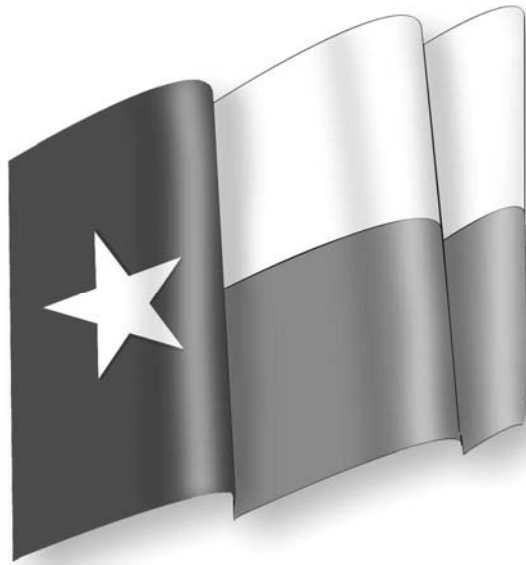


SUNSET COMMISSION DECISIONS



**Office of Rural
Community Affairs**

January 2007

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.

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.

Issue/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.

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.

Fiscal Implication

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.

Responses

Agency

Recommendation 1.1 and 1.5: The agency disagrees, stating that rural Texans deserve a stand-alone agency dedicated to serving the spectrum of rural interests, and that ORCA provides a “one-stop” for rural program administration, information, and access to resources. In addition, the agency states that rural is more than agriculture, and that transferring ORCA’s functions to the Department of Agriculture could result in an inconsistent focus on rural priorities, reduced input and participation by stakeholders, and a reduction of rural-focused knowledge by future urban-raised Agriculture Commissioners. ORCA’s Executive Committee, appointed by the Governor, Lieutenant Governor, and Speaker of the House, ensures a balance of power and diverse representation from rural communities across the state.

Agency Modification

1. Continue ORCA for an additional 12 year period.

Recommendation 1.2: The agency disagrees, stating that a single Rural Advisory Committee would be disadvantageous to rural Texans by limiting public input compared to the Executive Committee’s public meetings which provide opportunities for input, in addition to ORCA’s other meetings and workshops.

Recommendation 1.3: The agency disagrees, stating the State Review Committee is instrumental in development of Texas’ CDBG program, as it provides the opportunity for rural officials to shape and drive administration and delivery of the program.

Recommendation 1.4: The agency disagrees, stating Texas’ CDBG program undergoes continual review and annual revision based on public input, and that ORCA has made numerous improvements to the administration of the program. In addition, the state’s Regional Review Committees play an important role in scoring applications for CDBG funding and provide important local input and direction for the CDBG program.

(Michael Waters, Chair, Executive Committee, and Charles S. Stone, Executive Director – Office of Rural Community Affairs)

Affected Agency

The Texas Department of Agriculture stands ready to expand its role in serving rural Texas if that is the desire of the Legislature. If ORCA’s functions are not transferred to TDA, the Legislature should insist that TDA continue to administer the Texas Capital Fund, as it fits well into the rural economic development mandate that the Legislature has given TDA. (Susan Combs, Commissioner – Texas Department of Agriculture)

For

Recommendation 1.1

Honorable Charles L. McMichael, Judge – Cass County

Nettie Brown, Austin

Steve Butcher, Director of Economic Development – Area Growth Council, Mineral Wells

Horace Findley, Executive Secretary – Lake Whitney Chamber of Commerce, Lake Whitney

Sandra Lewis, Coordinator– Goliad Economic Development, Goliad

Peggy Spradley, Director – Sealy Chamber of Commerce, Sealy

Barry Stephens, City Administrator – Sundown

Paul Turney, Executive Vice President – Brazos Valley Affordable Housing Corporation, Bryan

Recommendation 1.2

Donna Chatham, Executive Director – Association of Rural Communities in Texas, Austin

Against

Recommendation 1.1

Representatives Robert L. “Robby” Cook (Eagle Lake), Warren Chisum (Pampa), Leo Berman (Tyler), Roy Blake, Jr. (Nacogdoches), Betty Brown (Terrell), Lon Burnam (Fort Worth), Juan Escobar (Kingsville), David Farabee (Fort Worth), Stephen Frost (Atlanta), Pete Gallego (Alpine), Charlie Geren (Fort Worth), Yvonne Gonzalez-Tourelles (Alice), Rick Hardcastle (Vernon), Glenn Hegar (Katy), Mark Homer (Paris), Chuck Hopson (Jacksonville), Bryan Hughes (Mineola), Jim Keffer (Eastland), Edmund Kuempel (Seguin), Tommy Merritt (Longview), Sid Miller (Stephenville), Geanie Morrison (Victoria), John Otto (Dayton), Gene Seaman (Corpus Christi), David Swinford (Dumas), and Senators Craig Estes (Wichita Falls), Kel Seliger (Amarillo), Judith Zaffirini (Laredo), Members – Rural Caucus of the Texas Legislature

Honorable Jim McReynolds, State Representative – Texas House of Representatives, Lufkin

Honorable Vernon H. Cook, Judge – Roberts County, Miami

Honorable Travis C. Floyd, Judge – Knox County

Honorable Dale Spurgin, Judge – Jones County, and member State Review Committee, Anson

Honorable Bill Stoudt, Judge – Gregg County, Longview

Honorable Dick Alligood, Mayor, on behalf of City Council – Pecos

Honorable Matt Bland, Mayor Pro-Tem, on behalf of City Council – Brackettville

Honorable Mary Linda Cano, Mayor, on behalf of City Commission – Big Wells

Honorable Abel B. Gonzalez, Mayor, on behalf of City Council – Cotulla

Honorable Norma R. Hernandez, Mayor, on behalf of City Council – Crystal City

Honorable Madeleine Praino, Mayor – Village of Vinton

Honorable Charlie Rodgers Jr., Mayor – Eden

Honorable Lou Slaughter, Mayor – Daingerfield
Honorable Tony Villarreal, Mayor – Fort Stockton
Honorable Geral Tellez, Mayor Pro Tem – Pecos
Dwayne Bearden, City Administrator – Munday
Marva Beck, President – Texas Association of Resource Conservation and Development Areas
Donald A. Behr, M.D., Chair – Committee on Rural Health, Texas Medical Association, Austin
Honorable Michael Benavidez, Councilman – Pecos
Richard Bettis, CAE, President – Texas Hospital Association, Austin
Don W. Bonifay – Bonifay and Associates, Odessa
Wallace N. Boyd
James A. Buckner, Chairman – Uvalde Memorial Hospital and Texas Organization of Rural and Community Hospitals, Austin
Derald J. Bulls, Director – Marketing/Public Relations, Paris Regional Medical Center, Paris
Donna Chatham, Executive Director – Association of Rural Communities in Texas, Austin
Ruth “Raz” Cook, MSN, CHE, Administrator, ETMC Fairfield, Freestone
Heide Edmonson, City Secretary – Daingerfield
Robert W. Ezzell, Administrator – Hemphill County Hospital, Canadian
Clarence Fields, Jr., CHE, CEO – Goodall-Witcher Healthcare Foundation, Clifton
H.T. Fillingim, BS, CCEMT-LP – Fisher County Hospital District EMS
Freddie Gardner
Carolyn Gibbs, RN, BSN, Director of Nursing – Faith Community Hospital, Jacksboro
Connie Goodwin
Dru Gravens, City Administrator – Crane
Carol Hanes, CEO – Cogdell Memorial Hospital
Ella Raye Helms, CEO – Fisher County Hospital District, Rotan
Don Henry, Director – Cisco Development Corporation, Cisco
Sherra Pruitt, Chief Deputy, on behalf of Commissioners Smith, Thetford, Barnett, and Carter – Hockley County
Richard Hoeth, FACHE, CAE, Vice-President – Rural Health/Member Relations, Texas Hospital Association, Austin
Karen Hornsey, City Secretary – Crane
Jeffery Howell, City Manager – Kilgore
Sandra Jackson, RN, Ed.D, CEO – Tyler County Hospital, Woodville
Larry Jacobs

Marlene Jones, CEO – Kimble Hospital, Junction

Douglas Langley, CEO, Administrator – Coleman County Medical Center, Coleman

H. Michael Lewis, M.D., Paris

Kerry McCollough, Planner – Bexar Metropolitan Water District, San Antonio

Phillip Miller, President, on behalf of Board of Directors – Sam Houston Resource Conservation and Development Council, Willis

W. Evan Moore

Kathy Nichols, Administrator – Palacios Community Medical Center, Palacios

George W. O’Kelley, Community and Economic Development Consultant, Austin

Marie Parr, City Manager – Petersburg

Sylvia A. Rawlings, President – Texas Rural Health Association, Austin

Tammy Ream, MPAS, PA-C, Chair – Judicial Affairs Committee, Texas Academy of Physician Assistants

James M. Robinson, Sr., CEO – Colorado-Fayette Medical Center, Weimar

Honorable Danny Rodriguez, Councilman – Pecos

Pedro G. Rodriguez, Commissioner and Nina G. Trevino, Commissioner – San Patricio County

Bill Rowton, Administrator – Cozby-Germany Hospital, Grand Saline

Sam Seale, Executive Director – Texas Association of Counties, Austin

David L. Schroeder – Wharton Economic Development Corporation, Wharton

James R. Shafer, FACHE, CEO – Hamilton Healthcare System

Shelly South

Sue Titsworth, Director – Public Relations, Coleman County Medical Center, Coleman

Honorable Angelica Valenzuela, Councilwoman – Pecos

Ray Vann, Managing Partner – Raymond K. Vann and Associates, LLC, Lufkin

Barb Weems

Dudley White, Administrator – Concho County Hospital, Eden

Carolyn Witherspoon, Executive Director, on behalf of Board of Directors – Coalition of Health Services, Amarillo

Recommendation 1.3

Honorable Dale Spurgin, Judge – Jones County, and member State Review Committee, Anson

Donna Chatham, Executive Director – Association of Rural Communities in Texas, Austin

Marie Parr, City Manager – Petersburg

Modifications

2. If a decision is made to Sunset ORCA, combine all of the agency's health related functions, staff and funding, into an Office of Rural Health Policy housed within the Department of State Health Services or the Health and Human Services Commission. (Donald A. Behr, M.D., Chair – Committee on Rural Health, Texas Medical Association, Austin)
3. Transfer all state programs relating to public health in rural areas to the state Department of Health. (William D. Strinden, M.D., Lufkin)
4. Continue ORCA as an independent agency, but with a renewed emphasis on its designation as our State Office of Rural Health. (Carol Hanes, CEO – Cogdell Memorial Hospital; Dudley White, Administrator – Concho County Hospital, Eden; W. Evan Moore)
5. Continue ORCA as an independent agency for 12 years. (Tommy D. Fondren, Lorenzo)

Recommended Action: Adopt Recommendations 1.1 through 1.5.

Commission Decision: The Commission adopted the following alternative to Issue 1.

- ◆ Continue ORCA for four years, but re-focused to serve as a clearinghouse for information on rural programs in Texas, to provide recommendations on rural policies and issues to the Legislature, and continue its existing role with CDBG and rural health efforts.
- ◆ Replace ORCA's Executive Committee with a new eleven-member Board, with the Governor designating the Chair. The Board would include:
 - Four members appointed by the Governor, two locally-elected rural officials or city or county employees involved with rural development and two rural community members, who must reside in rural cities or counties and represent different geographic regions of the state;
 - Three members appointed by the Lt. Governor, one Senator and two public members with interests in rural issues, residing in rural cities or counties;
 - Three members appointed by the Speaker, one House member and two public members with interests in rural issues, residing in rural cities or counties; and
 - The Commissioner of Agriculture (or designee), voting, ex-officio.

Use the same definition of "rural" as the rural CDBG program: cities with less than 50,000 in population or counties with less than 200,000 in population.

Commission Decision (con't.):

- ◆ Specify Board duties to include identifying critical rural concerns and providing the Legislature with recommendations for addressing these issues. Also require the Board to oversee the operations of the agency, and set the funding priorities for CDBG and rural health grants.
- ◆ Require ORCA to focus its efforts to assist rural communities by prioritizing eligible CDBG activities in the following key areas: economic development, community development, rural health, and natural resources.
- ◆ Direct ORCA, in consultation with the Texas Department of Agriculture, to evaluate the rural CDBG program and streamline the program, to include combining funding categories, simplifying the grant application and scoring process, and regularly reviewing and closing out aged contracts. ORCA should implement changes based on this effort through its rural CDBG Action Plan.
- ◆ Charge the State Review Committee with reviewing CDBG grant applications and approving grant awards.
- ◆ Require Committee members with a conflict of interest in the awarding of a grant application to recuse themselves from voting. Complaints regarding scoring of applications or funding decisions would be heard by ORCA's Board.
- ◆ Require ORCA to collocate its regional staff in Texas Department of Agriculture's existing regional offices to more effectively consolidate information and resources on rural programs and services in locations around the state. To improve access to information and resources on rural programs, require ORCA and TDA to cross-train staff to be knowledgeable on the agencies' respective programs and services.

New Issues

New Issues

The following issues were raised in addition to the issue raised in the staff report. These issues are numbered sequentially to follow the staff's recommendations.

2. Add back the rural CDBG program infrastructure grants supporting the production of affordable single family housing development. (Paul Turney, Executive Vice President – Brazos Valley Affordable Housing Corporation, Bryan)
3. Change ORCA nonborder colonia grant program guidelines and use surveys of colonia neighborhoods that reflect the actual income of colonia residents, instead of census reports. (Nettie Brown, Austin)
4. Provide ORCA with resources needed to serve rural communities more efficiently and effectively. (Sam Seale, Executive Director – Texas Association of Counties, Austin)
5. Modify Enterprise Zone scoring to increase the number of communities that can participate, and increase the points for manufacturing and service projects. (Steve Butcher, Director of Economic Development – Area Growth Council, Mineral Wells)
6. Provide ORCA with more funding. (Sherra Pruitt, Chief Deputy, on behalf of Commissioners Smith, Thetford, Barnett, and Carter – Hockley County)
7. Transfer rural community programs administered by other entities to ORCA. (Tommy D. Fondren, Lorenzo)

Recommended Action: Staff makes no recommendations on the new issues.

Commission Decision: The Commission did not adopt any of the new issues.

