



THE RURAL TEXAN

Volume 3, Issue 3

OFFICE OF RURAL COMMUNITY AFFAIRS

Summer 2006

At Issue: Small Businesses are Big Contributors to Economic Development

No longer content to wait for large companies and big box stores to bring jobs to town, rural communities are recognizing the value of their local small businesses, and progressive rural leaders are looking for ways to help small businesses grow.

Small Businesses Make Economic Development Exciting Reality in Rural Texas

Leadership, Tax Tools Can Compensate for Limited Resources

By Nicki Harle, ORCA Executive Committee

Economic development — an exciting concept for growing jobs, strengthening the local economy and, ultimately, enhancing quality of life.

"Exciting" may be somewhat of a misnomer, as the challenge of economic development in rural communities is certainly not easy and too often frustrating rather than exciting.

Anyone who pays attention to the announcements of new companies coming to Texas and the creation of thousands of new jobs anticipated in the State knows that these are not commonly planned for rural Texas.

What a blessing it is when an entrepreneur or business owner

knocks on the door asking for assistance to start a new business that will create a handful of new

"Rural community leaders understand that the current and future economic vitality of small towns is dependent on small business ..."

jobs or increase an employee base by a dozen or more.

Rural community leaders understand that the current and future economic vitality of small towns is dependent on small business; the challenge for these communities is how to nurture small business growth with only limited resources available.

However, some resources are available to support small business development and expansion. In 1989 the Texas Legislature passed legislation to enable cities in Texas to implement a sales tax for economic development specifically for the creation of primary jobs.

In 1991 more legislation was passed to authorize ED sales tax dollars to be used for broader community development projects.

Everything you want to know about the legislation establishing the sales tax for economic development can be found at www.texasedc.org, "The Economic Development Sales Tax: A Primer for Local Practitioners".

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Resource Guide

Government Agencies Specialize in Rural Business

By Julie V. Kelly, ORCA

Rural communities and small businesses looking for resources to boost growth should consider government agencies that offer specialized economic development programs for rural Texas. Funding programs geared toward rural small businesses will eliminate urban competitors from the applicant pool and may have job creation requirements that are within reach of even the smallest microenterprise.

ORCA offers two programs, the Small Business Loan Fund and the Microenterprise Loan Program, that are designed to help rural communities establish revolving loan funds to provide capital and training to local small businesses. A small business is defined as a for-profit enterprise with 100 or fewer employees, while a microenterprise is a very small for-profit business with five or fewer employees, one or more of who owns the enterprise. The Small Business Loan Fund requires recipient communities to provide matching funds and both programs require city or county loan recipients to partner with a non-profit organization to provide technical assistance to loan recipients.

The US Department of Agriculture (USDA) offers loan and grant programs to assist small rural businesses. The programs, which are available to a variety of applicants from small businesses to communities and nonprofits, are usually highly competitive because they offer good terms and interest rates. Award amounts vary widely between programs.

Deadlines and awards come and go at a furious pace, so it's important to check available funds throughout the year at www.rurdev.usda.gov, or stop by and visit with a USDA rural development manager at a Texas field office near you. They are surprisingly available.

"I have an open door policy," said Dorothy Aupperle, rural development manager with the USDA field office in Edna, Texas. "But it's probably best to make an appointment."

Additional Resources

Business.Gov
The Official Business Link to the U.S. Government
www.business.gov/

Grants.Gov
www.grants.gov/

Office of Rural Community Affairs
www.orca.state.tx.us

Texas Department of Agriculture
www.agr.state.tx.us/iga/grants_funding/index.htm

US Department of Agriculture (USDA)
Rural Development
www.rurdev.usda.gov/rbs/index.html

For loan program updates and deadlines visit www.rurdev.usda.gov
For USDA field offices in Texas visit www.rurdev.usda.gov/tx/lolist.htm

US Small Business Administration
Office of Advocacy
www.sba.gov/

City of Eden and Concho County: Regional Resources Support Small Business Growth

By Julie V. Kelly, ORCA

Concho County's economic development plan, which relies on regional cooperation and dedicated support for small local businesses, began in 2004 with "Project Bury the Hatchet", a meeting of Concho County representatives and residents who hoped to unite the county into a cohesive and productive financial unit. The project, which included a ceremonial burial of an actual hatchet, evolved into an initiative to apply for a \$750,000 USDA loan through the federal Intermediary Relending Program. The county was awarded the loan and will relend the money to local businesses.

Pooling regional resources

Thanks to the federal loan, Concho County had the money to assist small businesses, but they lacked the manpower and lending expertise needed to help small businesses make the most of their loans. Knowing that local banks in the area could not only smooth the application process but enhance the entire project with private sector experience, the county sought and gained their support and financial expertise to put together a screening board. The county also invited state and federal agencies, city governments, regional colleges and others to contribute their resources. A network of assistance was developed to provide small businesses with various resources, from lending expertise to business training and assistance developing business plans.

Pro small business environment

"Concho County is 1000 square miles and has a small population," said Genora Young, economic development director for the City of Eden. "But if one community is doing well, it helps the tax base throughout the entire county."

By talking to small business owners to assess their needs and build consensus in the region, Concho County was able to create an environment that supports small business. For example, businesses in San Angelo understand that the City of Eden's consumer base feeds their economy and have responded by sponsoring Eden's local events. Sponsorship has increased tourism, which can be very lucrative for Eden's small businesses. Since 2005, Eden's retail sales tax revenues have increased a surprising 35 percent.



San Angelo businesses make it a habit to promote events such as the AJRA Rodeo, held every June in Eden. Stock contractor is © Productions, Rankin, Texas. Photo courtesy of City of Eden.

Small businesses make economic development ...

Continued from front page

More than 460 rural Texas cities have implemented one or both of the sales tax levies for economic development.

The amount of revenue generated to conduct economic development activities depends on retail businesses, which in many rural cities is minimal or declining.

Therein lies one of the frustrations of how to effectively conduct economic development. How can a community use the sales tax revenue that is collected specifically for economic development to assist small businesses?

Local leadership must have a vision for the future of their community and be prepared to use resources and tools effectively.

Cities that have adequate funding and local organizational structure to hire or contract with an economic development professional are in a better position to be proactive.

Cities that must rely on volunteer board members or already overworked city staff to conduct economic development activities are at a disadvantage. Without professional assistance, is the volunteer board equipped with the knowledge or tools to provide assistance?

Economic development CAN be exciting in your rural community. It won't be easy and it may cause some worrisome moments, but it CAN be done.

Who are the local leaders in your city who understand economic development and are prepared to utilize available tools and resources?

Late TORCH CEO was Rural Advocate

John Boff, President and CEO of the Texas Organization of Rural & Community Hospitals (TORCH) died on Saturday, July 22, 2006. He was being treated for cancer during the past year.

Mr. Boff had spent 36 years of his career specializing in healthcare association management and government administration before working to create TORCH in 1990. Under his leadership the organization became a nationally recognized advocate for rural hospitals in Texas.

"With TORCH, Mr. Boff founded an organization that will continue to be a great resource for rural Texas hospitals," said Charles S. (Charlie) Stone.

"Mr. Boff has made a significant and lasting contribution to the quality of rural healthcare," said Theresa Cruz, Director of ORCA's Rural Health Division. "His knowledge and expertise will be missed."

Source: Excerpts of this article were taken from an announcement made by TORCH on July 22, 2006.



Where rural Texas comes first.

As the state agency dedicated solely to rural Texas, ORCA makes the broad resources of state government more accessible to rural communities. The agency ensures a continuing focus on rural issues, monitors governmental actions affecting rural Texas, researches problems and recommends solutions, and is a coordinator and provider of rural-focused state and federal resources.

"In rural Texas, additional capital is a resource small businesses often need. However, access to training and business skills development can be equally important resources that may already exist within a community. Small businesses can not prosper unless the community is willing to explore its every resource."

Charles S. (Charlie) Stone
ORCA Executive Director

The Rural Texan is a free publication of the Office of Rural Community Affairs (ORCA). To subscribe, call ORCA toll free at 800-544-2042 or email Julie V. Kelly, Editor, at orca@orca.state.tx.us.

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Printed on 30-percent recycled paper.

Rural Laughs

By Robert Wuest



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ORCA's Mission:

"To assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all."

"Business thrives on competition, but by working together regionally rural Texas can overcome one of its biggest stumbling blocks to prosperity — limited resources."

William M. Jeter III
Chair, ORCA Executive Committee