUMMARY

The Office of Rural Community Affairs (ORCA) serves as the State's focal point on rural issues and administers community development and rural health programs. Texas has more than 3.2 million citizens living in rural communities, representing 14 percent of the state's population. These communities play a vital role in supporting Texas' economy and maintaining the state's unique cultural identity, but often come up short when competing for policy changes and funding at the state level.

In 2001, the Legislature created ORCA to attempt to address the concern for a greater State focus on rural issues. However, ORCA has struggled to fulfill the Legislature's expectations to bring clarity to the myriad problems facing rural Texas. Sunset staff found that the agency effectively manages the two rural programs under its purview, but cannot serve the role of setting priorities and charting a clear course of action for tackling the bigger issues facing rural Texas.



*Focus on rural Texas
needs the stature of a
statewide elected official.*

Sunset staff concluded the stronger leadership of a statewide elected official is needed to take on the large and difficult task of effectively advocating for rural communities. The Texas Department of Agriculture offers such leadership, along with an extensive presence in, and familiarity with, rural Texas. The Department also has the technical expertise to administer the two rural programs currently housed at ORCA, without the need for a separate state rural agency.

The following material summarizes the Sunset staff's recommendations to strengthen the state's leadership in prioritizing and addressing the problems facing rural Texas.

Issue and Recommendations

Issue 1

A Stand-Alone Rural Agency Cannot Serve the Role Anticipated by the Legislature, and Texas Would Benefit From Having a Statewide Elected Official Lead These Efforts.

Key Recommendations

- ◆ Abolish the Office of Rural Community Affairs, and transfer its functions to the Texas Department of Agriculture.
- ◆ Authorize the Commissioner of Agriculture to create a Rural Advisory Committee to obtain input from rural elected officials and community leaders.
- ◆ Abolish the State Review Committee that advises ORCA's Executive Director on administration of the Community Development Block Grant program.
- ◆ As part of the transfer of the Community Development Block Grant program, direct the Texas Department of Agriculture to assess the potential for additional changes to improve the program's structure and administration.

Fiscal Implication Summary

Abolishing the Office of Rural Community Affairs and transferring its functions to the Texas Department of Agriculture would result in annual savings to state and federal funds of an estimated \$1.1 million, and a reduction of 17 FTEs. Half of these savings would be to state General Revenue, and the other half would be in federal funds, which would then be available to provide additional grants to rural communities.

| <i>Fiscal Year</i> | <i>Savings to the General Revenue Fund</i> | <i>Savings to Federal Funds*</i> | <i>Change in FTEs From FY 2007</i> |
|---------------------------|---|---|---|
| 2008 | \$550,000 | \$550,000 | - 17 |
| 2009 | \$550,000 | \$550,000 | - 17 |
| 2010 | \$550,000 | \$550,000 | - 17 |
| 2011 | \$550,000 | \$550,000 | - 17 |
| 2012 | \$550,000 | \$550,000 | - 17 |

* Savings to federal rural CDBG funds would be re-directed into grants to rural communities.

ISSUE

A Stand-Alone Rural Agency Cannot Serve the Role Anticipated by the Legislature, and Texas Would Benefit From Having a Statewide Elected Official Lead These Efforts.

Summary

Key Recommendations

- ◆ Abolish the Office of Rural Community Affairs, and transfer its functions to the Texas Department of Agriculture.
- ◆ Authorize the Commissioner of Agriculture to create a Rural Advisory Committee to obtain input from rural elected officials and community leaders.
- ◆ Abolish the State Review Committee that advises ORCA's Executive Director on administration of the Community Development Block Grant program.
- ◆ As part of the transfer of the Community Development Block Grant program, direct TDA to assess the potential for additional changes to improve the program's structure and administration.
- ◆ Texas is one of only two states that have created state agencies to focus on rural issues and administer programs supporting rural communities.
- ◆ The Texas Department of Agriculture offers advantages for leading the State's efforts to support rural communities in Texas, and would eliminate the need for a separate rural agency.

Conclusion

The State has a continuing need to focus on the unique concerns of Texas' rural communities, and to set clear policy priorities to help address these issues. The Sunset review evaluated the continuing need for a stand-alone state agency to perform these functions, and assessed how the State could most effectively provide needed guidance and services to rural communities.

Sunset staff concluded that, despite its best efforts, the Office of Rural Community Affairs cannot meet many of the Legislature's expectations to help strengthen and coordinate services to rural Texas. Staff found that the Texas Department of Agriculture has the leadership and organizational capacity to effectively carry out ORCA's functions, eliminating the need for a separate rural agency. Staff concluded that a statewide elected official, the Commissioner of Agriculture, would be a better leader on the State's rural issues.

Key Findings

- ◆ Texas has a clear and continuing need to focus on addressing the unique challenges and concerns facing its rural communities.
- ◆ ORCA has not met its legislative mandate to develop a comprehensive rural policy and is not well positioned to improve the coordination of state services to rural Texans.
- ◆ ORCA effectively runs the Community Development Block Grant and rural health programs, but opportunities exist for further improving the administration of the CDBG program.

Support

The Office of Rural Community Affairs serves as the State's focal point for addressing rural issues in Texas.

- ◆ Created by the Legislature in 2001, and operational in January 2002, the Office of Rural Community Affairs (ORCA's) mission is to assist rural communities with enhancing their quality of life and ongoing contribution to Texas' economy and culture. The textbox, *ORCA's Key Duties*, summarizes some of the agency's key statutory responsibilities.

ORCA is governed by a nine-member Executive Committee appointed by the Governor, Lieutenant Governor and the Speaker of the House. Six of the nine members must have an understanding and commitment to rural interests. In fiscal year 2005, the agency received total appropriations of \$109.5 million, including \$103 million, or 94 percent, in federal funds. ORCA employs 70 staff, primarily in Austin.

- ◆ In addition to serving as a focal point on rural issues, ORCA administers programs in two areas, community development and rural health. ORCA currently oversees about 830 rural Community Development Block Grant (CDBG) contracts with a value of about \$253 million in U.S. Department of Housing and Urban Development (HUD) funds. These grants fund projects as diverse as water systems, economic development, and disaster relief; and benefit about 1.3 million low- to moderate-income rural Texans. ORCA also funded about 490 rural health grants and loans in fiscal year 2005, with a value of \$5.1 million. These grants help rural communities to improve access to healthcare services and facilities, and alleviate shortages for a wide range of healthcare professionals.

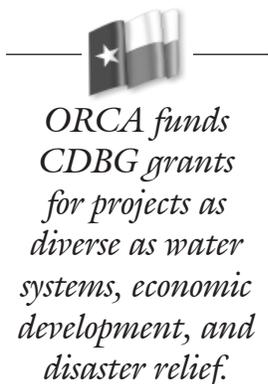
ORCA's Key Duties

State law directs ORCA to:

- ◆ develop a state rural policy;
- ◆ work with other state agencies to improve the results and cost-effectiveness of rural programs;
- ◆ monitor developments affecting rural communities and annually report on the condition of rural communities; and
- ◆ research the most cost-effective ways to improve rural communities.

The agency also administers:

- ◆ the CDBG program for rural areas; and
- ◆ rural health programs.



Texas has a clear and continuing need to focus on addressing the unique challenges and concerns facing its rural communities.

- ◆ Texas has more than 3.2 million citizens living in rural communities, or almost 14 percent of the state's 22.9 million population.¹ These rural communities play a vital role in supporting Texas' economy and maintaining the state's unique cultural identity. Over the past decades, rural communities have undergone major changes, and face unique problems impacting their ability to remain viable, contributing partners to Texas' overall economy and prosperity.

- ◆ The textbox, *Challenges for Rural Texas*, highlights some of the key issues confronting rural communities. Texas, as a state, needs to be aware of, and play a role in, supporting these communities' efforts to meet these challenges. To address the unique concerns of rural Texas, the State needs a clear policy to coordinate the distribution of limited state and federal resources available to projects benefiting local communities, while also maximizing the statewide benefits of expending these resources.
- ◆ By creating ORCA, the Legislature has shown a clear interest in placing a priority on rural issues. Texas is one of two states in the country with a separate agency to provide a state focus on these issues.

Challenges for Rural Texas

Compared to urban areas, Texas' rural communities face their own special economic and social challenges, including:

- ◆ aging and inadequate public infrastructure, such as water and sewer systems, drainage systems, emergency services, and roads;
- ◆ limited access to healthcare, with 60 counties lacking hospitals, and 24 counties with no primary care physicians;
- ◆ slower population growth and larger numbers of persons over the age of 65;
- ◆ limited economic diversity, with heavy reliance on just a few industries such as agriculture, ranching, and oil and gas;
- ◆ declining housing availability, with low rates of annual housing growth, and more older homes; and
- ◆ overall higher percentages of poverty, with 41 rural counties having average per capita incomes of less than \$20,000.

Sources:

Office of Rural Community Affairs, *Biennial Report*, 2004
 Texas Department of Agriculture, *Rural Economic Development Biennial Report*, 2004.
 Rural Policy Research Center, *Texas Demographic and Economic Profile*, 2006.

ORCA has not met its legislative mandate to develop a comprehensive rural policy and is not well positioned to improve the coordination of state services to rural Texans.

- ◆ ORCA has yet to adopt a comprehensive rural policy to clearly focus and chart a course for improving services to rural communities in Texas. In 2000, the House Select Committee on Rural Development highlighted Texas' lack of a rural policy as a critical shortcoming and key reason for needing an office of rural affairs.² In creating ORCA in 2001, the Legislature directed the agency, as its first priority, to develop a rural policy for the state.³

In 2003, ORCA published *Outline for Texas' Rural Policy*, setting out core objectives and principles for developing a rural policy. This document outlined six broad objectives, such as strengthening and diversifying Texas' rural economy. To support this ongoing process of formulating a rural policy, the Executive Committee formed a subcommittee on rural policy to develop more specific strategies for moving forward on these objectives, including identifying the key entities involved and actions necessary to be taken to address key problems.

Unfortunately, ORCA's policy sub-committee never followed through with recommendations for the full Committee's consideration. While active in fiscal year 2004, the sub-committee met informally only once in 2005, and has not met at all in 2006. The Executive Committee has not taken steps to chart a course of action, or identify specific strategies and needed actions to move forward and achieve the 2003 policy objectives. As a result, the



Texas continues to lack a comprehensive policy for addressing the problems facing rural Texas.



State continues to lack a comprehensive strategy for addressing rural Texas' most pressing problems, one of the key purposes stated by the Legislature for creating ORCA.

- ◆ ORCA has convened many meetings, sought input from numerous stakeholders, and compiled several reports on the condition of rural communities, but has not drawn conclusions on what steps to take or which rural issues to address first. Sunset staff reviewed and evaluated ORCA's published reports, including its annual rural status reports. These reports provide useful overview information, highlight rural success stories, and continue to examine issues affecting rural Texas, but contain few, if any, concrete recommendations for significant change.
- ◆ ORCA is also not well positioned to provide the leadership needed to significantly improve rural services across state agencies. ORCA's statute directs the agency to work with other state agencies to improve the results and cost-effectiveness of state programs affecting rural communities. In 2003, ORCA successfully pursued legislation to formalize a 25-member interagency work group as a mechanism for coordinating services and developing regulatory and legislative recommendations to eliminate duplication and combine program services. While ORCA has convened annual meetings of the interagency work group, neither ORCA nor the work group have followed through to provide any recommendations to the Legislature on how services could be better coordinated or delivered more cost-effectively.

ORCA has played an effective role in facilitating successful ad-hoc efforts, such as coordinating with the Texas Water Development Board to complete certain colonia water projects. However, ORCA has little authority, or the influence needed, to make a significant impact on rural-related programs housed within other state agencies such as the Texas Department of Transportation or the Texas Commission on Environmental Quality.

ORCA effectively runs the rural Community Development Block Grant and rural health programs, but opportunities exist for further improving the administration of the CDBG program.

- ◆ Since inheriting the CDBG and rural health programs in 2001, ORCA has done a good job administering these key programs that provide critical infrastructure, economic development, and healthcare assistance to rural communities. ORCA has taken several steps to use these programs, and the funding tied to them, to further improve services to rural communities. For example, ORCA identified \$6.5 million in deobligated rural CDBG funds to assist local communities with infrastructure repairs after Hurricane Rita. ORCA has also dedicated \$1 million each for two new loan programs to encourage small business development in rural areas. However, the agency has not made significant changes to the basic structure or overall administration of the rural CDBG program. Sunset staff identified several

opportunities to further improve the rural CDBG program, as discussed below.

- ◆ ORCA continues to rely on a complex system for awarding regionally allocated rural CDBG funds, using multiple entities to score and approve grant applications as shown in the table, *CDBG Grant Funding Process*. This structure can create delays in funding and may not make the best use of existing local resources.

Sunset staff found that ORCA's process for approving rural CDBG grants can delay funding to cities and counties by several months, and may have contributed to Texas having an unexpended balance of about \$4.5 million from its 2005 HUD allocation.⁴ HUD encourages states to timely expend their CDBG funds, increasing expenditures to at least equal the annual grant amount. Typically, Texas receives its rural CDBG allocation from HUD in March, however ORCA does not award the grants until June. This can delay the start of projects by about three months, making it more difficult for recipients to expend the funds within the time provided for in their project contracts.

Sunset staff also identified concerns regarding the ongoing need for Regional Review Committees (RRCs). While local input remains critical, these committees perform functions that could be done by the governing boards of local Councils of Government (COGs), without the need for an additional committee structure in each of the state's 24 planning regions. ORCA rules provide for the Governor to make a total of 288 appointments to these committees. Using RRCs to score grant applications may not make the best use of resources and expertise readily available through COGs. Statewide, COG governing boards have an average of 75 percent rural membership, consisting primarily of locally-elected officials, with the expertise and administrative support needed to score grant applications.

Sunset staff found that the State Review Committee (SRC), while required by law, may not be needed to effectively award CDBG grants. The SRC only reviews ORCA staff's award recommendations, and lacks the authority to take any action such as denying a grant award. While the SRC hears complaints and appeals from cities and counties regarding the awards process, in the last five years the SRC has only heard one complaint and one appeal. By law, the SRC may also propose changes in the formula for allocating regional CDBG funds. However, in 2005, ORCA formed a separate Regional Allocation Task Force to handle the difficult task of developing a new formula for better allocating CDBG funds regionally.

CDBG Grant Funding Process

| Entity | Purpose |
|---------------------------------|--|
| Regional Review Committee (RRC) | Each of the state's 24 planning regions has an RRC consisting of 12 rural locally-elected officials appointed by the Governor. RRC's adopt grant scoring criteria, score applications, and hear appeals, if needed. |
| ORCA Staff | ORCA staff also review and score these grant applications. |
| State Review Committee (SRC) | The SRC has 12 members, appointed by the Governor; and who must be rural locally-elected officials, or employees of a city or county involved with CDBG projects. The SRC reviews ORCA staff recommendations for funding and hears appeals, if needed. |
| ORCA Executive Committee | The Executive Committee reviews grants and approves grants of more than \$300,000.* |

*Texas Administrative Code, Title 10, part 6, rule 255.2.



ORCA relies on a complex system for awarding CDBG grants that can result in delays in getting funds to local communities.



The federal government gives states great flexibility in choosing an agency to administer their CDBG program.

- ◆ One other concern identified during this review is the number of old, incomplete CDBG contracts that ORCA has yet to close out. Recently, HUD found that Texas has old contracts for incomplete projects going back 14 years, creating additional administrative and reporting burdens for ORCA, and potentially hindering the State's ability to reduce its balance of unexpended federal funds.⁵

Texas is one of only two states that have created state agencies to focus on rural issues and administer programs supporting rural communities.

- ◆ Sunset staff's review of other states found that only one other state, Indiana, has created a stand-alone agency to focus on community and rural affairs. However in contrast to ORCA, Indiana placed its Office of Community and Rural Affairs under the leadership of a single, statewide elected official, the Secretary of Agriculture and Rural Development.⁶

The majority of other states administer their key rural programs, such as the CDBG program, through agencies that combine community development with economic development or housing. HUD allows states great flexibility in choosing an agency to administer their rural CDBG program.

- ◆ Eleven other states have established rural centers to conduct research, provide technical assistance, and help guide rural policy development, but these rural centers are not separate state agencies administering major federally funded programs. These centers' organizational structures vary, with many linked to universities or executive branch agencies, or set up as private non-profit organizations.

The Texas Department of Agriculture offers advantages for leading the State's efforts to support rural communities in Texas, and would eliminate the need for a separate rural agency.

- ◆ As a standard part of the review of an agency, Sunset staff evaluates the potential of consolidating the agency's programs and functions with other state agencies. After examining several alternatives, staff determined that the Texas Department of Agriculture (TDA) could effectively administer these programs, and offers distinct advantages for leading the State's rural development efforts. While TDA's duties center around agriculture, in 2001 the Legislature expanded the agency's mission to include rural economic development. As a result, TDA created a Rural Economic Development Division that assists rural communities with diversifying their economies and improving their ability to remain viable and prosper. This Division administers the Texas Capital Fund, which receives about 20 percent of Texas' rural CDBG funding that is set aside specifically for rural economic development.
- ◆ Staff concluded that a high profile presence would significantly benefit the State's efforts to advocate for rural communities. As a statewide elected official, the Commissioner of Agriculture could provide strong and effective



The Legislature expanded TDA's mission to include rural economic development in 2001.

leadership to identify and bring rural policy issues to the forefront. Since inheriting the Texas Capital Fund in 2001, the Commissioner has set rural economic development as a key policy priority, with a TDA Division of 21 staff dedicated to these efforts. The textbox, *Texas Capital Fund*, provides more details on the accomplishments of this program under TDA's administration.

Before creating ORCA and transferring the Texas Capital Fund to TDA, the Legislature had expressed serious concerns about the effectiveness of the Fund in serving rural Texas. In 2000, the House Select Committee on Rural Development found that the former Texas Department of Economic Development distributed Texas Capital Fund grants primarily to more populated cities and counties clustered along the major I-35 and I-10 corridors, and awarded only one grant to rural West Texas.⁷ As a result, TDA took action by developing new rules in 2001, and worked with ORCA after 2002, to reorganize the program to ensure that a broader range of rural communities receive economic development grants. Sunset staff reviewed TDA's distribution of these grants and found that since 2001, TDA has awarded 13 grants to rural West Texas, including some border communities, and that most grants are no longer clustered primarily along interstate routes.

The Commissioner of Agriculture has further supported rural economic development by creating *Texas Yes!*, a million-dollar rural tourism program providing grants for tourism and small town revitalization. In addition, TDA's Rural Municipal Finance Program provides cities and counties with loans for community and economic development projects through the Texas Agricultural Finance Authority.

- ◆ TDA serves many of the same rural constituents as ORCA, and the Commissioner makes significant efforts to provide rural communities and local officials with opportunities to voice their concerns on a wide range of rural issues. Each year the Commissioner holds 15 to 20 "Town Hall" meetings in rural communities. At these meetings, the Commissioner discusses initiatives such as job creation and rural tourism, taking input from rural community members on these initiatives and other issues.
- ◆ TDA has a significant presence throughout the state, including many rural communities, allowing agency staff to have regular contact with community members. TDA has 505 staff, of which 263 are located outside of Austin. Specifically, the agency already has seven rural economic development staff and 22 marketing staff located in its regional offices, all of which provide direct technical assistance and information to rural communities on economic development and program-related issues.⁸ In contrast, just this year ORCA began expanding its single-person regional offices from three to nine in an effort to increase its presence in rural areas.

Texas Capital Fund

The Texas Capital Fund (TCF) supports rural economic development by providing communities and businesses with grants to assist in creating and retaining jobs. TCF has four programs focusing on revitalizing buildings, land, and downtown areas. Depending on the program, grants can vary from \$50,000 to \$1 million. Since 2001, TDA has awarded 125 grants with a value of more than \$61 million, and raised about \$218 million in local match. These grants created 4,724 jobs, and retained 1,498 jobs.



TDA has a significant presence throughout Texas, with 263 of its 505 staff housed outside of Austin.

Recommendations

Change in Statute

1.1 Abolish the Office of Rural Community Affairs, and transfer its functions to the Texas Department of Agriculture.

This recommendation would expand the current duties of the Texas Department of Agriculture to encompass serving as the State's lead agency for assisting rural communities in Texas. The Commissioner of Agriculture would take the lead in advocating for changes to address the problems faced by rural Texas, and ORCA's nine-member Executive Committee would no longer be needed. ORCA's statutory duties would be transferred to TDA, including the following key duties:

- ◆ developing a rural policy for the state in consultation with state and local elected officials, community leaders, and academic experts;
- ◆ administering the state's CDBG program for rural areas;
- ◆ administering the state's rural health programs;
- ◆ working with other state agencies and officials to improve the results and cost-effectiveness of rural-related programs;
- ◆ researching the most effective ways to improve the welfare of rural communities; and
- ◆ reporting annually to the Legislature on the condition of rural communities.

To ensure development of a comprehensive rural policy, the Department of Agriculture should accomplish this task no later than September 1, 2008. In addition, the Interagency Work Group of rural-related agencies should report to the 81st Legislature on its progress to better coordinate services to rural communities no later than January 1, 2009.

Transferring ORCA's functions to TDA would unify the State's rural community and economic development efforts, and provide a more effective mechanism to identify and implement policy priorities that truly address pressing rural concerns and needs. In addition, TDA staff would have a greater presence in rural areas to provide direct technical assistance and support to rural communities. Under this recommendation, ORCA's nonprofit organization, the Rural Foundation, would remain as currently created, with the Commissioner of Agriculture responsible for appointing the Foundation's Board.

1.2 Authorize the Commissioner of Agriculture to create a Rural Advisory Committee to obtain input from rural elected officials and community leaders.

This recommendation would provide a mechanism for rural communities to provide regular input and advice to the Commissioner of Agriculture when setting rural policy priorities and administering community development and health programs that impact rural communities. Committee members should include rural local elected officials and community members with expertise in community development, economic development, and rural health; and may include other areas such as education, and transportation, as determined by the Commissioner. In addition, the Commissioner would continue to appoint members to existing statutorily created rural health advisory committees.

1.3 Abolish the State Review Committee that advises ORCA's Executive Director on administration of the Community Development Block Grant program.

Abolishing the State Review Committee would eliminate an unnecessary layer of the CDBG program and streamline the process for awarding grants to cities and counties applying for rural CDBG funds. Under this recommendation, the Commissioner of Agriculture would approve the State's formula for allocating regional CDBG funds, approve grant awards, and hear any complaints or appeals relating to the grant process.

Management Action

1.4 As part of the transfer of the rural Community Development Block Grant program, direct the Texas Department of Agriculture to assess the potential for additional changes to improve the structure and administration of the program.

This recommendation would ensure that the Texas Department of Agriculture assesses the CDBG program to identify changes that could be implemented to improve its structure and administration. The analysis should include exploration of the following areas:

- ◆ ways to capitalize on the benefits of administering rural CDBG community and economic development funds within one agency;
- ◆ awarding funds to cities and counties more quickly, once HUD makes the Texas allocation available;
- ◆ streamlining the grant process, and taking greater advantage of any existing resources, such as regional Council's of Governments;
- ◆ adopting policies and procedures to regularly evaluate and close aged contracts; and
- ◆ exploring further ways to streamline the program and reduce associated administrative costs.

When assessing the rural CDBG program and proposing changes, TDA should take public input, consult with local elected officials, and work closely with HUD to ensure compliance with federal regulations. If possible, the agency should implement changes as part of the State's rural CDBG Action Plan for 2008.

1.5 Direct ORCA and the Department of Agriculture to formulate a transition plan for the transfer of ORCA's functions and property.

A transition plan should be developed as soon as legislation affecting the transfer is passed and signed by the Governor. The plan should include:

- ◆ a timetable with specific steps and deadlines needed to carry out the transfer in compliance with the effective date of the transfer provision;
- ◆ a method for transfer of all program and personnel records to the Texas Department of Agriculture;
- ◆ closure of ORCA central and regional offices; and
- ◆ any other steps needed to complete transfer of functions.

This recommendation would help ensure that the transfer of rural CDBG and rural health programs is done in accordance with state law and has minimal effect on rural communities applying for grants and loans. Transfer of these programs should occur as soon as possible after the effective date of the legislation and within the standard one-year wind-down period provided for in the Sunset Act.

Fiscal Implication

These recommendations would result in annual savings to state and federal funds of an estimated \$1.1 million, and a reduction of 17 FTEs. Half of these estimated savings would accrue to the General Revenue Fund, and the other half would be in federal funds, which would then be available to provide additional grants to rural communities.

Of the 17 FTE reduction, six would result from eliminating duplication of executive, financial, and information systems support. Another five FTEs would come from the elimination of the need for oversight of the CDBG funds across two agencies. The remaining reduction of six FTEs would result from the use of TDA's existing offices and staff in rural areas, to supplement staff transferred from ORCA, to provide information and technical assistance to rural communities. In addition, about \$100,000 in savings would result from reductions in Executive Committee and staff travel, and using TDA's existing human resources, internal audit, and legal support functions.

| Fiscal Year | Savings to the General Revenue Fund | Savings to Federal Funds* | Change in FTEs From FY 2007 |
|--------------------|--|----------------------------------|------------------------------------|
| 2008 | \$550,000 | \$550,000 | - 17 |
| 2009 | \$550,000 | \$550,000 | - 17 |
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| 2012 | \$550,000 | \$550,000 | - 17 |

* Savings to federal rural CDBG funds would be re-directed into grants to rural communities.

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<sup>1</sup> Office of Rural Community Affairs, *The Status of Rural Texas*, (Austin, Texas, December 2002) p. 2.

<sup>2</sup> Texas House of Representatives, House Select Committee on Rural Development, *Interim Report*, (Austin, Texas 2000) p. 46-47.

<sup>3</sup> Texas Government Code, sec. 487.051(1).

<sup>4</sup> Letter from the U.S. Department of Housing and Urban Development (HUD), to the Texas Department of Housing and Community Affairs, June 27, 2006.

<sup>5</sup> HUD letter, June 27, 2006.

<sup>6</sup> <http://www.in.gov/ocra/>. Accessed: September 15, 2006.

<sup>7</sup> Texas House of Representatives, *Interim Report*, p. 70.

<sup>8</sup> Information provided to Sunset staff by the Texas Department of Agriculture, September 7, 2006.

# AGENCY INFORMATION



# Agency Information

## Agency at a Glance

The mission of the Office of Rural Community Affairs (ORCA) is to assist rural communities to enhance their quality of life and support their ongoing contribution to the state's prosperity and cultural identity. Created in 2001, the Legislature charged ORCA with developing a rural policy for the state and coordinating state services to better serve rural communities. In addition, the Legislature transferred the rural Community Development Block Grant (CDBG) and rural health program. To accomplish its mission, ORCA:

- ◆ provides grants, loans, and assistance to rural communities to support economic and community development, and improved access to quality healthcare; and
- ◆ acts as a key state resource on rural issues by seeking input on, monitoring, researching, coordinating, and reporting on concerns and trends affecting rural communities in Texas.



*ORCA assists with  
enhancing quality of life in  
Texas' rural communities.*

## Key Facts

- ◆ **Funding.** In fiscal year 2005, the agency received a total of \$109.5 million. Of this total, about \$4.2 million went to support the operations of the agency, with the majority of funds passed through to rural communities in grants. Approximately \$103 million, or 94 percent, of ORCA's revenues come from federal funds, with the remaining 6 percent from General Revenue.
- ◆ **Staffing.** ORCA employs a staff of 70 that is headquartered in Austin, with one employee in each of its field offices in rural communities that the agency recently expanded from three to six.
- ◆ **Community Development.** ORCA oversees about 830 active community development projects awarded over previous years, with open contracts worth about \$253 million. The agency awarded approximately \$83.3 million in CDBG funds in fiscal year 2005. These projects help improve the quality of life for about 1.3 million low- to moderate-income rural Texans by assisting communities to install water/wastewater systems, pave roads, rehabilitate housing, build community facilities, attract businesses, and retain jobs.
- ◆ **Rural Health.** As the state's Office of Rural Health, the agency funded 490 rural health grants and loans with a value of \$5.1 million in fiscal year 2005. These projects help mitigate shortages in rural healthcare access by assisting communities with recruiting and retaining healthcare practitioners, and improving hospital facilities.

## Major Events in Agency History

2001 The Legislature creates ORCA and transfers two key programs to the newly created agency: the rural CDBG program, from the Texas Department of Housing and Community Affairs (TDHCA), and rural health programs from the Center for Rural Health Initiatives, later abolishing the Center. The Legislature also transfers to ORCA a small program aimed at providing assistance to officials of communities of less than 10,000; but cuts funding for this program in 2003.



*ORCA distributed \$32.2 million in disaster relief funds to assist victims of Hurricane Katrina.*

When creating ORCA, the Legislature leaves the rural CDBG-funded Colonia Self-Help Center program at TDHCA, and transfers the rural CDBG-funded Texas Capital Fund from the Texas Department of Economic Development to the Texas Department of Agriculture (TDA).

2003 ORCA establishes the Rural Foundation, a non profit entity created to raise money for rural community development efforts. ORCA also hosts its first Rural Texas Summit to discuss rural issues with state and local elected officials, staff of rural-related state agencies, and members of rural communities.

2005 ORCA begins efforts to move more staff to rural areas by planning to expand its regional offices from three to nine.

2006 Texas receives \$74.5 million in supplemental rural CDBG disaster relief funds to assist victims of Hurricane Katrina. ORCA administers \$32.2 million for public infrastructure projects, while TDHCA administers \$41.3 million for housing and rehabilitation.

## Organization

### Policy Body

ORCA's policy body, the Executive Committee, consists of nine public members appointed by the Governor, Lieutenant Governor, and Speaker of the House. At least six of the members must have a strong understanding of

and commitment to rural interests. Each year, the Executive Committee elects a chair and vice chair from among its members. The table, *ORCA Executive Committee*, provides additional information on each of the current members.

The Executive Committee sets policies and rules; provides long-range direction for the agency; adopts the rural CDBG program Action Plan; and hires the agency's Executive Director. In fiscal year 2005, the Executive Committee met five times in Austin and four times in rural communities.

**ORCA Executive Committee**

| Member                          | Residence       | Term Expires |
|---------------------------------|-----------------|--------------|
| Michael Waters, Chair           | Abilene         | 2011         |
| David Richey Alders, Vice Chair | Nacogdoches     | 2009         |
| Carol Harrell, Secretary        | Jefferson       | 2007         |
| Nicki Harle                     | Baird           | 2009         |
| William M. Jeter, III           | Houston         | 2007         |
| Wallace G. Klussmann            | Fredericksburg  | 2007         |
| Lydia Rangel Saenz              | Carrizo Springs | 2009         |
| Ike Sugg                        | San Angelo      | 2011         |
| Patrick Wallace                 | Athens          | 2011         |

The Executive Committee also appoints the Board of Directors for the Rural Foundation, a nonprofit entity discussed in the textbox, *The Rural Foundation*.

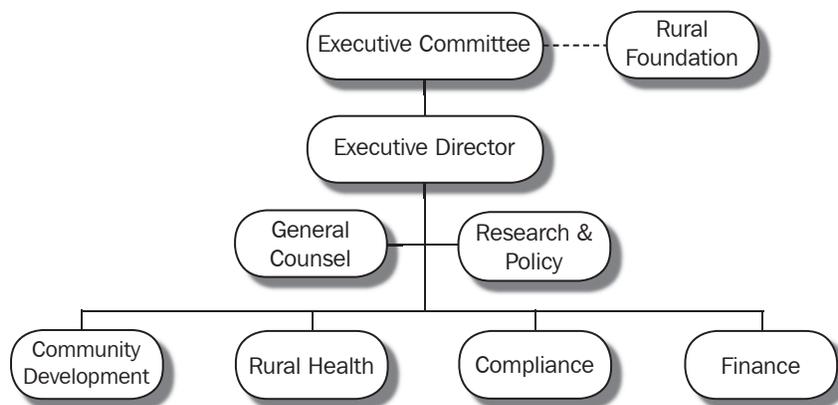
### Staff

The agency employs 70 staff, primarily located in Austin. The agency also has one employee in each of its six field offices in Alice, Bédias, LaGrange, Levelland, Nacogdoches, and Sweetwater. The Executive Director, under the direction of the Executive Committee, manages the agency's day-to-day operations. The *ORCA Organizational Chart* shows the agency's structure.

**The Rural Foundation**

The Rural Foundation operates as a nonprofit corporation charged with raising money to fund rural health, community, and economic development programs. With ORCA finalizing appointments to the Foundation in 2005, the Foundation is focusing on strategic planning and fund raising efforts. ORCA provides limited staff support to the Foundation, but the Foundation operates independently of the agency.

**ORCA Organizational Chart**



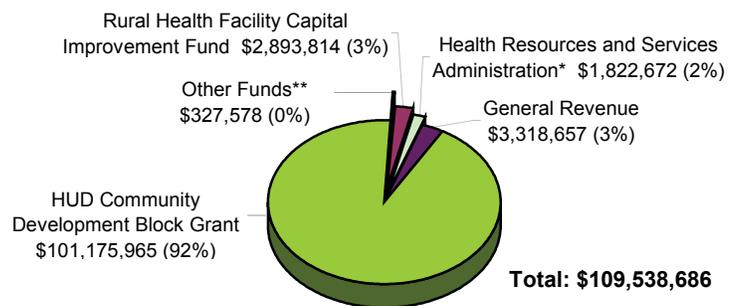
Appendix A compares the agency's workforce composition to the minority civilian workforce for the past three years. While the agency has exceeded civilian workforce percentages in some job categories, it has fallen below in others.

## Funding

### Revenues

In fiscal year 2005, ORCA received \$109.5 million in revenue. The pie chart, *ORCA Sources of Funding*, shows that 92 percent of the agency's funding, more than \$101 million, came from the U.S. Department of Housing and Urban Development's rural CDBG program, and about \$1.8 million came from the U.S. Department of Health and Human Services. State revenues included \$2.8 million in General Revenue Dedicated funds for improving rural health facilities, and \$3.3 million in General Revenue funds.

**ORCA Sources of Funding  
FY 2005**

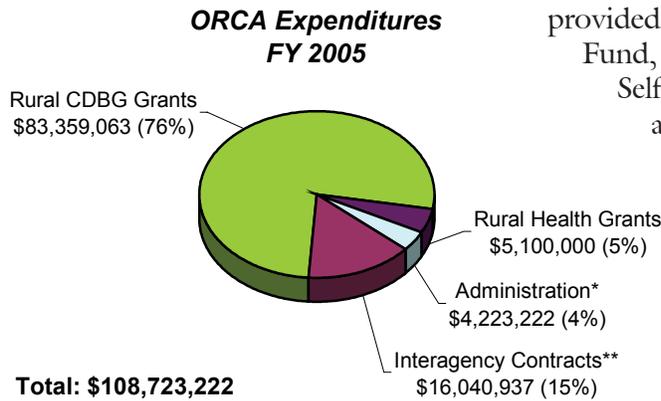


\* U.S. Department of Health and Human Services.

\*\* Includes Earned Federal Funds and an Endowment Fund for Rural Communities Health Care Investment.

## Expenditures

In fiscal year 2005, the agency spent about \$108.7 million. As shown in the pie chart, *ORCA Expenditures*, 76 percent of these expenditures went to support rural CDBG programs directly administered by ORCA. In addition, ORCA contracted with other agencies to administer and distribute about \$16 million in rural CDBG funds. These contracts provided for TDA's administering of the Texas Capital Fund, and for TDHCA's administering of the Colonia Self-Help Center funds. Rural health grants and loans accounted for \$5.1 million, or five percent of the agency's expenditures, and the remaining \$4.2 million went to support the agency's overall operations.



\* Estimated based on information provided to Sunset staff.

\*\* Includes rural CDBG programs administered by TDA and TDHCA.

Appendix B describes the agency's use of Historically Underutilized Businesses in purchasing goods and services for fiscal years 2002 to 2005. The agency has greatly exceeded the State's purchasing goals in the categories of commodities and special trade, but fell short in the other services category.

## Agency Operations

### Policy and Research

One of ORCA's key objectives is to develop a rural policy that addresses the concerns and issues of rural communities, and maximizes the benefits of rural services and programs statewide. To support this objective, agency staff collect information and data on rural areas; assess rural health needs; and conduct research on state agency policies and programs affecting rural communities. To obtain input on rural concerns, ORCA convenes meetings of rural stakeholders such as community members, state and local elected officials, state agency officials, and academic experts to identify rural needs and collaborate on improving rural-related services. ORCA reports to the Legislature on the results of these efforts, including producing annual reports on the condition of rural Texas, and a biennial rural health work plan.



*One of ORCA's key duties is to develop a rural policy for Texas.*

### Community Development

ORCA administers the State's rural Community Development Block Grant (CDBG) program, which helps to improve the conditions and the quality of life in rural communities. The textbox, *Texas Community Development Block Grant Funding*, explains how the U.S. Department of Housing and Urban Development (HUD) allocates CDBG funding in Texas between rural and urban areas, and the national objectives Texas must meet when spending these federal funds. The federal government distributes CDBG funding to states based on the federal program year, which begins for Texas on February 1st and ends January 31st of the next year. ORCA allocates and manages its CDBG funds according to HUD's program year.

In Texas, the majority of rural CDBG funding supports water and sewer projects, in addition to economic development, housing, disaster recovery, and activities dedicated to improving conditions in colonias. In fiscal year 2005, ORCA distributed \$98.2 million in rural CDBG funds to rural cities and counties through regional funds, statewide funds, and contracts with TDA and TDHCA, as shown in the chart on page 18, *Flow of Texas' Rural CDBG Funding*.

For funds awarded by ORCA, the agency gave a major portion, about \$60.8 million in fiscal year 2005, to the 24 regional planning areas of the state. For these regional funds, cities and counties apply to ORCA, and local Regional Review Committees composed of locally-elected officials appointed by the Governor, score these applications to determine their ranking for funding. ORCA also awards a smaller portion of the funds, about \$22.3 million in fiscal year 2005, to cities and counties that must compete for this funding on a statewide basis. For statewide funds, ORCA scores applications and makes awards on a competitive or first-come first-served basis, depending on the particular program.

ORCA divides its rural CDBG funds into 13 separate grant programs that cities and counties must apply for, including the two programs administered by TDA and TDHCA through interagency contracts with ORCA. Appendix C provides more information on each of these programs. Rural CDBG grants awarded to cities and counties vary widely, from \$10,000 to \$1 million depending on the program; however, the majority of grants average about \$250,000. In fiscal year 2005, ORCA, TDA, and TDHCA awarded a combined total of about 350 grants. While TDA and TDHCA administer their respective grants, ORCA handles reporting, processes all payments, develops the action plan, and is ultimately accountable to HUD for proper use and expenditure of these funds.

Also, ORCA staff conduct many activities relating to educating rural city and county officials about available grants, assisting with grant applications, and seeing funded projects through to completion as summarized in the textbox on the following page, *Rural CDBG Grant Assistance and Oversight Activities*. For example, ORCA's compliance staff conduct monitoring visits before closing out community development contracts, closing out about 300 projects

### **Texas Community Development Block Grant Funding**

Texas received the nation's largest Community Development Block Grant (CDBG) funding allocation from HUD in program year 2005, totaling \$286.3 million. Of this amount, HUD provided \$204 million directly to urban areas, and \$82.3 million to ORCA for distribution to rural areas.\* Federal law defines urban and rural areas as shown below.

- ◆ **Rural or Non-entitlement:** cities with populations of less than 50,000 and counties with populations of less than 200,000. Texas has 1,017 non-entitlement cities and 245 non-entitlement counties.
- ◆ **Urban or Entitlement:** cities with populations of at least 50,000 and counties with populations of at least over 200,000. Texas has 57 entitlement cities and nine entitlement counties.

By federal law, Texas must address at least one of the following three national objectives when spending CDBG funds:

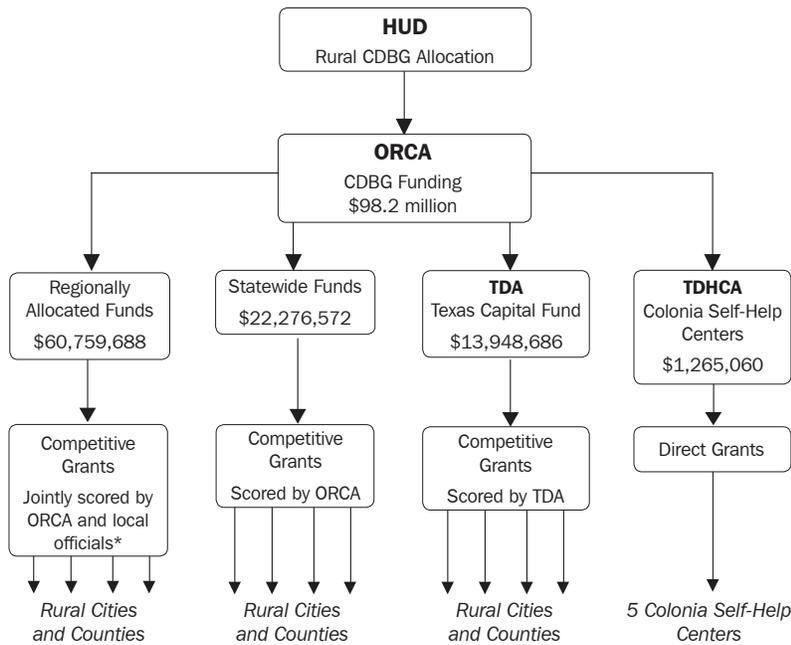
- ◆ provide benefits to mostly low- to moderate-income persons;
- ◆ aid in the elimination of slum and blight; and
- ◆ meet other urgent needs of communities that represent and immediate threat to the health and safety of those communities.

\* Does not include additional deobligated funds from prior years distributed by ORCA in 2005.



*Three agencies,  
ORCA, TDA,  
and TDHCA,  
play a role in  
distributing  
rural CDBG  
funds in Texas.*

**Flow of Texas' Rural CDBG Funding  
Fiscal Year 2005**



\* Twenty-four Regional Review Committees, each composed of 12 locally-elected officials appointed by the Governor.

in fiscal year 2005. In addition, ORCA field staff conduct on-site technical assistance visits before, or after, the start of a project, having conducted about 225 of these visits in fiscal year 2005.

**Rural Health**

The goal of ORCA's Rural Health Division is to increase access to quality healthcare services and eliminate healthcare disparities in rural Texas. ORCA works to achieve this goal by administering grants and loans that assist rural communities with maintaining viable, up-to-date medical facilities, and increasing the number of healthcare professionals practicing in these communities. For example, ORCA provides grants and loans to hospitals; designates "critical access hospitals" to increase Medicare

reimbursements; and provides grants, loans, and stipends to recruit and retain healthcare professionals. Additionally, ORCA awards grants to assist healthcare facilities and first responders with purchasing updated medical equipment and technology.

**Rural CDBG Grant Assistance and Oversight Activities**

To assist rural cities and counties with applying for community development grants and to complete funded projects, ORCA staff carry out the following activities.

**Assistance**

- ◆ Provide information and resources on requirements for different programs.
- ◆ Provide daily contract management and technical assistance on completing grant applications.
- ◆ Review grant applications for correctness and completeness.
- ◆ Score grant applications, and assist local Regional Review Committees with the scoring process.
- ◆ Conduct pre-award technical assistance site visits.

**Oversight**

- ◆ Upon awarding grants, prepare contracts and any amendments.
- ◆ Process grant payments throughout the lifetime of a contract.
- ◆ Conduct monitoring visits to audit grant recipients and ensure proper expenditure of funds.
- ◆ Verify that projects benefit low- to moderate-income persons as required by federal law.
- ◆ Conduct monitoring visits to close out contracts on completion of projects.
- ◆ Audit state and local entities administering portions of the program, such as TDA, TDHCA, and Councils of Government.
- ◆ Provide contract oversight throughout the life of a contract.

In fiscal year 2005, ORCA distributed about 550 rural health grants and loans totaling approximately \$5.1 million. Rural health grants and loans vary from \$2,000 to \$150,000, depending on the program, with the majority of awards ranging from \$5,000 to \$40,000. For more detailed information on each of these rural health programs, see Appendix D. In addition, staff ensure that persons receiving medical school tuition loans through the Outstanding Rural Scholar Recognition Program serve their full commitment or pay back their loans, and refer delinquent loans to the Office of the Attorney General for collection.



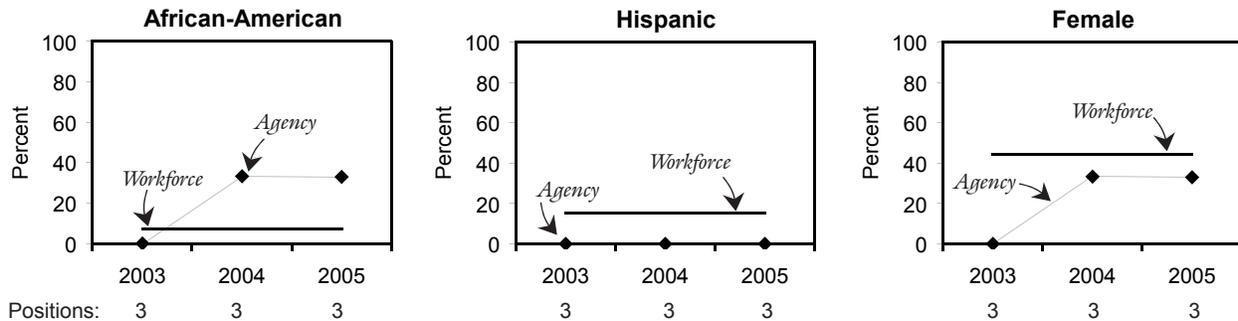
# APPENDICES



## Equal Employment Opportunity Statistics 2003 to 2005

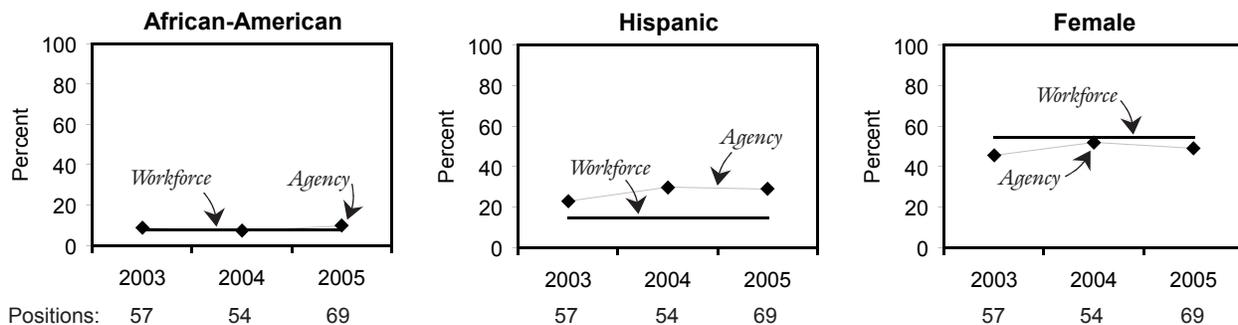
In accordance with the requirements of the Sunset Act, the following material shows trend information for the Office of Rural Community Affairs' employment of minorities and females in all applicable categories.<sup>1</sup> The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.<sup>2</sup> In the charts, the flat lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category. These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The diamond lines represent the agency's actual employment percentages in each job category from 2003 to 2005. While the agency has exceeded civilian workforce percentages in some job categories, it has fallen below on others.

### Administration



While the agency has few of these positions, it has exceeded the civilian workforce percentages for African-Americans. The agency did not meet civilian workforce percentages for Hispanics in all three fiscal years.

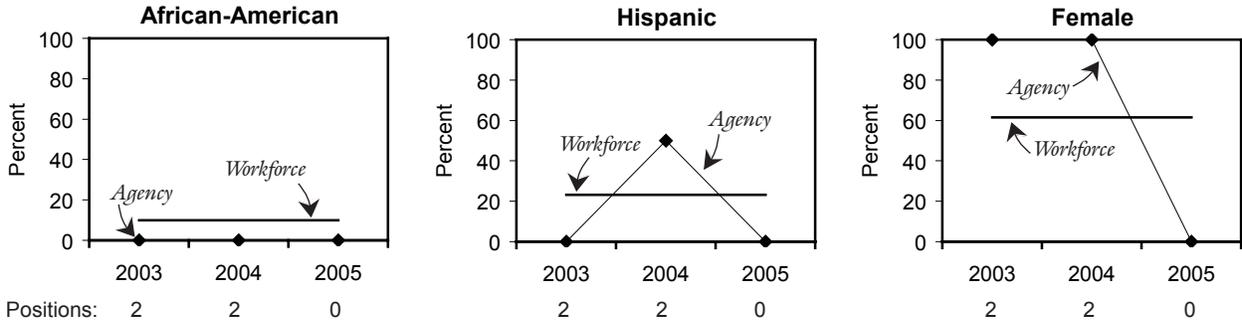
### Professional



Representing the largest category of staff, the agency has met or exceeded the civilian workforce percentages for Hispanics and African-Americans in the last three fiscal years. The agency has fallen below the civilian workforce percentages for females in those same years.

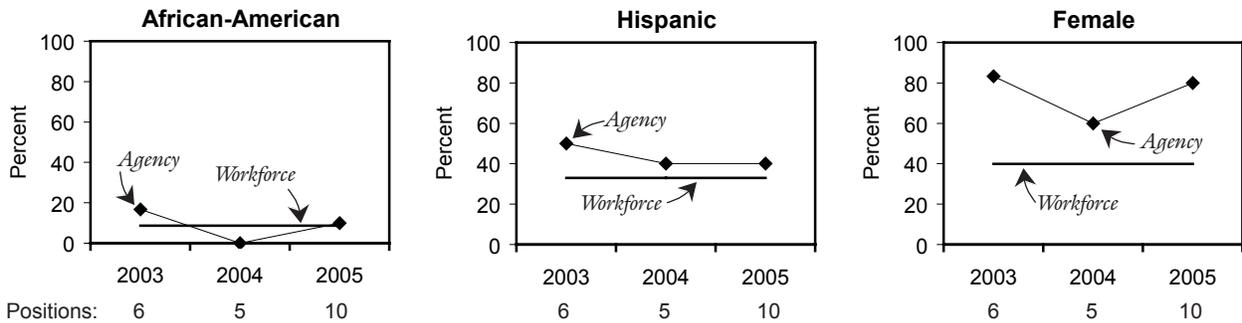
# Appendix A

## Administrative Support



In the administrative support category, the agency exceeded the civilian workforce percentages for females in fiscal years 2003 and 2004. The agency exceeded the percentages for Hispanics in fiscal year 2004, but did not meet these percentages for 2003. The agency did not meet the percentages for African-Americans in fiscal years 2003 and 2004. In fiscal year 2005, the agency did not have any staff in these positions.

## Service/Maintenance



In the service/maintenance category, the agency has exceeded the civilian workforce percentages for African-Americans, Hispanics, and females, in the last three fiscal years, with the exception of falling short for African-Americans in fiscal year 2004.

<sup>1</sup> Texas Government Code, sec. 325.011(9)(A).

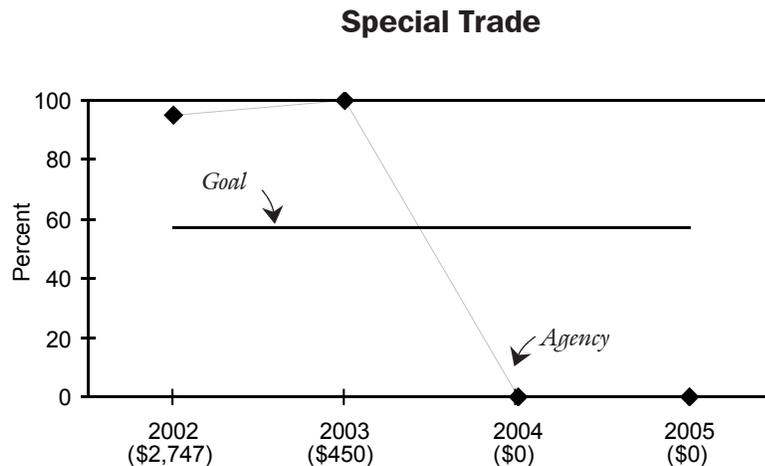
<sup>2</sup> Texas Labor Code, sec. 21.501.

## Historically Underutilized Businesses Statistics

### 2002 to 2005

The Legislature has encouraged state agencies to increase their use of Historically Underutilized Businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.<sup>1</sup>

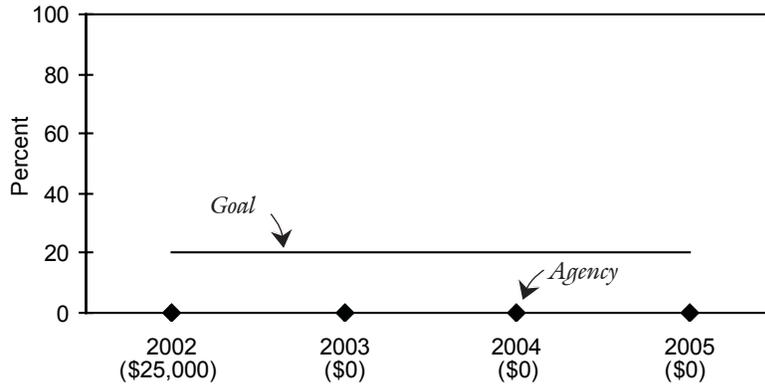
The following material shows trend information for the Office of Rural Community Affairs' use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.<sup>2</sup> In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from 2002 to 2005. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The agency greatly exceeded the State's goals for spending money on HUBs in the special trade and commodities categories, but fell short on spending money on HUB's for other services.



The agency exceeded the State's goal for HUB spending for special trades in fiscal year 2002 and 2003, the only two years it expended funds.

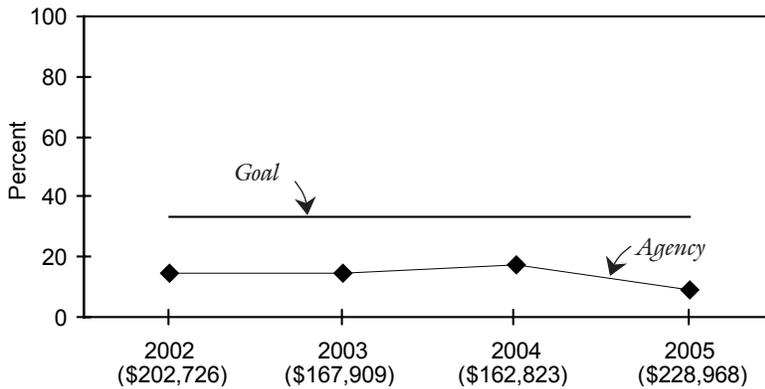
# Appendix B

## Professional Services



The agency fell short of the State’s goal for spending money on HUBs in this category for fiscal year 2002, the only year it expended funds.

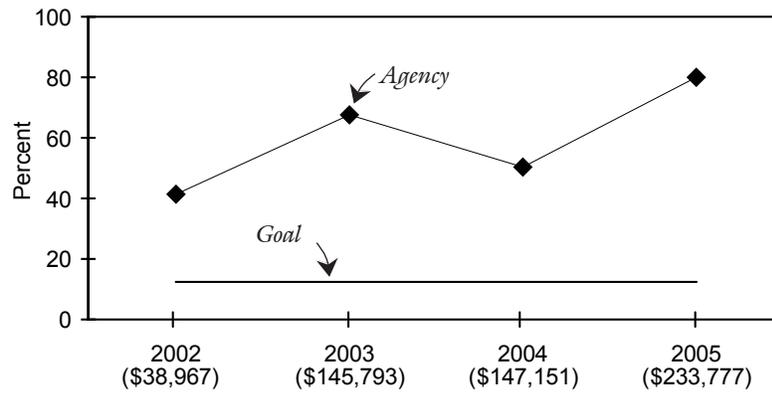
## Other Services



The agency fell short of the State’s goal for spending money on HUBs in this category for all years.

## Appendix B

### Commodities



The agency greatly exceeded the State's goal for spending money on HUBs in this category for all years.

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<sup>1</sup> Texas Government Code, sec. 325.011(9)(B).

<sup>2</sup> Texas Government Code, ch. 2161.



## Rural Community Development Block Grant Program Summaries – FY 2005

| <b>Program</b>                        | <b>Eligibility Criteria and Number of Beneficiaries</b>                                                                                                            | <b>Description and Funding Cycle</b>                                                                                                                                                                       | <b>Number of Awards</b> | <b>Amount Awarded</b>                                                   |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------------------|
| Community Development                 | Rural cities and counties.<br><br>Beneficiaries: 241,905 people                                                                                                    | Community development grants for needs such as sewer/water systems, drainage, housing rehabilitation, roads, and community facilities.<br><br>Funded biennially.                                           | 188                     | \$50,240,896                                                            |
| Community Development Supplemental    | Rural cities and counties.<br><br>Beneficiaries: 41,809 people                                                                                                     | Same as above.                                                                                                                                                                                             | 40                      | \$10,518,792                                                            |
| Colonia Planning                      | Rural counties within 150 miles of the Texas-Mexico border and Hidalgo County (urban county).<br><br>Beneficiaries: 28,889 people                                  | Grants for developing water/sewage/housing activities, preliminary site engineering, architecture services, legal services, and obtaining construction loans.<br><br>Funded annually.                      | 3                       | \$270,000                                                               |
| Colonia Construction                  | Rural counties and Hidalgo County (urban county).<br><br>Beneficiaries: 3,663 people                                                                               | Grants for water and sewer systems, and other eligible activities.<br><br>Funded biennially.                                                                                                               | 14                      | \$6,333,689                                                             |
| Colonia Economically Distressed Areas | Rural areas eligible under both the Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program.<br><br>Beneficiaries: 2,348 people | Grants for yard-lines, household hook-ups, and plumbing improvements associated with Texas Water Development Board's Economically Distressed Areas Program water system projects.<br><br>Funded as needed. | 6                       | \$2,620,000                                                             |
| Planning & Capacity Building          | Rural cities and counties.<br><br>Beneficiaries: 50,909 people                                                                                                     | Grants for planning activities related to public works and housing, to address local needs and improve local capacity.<br><br>Funded biennially.                                                           | 23                      | \$847,100                                                               |
| Texas Small Towns Environment Program | Rural cities and counties.<br><br>Beneficiaries: 4,287 people                                                                                                      | Grants for water/sewer projects to communities willing to use volunteer services.<br><br>Funded 3 times a year.                                                                                            | 13                      | \$3,011,136                                                             |
| Disaster Relief/ Urgent Need          | Rural cities and counties.<br><br>Beneficiaries: 224,021 people                                                                                                    | Grants for communities impacted by natural disasters or if other urgent needs exist.<br><br>Funded as needed.                                                                                              | 21                      | \$6,269,197                                                             |
| Housing Infrastructure Fund           | Rural cities and counties.<br><br>Beneficiaries: 597 people                                                                                                        | Grants to provide infrastructure for low to moderate income single and multi-family housing.<br><br>Funded annually.                                                                                       | 8                       | \$2,925,460<br><br>Discontinued in program year 2006.                   |
| Micro Enterprise Loan Program         | Rural cities and counties.<br><br>Beneficiaries: N/A                                                                                                               | Grants to non profits to establish local loan programs to assist businesses with creating and retaining jobs.<br><br>Funded annually.                                                                      | N/A for FY 05           | Created for program year 2006.<br><br>\$1,000,000 in available funding. |

## Appendix C

### Rural Community Development Block Grant Program Summaries – FY 2005

| <b>Program</b>                                                                                              | <b>Eligibility Criteria and<br/>Number of Beneficiaries</b>                                                                   | <b>Description and Funding Cycle</b>                                                                                                                      | <b>Number<br/>of<br/>Awards</b> | <b>Amount<br/>Awarded</b>                                               |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------------------------------|
| Small Business Loan Program                                                                                 | Rural cities and counties.<br><br>Beneficiaries: N/A                                                                          | Grants to cities or counties to assist businesses with creating and retaining jobs.<br><br>Funded annually.                                               | N/A for FY 05                   | Created for program year 2006.<br><br>\$1,000,000 in available funding. |
| Non-Border Colonia                                                                                          | Rural counties in unincorporated areas located farther than 150 miles from the Texas-Mexico border.<br><br>Beneficiaries: N/A | Grants for water systems, sewer systems, and other eligible activities.<br><br>Funded biennially.                                                         | N/A for FY 05                   | Created for program year 2006.<br><br>\$500,000 in available funding.   |
| Texas Capital Fund<br><i>(Administered by the Texas Department of Agriculture)</i>                          | Rural cities and counties.<br><br>Beneficiaries: 1,479 people                                                                 | Economic development grants infrastructure, real estate improvements, and job creation/retention.<br><br>Funded 3 times a year.                           | 27                              | \$13,948,686                                                            |
| Colonia Self-Help Centers<br><i>(Administered by the Texas Department of Housing and Community Affairs)</i> | Rural border counties and Hidalgo County (urban county).<br><br>Beneficiaries: 1,212 people                                   | Supports operation of colonia self-help centers and community programs.<br><br>Funded by annual allocation to Colonia Self-Help Centers, non-competitive. | 5                               | \$1,265,060                                                             |

# Appendix D

## Rural Health Program Summaries – FY 2005

| <b>Program</b>                                                   | <b>Eligibility Criteria and Number of Beneficiaries</b>                                                                                                                                                                                                                                                                                                            | <b>Description</b>                                                                                                                                                                                                                                             | <b>Funding Source/Ratio</b>                             | <b>Number of Awards</b> | <b>Total Funding Awarded</b> |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------|------------------------------|
| Permanent Fund for Rural Health Facility Capital Improvement     | Hospitals owned or operated by a municipality, county, municipality and county, hospital district, or hospital authority. The hospital must be located in a county with a population of 150,000 or less.<br><br>Beneficiaries: 63 hospitals                                                                                                                        | Grants and loans to public hospitals for construction, improvements, equipment, and real property.                                                                                                                                                             | State (Tobacco Endowment Interest)                      | 63                      | \$2,813,355                  |
| Small Rural Hospital Improvement Program                         | Hospitals with 49 available beds or fewer and a non-federal, short term, general acute care facility. Must be located in a county outside Metropolitan Statistical Area.<br><br>Beneficiaries: 92 hospitals                                                                                                                                                        | Assist with costs related to the implementation of Prospective Payment Systems to comply with HIPAA.                                                                                                                                                           | Federal                                                 | 92                      | \$846,032                    |
| Medicare Rural Hospital Flexibility Program                      | A hospital must be located outside a Metropolitan Statistical Area or in an area designated by ORCA as rural.<br><br>Beneficiaries: 166 hospitals and clinics                                                                                                                                                                                                      | Allows for a hospital to be designated as a critical access hospital. Provides different grants such as assessing the financial impact of becoming a critical access hospital, enhancing EMS services, and improving networking of services between hospitals. | Federal                                                 | 58                      | \$539,059                    |
| Texas Outstanding Rural Scholar Recognition Program              | Must be located in a rural community and be an entity with a council, board of trustees or commissioners which is responsible to the community.<br><br>Texas resident who has a commitment for financial support from a rural community sponsor and is enrolled in an academic institution to become a health care professional.<br><br>Beneficiaries: 27 students | Financial support to healthcare students to encourage practice in rural Texas.                                                                                                                                                                                 | 25% Federal<br>75% State; communities provide 50% match | 27                      | \$260,633                    |
| Medically Underserved Community-State Matching Incentive Program | Communities located in medically underserved areas with a shortage of personal health services. Or, physicians practicing in specialties such as pediatrics, internal medicine, or gynecology.<br><br>Beneficiaries: 10 communities                                                                                                                                | Attract and retain physicians by providing funds to cover practice start-up costs.                                                                                                                                                                             | 25% Federal<br>75% State                                | 10                      | \$244,696                    |
| Rural Access to Emergency Devices Program                        | First responders or facilities must be located in a rural area as designated by ORCA.<br><br>Beneficiaries: 98 first responders or facilities                                                                                                                                                                                                                      | Funding for automated external defibrillators.                                                                                                                                                                                                                 | Federal                                                 | 98                      | \$166,513                    |

## Appendix D

### Rural Health Program Summaries – FY 2005

| <b>Program</b>                                | <b>Eligibility Criteria and Number of Beneficiaries</b>                                                                                                                                                                                                                                                    | <b>Description</b>                                                                                                                                                                                                        | <b>Funding Source/Ratio</b>   | <b>Number of Awards</b> | <b>Total Funding Awarded</b> |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------|------------------------------|
| Rural Community Healthcare Investment Program | Communities located in a county with a population of 50,000 or designated by ORCA as a medically underserved area.<br><br>Beneficiaries: 190 healthcare practitioners                                                                                                                                      | Provide stipend and/or loan reimbursement to health professionals who practice in medically underserved communities.                                                                                                      | State<br>(Tobacco Settlement) | 190                     | \$113,050                    |
| Texas Health Service Corps Program            | Any county that is not designated as a Metropolitan Statistical Area. Communities located within a Medically Underserved Area. A medical graduate of an allopathic or osteopathic medical school who is enrolled in an accredited residency training program in Texas.<br><br>Beneficiaries: 6 communities | Stipend incentives to encourage primary care doctors to practice in medically underserved communities.                                                                                                                    | State                         | 6                       | \$90,000                     |
| State Office of Rural Health Grant (SORH)     | Communities located in areas with medically underserved populations or that meet criteria adopted by the Executive Committee.<br><br>Beneficiaries: 10 communities                                                                                                                                         | Activities supporting the objectives of the SORH such as providing information on rural health, coordinating rural health resources statewide, and encouraging the recruitment and retention of healthcare practitioners. | 25% Federal<br>75% State      | 10                      | \$49,593                     |
| Physician Relief Program                      | Communities located county with a population not greater than 50,000 or a medically underserved community designated by ORCA.<br><br>Beneficiaries: Number not available                                                                                                                                   | Referral service for rural physicians to make arrangements for relief by other physicians.                                                                                                                                | State                         | Not Applicable          | Referral service only.       |

## Staff Review Activities

During the review of the Office of Rural Community Affairs, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with agency personnel; attended Executive Committee meetings and reviewed minutes from past meetings; conducted interviews and solicited written comments from interest groups and the public; reviewed agency documents, reports, files, data, state statutes and rules, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff performed the following activities unique to this agency.

- ◆ Conducted field visits and interviews with rural local elected officials, employees of rural counties and cities, and beneficiaries of rural community development grants.
- ◆ Visited a Colonia Self-Help Center, local community center, and toured border colonias.
- ◆ Attended a meeting of a local Regional Review Committee in San Antonio.
- ◆ Attended a meeting of the Regional Allocation Task Force in Austin.
- ◆ Attended a national conference on rural policy in Lakeway.
- ◆ Interviewed staff of the Rural Foundation.
- ◆ Interviewed staff of local Councils of Government.
- ◆ Interviewed staff of local rural community development organizations.
- ◆ Interviewed private grant consultants and administrators.
- ◆ Interviewed staff of the Texas Department of Agriculture, the Texas Department of Housing and Community Affairs, and the Texas Water Development Board.
- ◆ Interviewed staff of the U.S. Department of Housing and Urban Development.



**SUNSET REVIEW OF THE  
OFFICE OF RURAL COMMUNITY AFFAIRS**

**Report Prepared By:**

**Christian Ninaud, Project Manager**

**David Olvera**

**Janet Wood**

**Ginny McKay, Project Supervisor**

**Joey Longley**

**Director**

