

By: Gervin-Hawkins

H.B. No. 563

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the establishment of the small municipality revenue
3 recovery grant program to provide financial assistance for economic
4 development to small municipalities facing severe economic
5 hardships.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Subtitle A, Title 4, Local Government Code, is
8 amended by adding Chapter 110 to read as follows:

9 CHAPTER 110. MISCELLANEOUS FINANCIAL PROVISIONS AFFECTING

10 MUNICIPALITIES

11 Sec. 110.001. SMALL MUNICIPALITY REVENUE RECOVERY GRANT
12 PROGRAM. (a) In this section:

13 (1) "Grant" means a grant authorized to be awarded by
14 the comptroller under the small municipality revenue recovery grant
15 program established under this section.

16 (2) "Qualified municipality" means a municipality
17 with a population of 10,000 or less that experienced a decrease in
18 total revenue of at least 15 percent during the preceding municipal
19 fiscal year as the result of a reduction or termination of contracts
20 with private sector entities.

21 (b) The comptroller shall establish and administer the
22 small municipal revenue recovery grant program to support the state
23 purpose of ensuring the vitality of small municipalities throughout
24 the state by providing financial assistance for economic

1 development to qualified municipalities.

2 (c) To receive a grant, a municipality must submit an
3 application to the comptroller in the manner prescribed by
4 comptroller rule.

5 (d) The comptroller may award a grant to a qualified
6 municipality that applies for the grant using money appropriated to
7 the comptroller for that purpose or other available money,
8 including federal funds, that may be used for purposes of this
9 section. A grant must be in an amount of:

10 (1) not more than \$7 million for economic development
11 programs; and

12 (2) not less than \$100,000 or more than \$7 million to
13 fund an economic development project described by Subsection
14 (e)(2).

15 (e) A municipality that is awarded a grant may not use grant
16 money for a purpose other than:

17 (1) economic development programs; or

18 (2) to fund one or more specific projects to create or
19 promote the creation of jobs in the municipality, which may include
20 the purchase of real and personal property and the construction or
21 improvement of new buildings, facilities, infrastructure, or other
22 improvements.

23 (f) The comptroller shall adopt rules necessary to
24 implement this section, including rules that establish:

25 (1) a standardized application process, including the
26 form to be used to apply for a grant, the manner of submitting the
27 form, and the information required to be submitted with the

1 application;

2 (2) deadlines for:

3 (A) applying for the grant;

4 (B) disbursement of grant money; and

5 (C) spending grant money; and

6 (3) procedures for:

7 (A) monitoring the disbursement of grant money to
8 ensure compliance with this section; and

9 (B) the return of grant money that was not used by
10 a municipality for a purpose authorized by this section.

11 SECTION 2. A qualified municipality, as defined by Section
12 110.001, Local Government Code, as added by this Act, may not apply
13 for a small municipality revenue recovery grant before January 1,
14 2026.

15 SECTION 3. Not later than January 1, 2026, the comptroller
16 of public accounts shall comply with the requirements of Section
17 110.001, Local Government Code, as added by this Act.

18 SECTION 4. This Act takes effect September 1, 2025.