

- SUBJECT:** Creating the critical infrastructure resiliency fund
- COMMITTEE:** State Affairs — committee substitute recommended
- VOTE:** 7 ayes — Paddie, Hernandez, Deshotel, Hunter, P. King, Raymond, Smithee
- 4 nays — Harless, Metcalf, Shaheen, Slawson
- 2 absent — Howard, Lucio
- WITNESSES:** For — Tyler Hjorth, City of San Marcos; Julia Harvey, Texas Electric Cooperatives; (*Registered, but did not testify*: Guadalupe Cuellar, City of El Paso; Mike Meroney, Enel North America; Bill Kelly, Mayor's Office, City of Houston; Brandy Marquez, Sunrun; Steve Wohleb, Texas Hospital Association; Taylor Sims, Texas Solar Power Association; Monty Wynn, Texas Municipal League; Dana Harris, The Greater Austin Chamber of Commerce; Kenneth Flippin, US Green Building Council Texas Chapter; and 19 individuals)
- Against — None
- On — Cyrus Reed, Lone Star Chapter Sierra Club; (*Registered, but did not testify*: Jessica Pena, Texas Water Development Board)
- DIGEST:** CSHB 2275 would create the critical infrastructure resiliency fund and expand the eligibility for state assistance for certain water-related projects.
- Critical infrastructure resiliency fund.** CSHB 2275 would create the critical infrastructure resiliency fund as a special fund in the state treasury outside the general revenue fund. It would consist of:
- legislative appropriations to the Texas Division of Emergency Management (TDEM) for a purpose of the fund;
 - any revenue that by law was dedicated to the fund;
 - interest or other earnings on money credited to or allocable to the

- fund;
- money from gifts, grants, or donations; and
 - money under TDEM's control that was designated to the fund.

Use of fund. The fund could be used by TDEM without legislative appropriation only to make a grant to an eligible entity and pay the necessary and reasonable expenses of administering the fund.

Accounts in the fund. The bill would create four accounts in the fund, including the:

- electric grid improvement account;
- hospital infrastructure resiliency account;
- nursing home resiliency account; and
- dialysis infrastructure account.

The accounts would consist of legislative appropriations and money from gifts, grants, or donations to TDEM for purposes of the accounts.

TDEM would have to condition each grant awarded from an account on the grant recipient providing funds from non-state sources in a total amount at least equal to 10 percent of the grant amount, with at least 5 percent of the recipient's match coming from local sources.

In making grants from the electric grid improvement, hospital infrastructure resiliency, and dialysis infrastructure accounts, TDEM would have to consider:

- the expected number of individuals who would benefit from the project;
- existing infrastructure and overall need for the project;
- the potential benefit of the project to low-income communities and areas in disparate parts of the state;
- the equitable distribution of grants throughout the state;
- the existence of matching federal funds for the project and whether

- available federal funds had been exhausted; and
- the total impact of the project on the state's resiliency.

If TDEM received more qualifying applications for a grant from the nursing home resiliency or dialysis infrastructure accounts than it had available money to fully fund, TDEM could reduce the amount of each grant in proportion to the number of individuals served by the grant applicant.

Electric grid improvement account. TDEM could use the electric grid improvement account only to make matching grants to eligible entities for hardening and weatherizing the electric grid, including:

- installing advanced meter infrastructure;
- improving load shed capabilities;
- incentivizing customers to engage in distributed energy production and energy efficiency measures;
- installing electric energy storage; and
- weatherizing facilities.

TDEM could not use the account to make grants for routine vegetation management.

Entities eligible to receive a grant from the account would include a municipally owned electric utility, an electric cooperative, a transmission and distribution utility, or a vertically integrated utility. In making grants, TDEM could consult with the Public Utility Commission.

Hospital infrastructure resiliency account. TDEM could use the hospital infrastructure resiliency account only to make matching grants to eligible entities for purchasing reserve power supply, such as on-site generation and energy storage systems, necessary to sustain critical medical care. In making grants, TDEM could consult with the Health and Human Services Commission (HHSC).

Entities eligible to receive a grant would include a hospital owned by a

municipality or a private for-profit or nonprofit hospital.

Nursing home resiliency account. TDEM could use the nursing home resiliency account only to make matching grants to nursing facilities for purchasing reserve power supply necessary to sustain critical medical care. In making grants, TDEM could consult with the HHSC.

Dialysis infrastructure account. TDEM could use the dialysis infrastructure account only to make matching grants to end stage renal disease facilities for purchasing reserve power supply necessary to sustain critical medical care. In making grants, TDEM could consult with the HHSC.

Rules. TDEM would have to adopt rules to implement the bill, including rules that established procedures for an application for and the award of financial assistance, for the investment of money, and for the fund's administration.

Texas water assistance program. The bill would expand the use of the water loan assistance fund to include providing grants for projects to harden and weatherize water and wastewater systems, including:

- covering wells;
- purchasing reserve power supply, such as on-side generation and energy storage systems; and
- building connectivity to neighboring water suppliers.

In passing on an application for a grant for such projects, the Texas Water Development Board (TWDB) could consult with TDEM and would have to consider:

- the expected number of individuals who would benefit from the project;
- existing infrastructure and overall need for the project;
- the potential benefit of the project to low-income communities and areas in disparate parts of the state;

- the equitable distribution of grants throughout the state;
- the existence of matching federal funds for the project and whether available federal funds had been exhausted; and
- the total impact of the project on the state's resiliency.

The TWDB also would have to consider the potential benefit of the project to low-income communities and areas in disparate parts of the state.

TWDB would have to condition each grant awarded for projects to harden and weatherize water and wastewater systems on the grant recipient providing funds from non-state sources in a total amount at least equal to 10 percent of the grant amount, with at least 5 percent of the recipient's match coming from local sources.

The bill would take effect January 1, 2022, except the provisions relating to the critical infrastructure resiliency fund would take effect only if the constitutional amendment proposed by the 87th Legislature providing for the fund's creation was approved by voters. If that amendment was not approved, those provisions would have no effect.

**SUPPORTERS
SAY:**

CSHB 2275 would help restore Texans' confidence in core services, including power, water, and medical care, by creating the critical infrastructure resiliency fund to provide grants for projects to improve local infrastructure and ensure the state's resiliency in future emergency events. During Winter Storm Uri in February, millions of Texans lost power and water and hospitals had to be evacuated as a result of operations failures related to icy weather and low temperatures.

The bill is not intended to address the underlying causes of the storm's effects. Rather, it addresses issues with local infrastructure resiliency that exacerbated the crisis. For example, the bill could provide funding for smart meters, which could allow more effective rolling of homes and businesses in a load shed event by allowing an electric provider to prioritize certain customers. Other investments in local electric infrastructure could include demand response, distributed energy

production, and energy efficiency measures. The bill also could provide for the installation of reserve power supply for water utilities and hospitals to ensure these critical facilities could provide uninterrupted essential functions in times of crisis.

The bill would provide entities with an option to fund these much-needed projects. With limited funding available to many of the entities that would be eligible under the bill, it could be years before those entities could independently fund and install systems needed to avoid a repeat event like Winter Storm Uri. This bill also would allow these entities to take on these projects without passing costs directly on to customers.

While the contingency riders associated with the bill provide for \$900 million total from the Economic Stabilization Fund (ESF), there likely would be federal money available for the critical infrastructure resiliency fund. Once the anticipated federal dollars are drawn down, the method of finance could be switched. Further, the Legislature has appropriated ESF funds to other state infrastructure funds, so the use of these one-time funds for the bill would be appropriate.

While there are other measures before the Legislature related to funding for infrastructure resiliency and reliability projects, CSHB 2275 is not redundant because there are differences between those measures and the bill. Other proposals specifically focus on electric generation infrastructure, but not many are intended to address local utility and demand-side infrastructure issues. This bill, in combination with the other measures, is needed to help address the resiliency of the system as a whole and ensure Texas is not caught unprepared in future emergencies.

**CRITICS
SAY:**

CSHB 2275 and associated contingency riders inappropriately would use the state's Economic Stabilization Fund for an appropriation to the critical infrastructure resiliency fund, especially when there could be federal funds available for that purpose.

Additionally, there are other measures being considered by the Legislature that would better enhance the reliability and resiliency of the state's

energy infrastructure, including by offering financing options to harden and weatherize electric and water infrastructure.

NOTES:

According to the Legislative Budget Board, the bill's fiscal implications could not be determined because the amounts and timing of any appropriations, gifts, grants, and donations were unknown.

Contingency riders for a combined \$900 million from the Economic Stabilization Fund to implement HB 2275 are included for consideration in Art. 11 of the House-passed version of SB 2 by Nelson (Bonnen), the general appropriations act for fiscal 2022-23. Of the total amount, \$600 million is included for TDEM and \$300 million is included for TWDB.