HOUSE
RESEARCH
ORGANIZATION bill analysis 4/23/2019

(2nd reading)
HB 2300
Morrison, et al.

SUBJECT: Creating the disaster recovery loan program; making an appropriation

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 23 ayes — Zerwas, Longoria, C. Bell, G. Bonnen, Buckley, Capriglione, Cortez, S. Davis, M. González, Hefner, Howard, Jarvis Johnson, Miller, Muñoz, Schaefer, Sherman, Smith, Stucky, Toth, J. Turner, VanDeaver, Walle, Wilson

0 nays

4 absent — Minjarez, Rose, Sheffield, Wu

WITNESSES: For — Jimmy Kendrick, Town of Fulton Texas; (*Registered, but did not testify*: Ryan Brannan, Galveston Park Board of Trustees; Ender Reed, Harris County Commissioners Court; Rick Thompson, Texas Association of Counties; Windy Johnson, Texas Conference of Urban Counties)

Against — (*Registered, but did not testify*: Jim Baxa)

On — Nim Kidd, Texas Division of Emergency Management, Texas Emergency Management Council

DIGEST: HB 2300 would create the disaster recovery loan account as an account in the general revenue fund, administered by the Texas Division of Emergency Management (TDEM). Money in the account could be used only to provide short-term loans to eligible political subdivisions for disaster recovery projects.

Eligibility. The bill would allow a county, city, or school district located wholly or partly in an area declared to be a disaster area by the governor or the president of the United States to apply to TDEM for a loan if:

- the political subdivision had submitted its operating budget from the most recent fiscal year to TDEM within 15 days of adopting it;
- the political subdivision submitted an application for a loan from

the Federal Emergency Management Agency's (FEMA) community disaster loan program;

- an assessment of damages due to the disaster was conducted in the political subdivision; and
- TDEM, in consultation with FEMA, determined that the estimated cost to rebuild the political subdivision's infrastructure damaged in the disaster was greater than 50 percent of its total revenue for the current year.

Application. TDEM would have to develop and implement an application process for loans from the account. At minimum, applications would have to include:

- a description of the disaster recovery project for which the applicant was requesting the loan;
- an estimate of the total cost of the project;
- a statement of the amount or estimated amount of federal money the applicant would receive for the project; and
- evidence that the applicant had adequate staff, policies, and procedures in place to complete the project.

Loan requirements. A loan from the account would have to be made at or below market interest rates for a term of up to 10 years. Loan proceeds would have to be expended solely for disaster recovery projects.

If the term of a loan exceeded two years, the state auditor would be required to conduct a limited audit of the political subdivision on the second anniversary of the date on which the subdivision received the loan to determine whether it had the ability to repay the loan. TDEM could forgive a loan if the state auditor determined that the political subdivision was unable to repay it.

Account funds. The account would consist of money appropriated, credited, or transferred to it by the Legislature; money received by the comptroller for loan repayment; gifts or grants; and interest earned on deposits and investments. The comptroller would have to credit all loan principal and interest payments to the account.

Rulemaking. TDEM would have to adopt rules to implement and administer the account, including the development of a form on which a political subdivision could electronically submit its budget to TDEM.

Appropriation. HB 2300 would appropriate $60 million from the general revenue fund to the disaster recovery loan account for fiscal 2020-21.

The bill would take effect September 1, 2019.

SUPPORTERS SAY:

HB 2300 would establish the disaster recovery loan program, administered by the Texas Division of Emergency Management (TDEM), to provide immediate relief to local governments with major infrastructure damage after a disaster. The program especially would help small communities, such as those that struggled with funding in the aftermath of Hurricane Harvey. Small local governments may not have a large enough budget to meet even a 10 percent matching requirement for federal recovery funds, which can prevent them from receiving the aid they need to rebuild. The bill would create a necessary program to help those governments access short-term loans to rebuild infrastructure after a disaster.

The bill would make counties, cities, or school districts that sustained infrastructure damage greater than 50 percent of their total revenue eligible for the loan program. This would ensure that local governments with small budgets or those hit the hardest in a disaster could receive assistance. Any loan that exceeded two years would be assessed by the state auditor to determine whether the community could repay the loan and, if not, TDEM could forgive it, further benefiting small local governments.

HB 2300 would not impose a burden on taxpayers but would appropriate funds at the discretion of the Legislature. Concerns that the Federal Emergency Management Agency (FEMA) would be involved in local spending decisions are unfounded. The loan program would be available only to political subdivisions in areas that were declared a disaster, so FEMA already would be involved in the process. Federal representatives survey damages at the request of the governor as the first step in the declaration process, and the resulting assessment is used to determine if damages are beyond state and local capabilities and clarify the need for federal assistance.

Currently, there is no state option for this kind of disaster relief funding, so HB 2300 would give Texas a new tool to help communities statewide recover from a disaster. Texas experiences more disasters than any other state, but not all communities in the state meet the qualifications for federal assistance. The Legislature should learn from Hurricane Harvey and provide more funding options to assist smaller cities, counties, and school districts repair vital community services and infrastructure more quickly in the aftermath of a disaster.

OPPONENTS SAY: HB 2300 improperly would use taxpayer money from across the entire state for a program that only affected local governments. The bill also would involve FEMA in the loan eligibility process, which is problematic because the federal government should not be involved in local spending decisions.

NOTES: According to the Legislative Budget Board, the bill would cost the general revenue fund $60 million in fiscal 2020-21.