HOUSE RESEARCH ORGANIZATION bill digest | 4/26/2021 | (2nd reading) HB 2812 Murphy

SUBJECT: Creating disaster response loan fund; transferring $500 million to fund

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 22 ayes — Bonnen, M. González, Ashby, Bell, Capriglione, Dean, Dominguez, Gates, Holland, Howard, A. Johnson, Jarvis Johnson, Morrison, Raney, Rose, Stucky, E. Thompson, Toth, VanDeaver, Walle, Wilson, Wu

1 nay — Schaefer

4 absent — Julie Johnson, Minjarez, Sherman, Zwiener

WITNESSES: For — Adam Haynes, Conference of Urban Counties; Ender Reed, Harris County Commissioners Court; Bill Kelly, City of Houston Mayor's Office; (*Registered, but did not testify*: Eddie Solis, City of Arlington; Tammy Embrey, City of Corpus Christi; Guadalupe Cuellar, City of El Paso; Jamaal Smith, City of Houston, Office of the Mayor Sylvester Turner; Daniel Collins, El Paso County; Darryl Carter, Fort Bend County; Taylor Landin, Greater Houston Partnership; Stephen Scurlock, Independent Bankers Association of Texas; Celeste Embrey, Texas Bankers Association; Monty Wynn, Texas Municipal League)

Against — None

BACKGROUND: Some have noted that after a disaster, local governments often are forced to wait several months or even years for federal relief funds to be disbursed, with infrastructure deteriorating. Some have called for the creation of a short-term loan program to cover disaster response and recovery projects and to bridge the gap until local governments are reimbursed by the federal government for disaster-related costs.

DIGEST: HB 2812 would create a disaster response loan fund to be used by the state to make short-term loans to political subdivisions affected by a disaster. The fund would consist of appropriations, credits, and transfers to the fund by the Legislature; money received for loan repayments; gifts or grants; and interest earned on the fund's deposits and investments. The fund would be outside the state treasury and administered by the comptroller.

On September 1, 2021, the comptroller would have to transfer $500 million of the unencumbered balance of the general revenue fund to the credit of the disaster response loan fund.

Loan program. HB 2812 would require the comptroller to establish a loan program to use money from the fund created by the bill to provide short-term loans to political subdivisions for disaster relief or recovery projects. Political subdivisions that were located wholly or partly in an area declared a disaster area by the governor and that were eligible for financial assistance from the Federal Emergency Management Agency in response to the disaster would be eligible for loans under this program. The comptroller could not award a loan if it would affect the political subdivision's receipt of federal funds for which the subdivision was eligible as a result of the disaster.

Loans would have to be made at an interest rate that was equal to the average of the most recently published average monthly rates of the comptroller-managed investment pool known as TexPool and the most recent prime rate published in the Wall Street Journal. Loan terms could not exceed two years, and loan proceeds would have to be spent solely for disaster relief and recovery. The comptroller would have to credit to the fund all principal and interest payments on the loans.

Until August 31, 2022, the comptroller would have to suspend awarding loans from the fund during any period in which the fund's balance was less than 75 percent of the fund balance on September 1, 2021.

Application. The comptroller and the Texas Division of Emergency Management would have to jointly develop and implement the loan application process. The application would have to include:

- a description of the disaster relief or recovery project for which the loan was requested;

- an estimate of the project's total cost;
- information on the amount of federal funds that the applicant would receive for the project; and
- evidence that the loan applicant had staff, policies, and procedures in place that were adequate to complete the project.

The comptroller could charge applicants a fee to cover the costs of processing the application.

Report. By December 31 of each even-numbered year, the comptroller would have to submit a report to the governor, lieutenant governor, and members of the Legislature that included:

- the total amount of loans made during the preceding two years;
- a summary of the projects for which the loans were made; and
- the total balance of the fund on the date the report was submitted.

The bill would take effect September 1, 2021.