# BILL ANALYSIS

Senate Research Center
87R17872 CJC-F

H.B. 2696
By: Morrison; Harless (Kolkhorst)
Finance
5/19/2021
Engrossed

## AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Disaster Recovery Loan Program (program) was established by the 86th Legislature through S.B. 6. The program addressed a lack of state disaster funding for smaller communities that struggle to meet the 10 percent match requirement for federal funds. The program is administered by the Texas Division of Emergency Management (TDEM) and provides short-term loans for disaster recovery projects. A loan must be spent solely for disaster recovery projects. After two years, the division may forgive a loan made if the state auditor determines the community cannot repay the loan.

After passage, it was noticed that the enacting statute for the program was too restrictive in its eligibility requirements. The language limited disaster costs to infrastructure damage. While experiencing a global pandemic, it was recognized these small communities endure disaster-related costs that are not infrastructure-related, but they could not utilize the program to help with those costs due to the infrastructure language. H.B. 2696 seeks to address this by removing the infrastructure language. The bill allows TDEM to consult with the Federal Emergency Management Agency (FEMA) in making determinations of disaster-related costs.

Additionally, TDEM noted the requirements for the political subdivisions to submit their approved annual budgets within 15 days of adoption and the requirement to apply for FEMA Community Disaster Loans (CDL) limited the availability of the program. It was an unnecessary barrier to potentially disqualify a political subdivision because they did not know the timeline requirement of submitting their annual budget within 15 days. Furthermore, not all disasters result in political subdivisions applying for CDLs and even during a major disaster like Hurricane Harvey only 12 to 15 communities applied for FEMA loans. Those loans can take eight to 12 months to be approved.

H.B. 2696 is a cleanup bill to address overly restrictive eligibility requirements for the disaster recovery loan program we created last session through the passage of S.B. 6. The bill will allow the program to finally be used by our rural communities for recovery costs.

Key Provisions

Removes the requirement that political subdivisions submit their approved annual budgets within 15 days of adoption and the requirement to apply for FEMA Community Disaster Loans (CDL) before applying for a Disaster Recovery Loan.

Removes the requirement that the damage be to infrastructure.

H.B. 2696 amends current law relating to eligibility for a loan under the disaster recovery loan program.

## RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

## SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 418.062, Government Code, as follows:

Sec. 418.062. ELIGIBILITY FOR LOAN. (a) Authorizes a political subdivision to apply to the Texas Division of Emergency Management (TDEM) for a loan under Subchapter C-1 (Disaster Recovery Loan Program) if:

(1) the political subdivision:

(A) makes no changes to this paragraph; and

(B) before applying to the division for a loan under this subchapter, submits to TDEM the political subdivision's operating budget for the most recent fiscal year;

(2) makes no changes to this subdivision; and

(3) the division, rather than the division in consultation with FEMA, determines that the political subdivision's estimated cost to appropriately respond to the disaster, rather than determines that the estimated cost to rebuild the political subdivision's infrastructure damaged in the disaster, is greater than 50 percent of the political subdivision's total revenue for the current year as shown in the most recent operating budget of the political subdivision submitted to TDEM under this section.

(b) Authorizes TDEM to consult with FEMA in making the determination required under Subsection (a)(3).

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2021.