

BILL ANALYSIS

C.S.H.B. 2275
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Winter Storm Uri, which hit Texas in February of this year, paralyzed the state's electric grid and left millions of Texans without power for upwards of a week in record cold weather. This disaster showcased the need to ensure that critical infrastructure facilities have adequate reserve power to endure an extended blackout. C.S.H.B. 2275 seeks to make grant funding available for hardening and weatherizing the state's electric grid and water and wastewater systems and for the purchase of reserve power supply by qualifying hospitals, convalescent and nursing facilities, and end stage renal disease facilities.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Division of Emergency Management in SECTION 1 of this bill.

ANALYSIS

Critical Infrastructure Resiliency Fund

C.S.H.B. 2275 amends the Government Code to create the critical infrastructure resiliency fund as a special fund in the state treasury outside the general revenue fund. The bill sets out the composition of the fund and authorizes the fund to be used by the Texas Division of Emergency Management (TDEM), without further legislative appropriation, to make grants to eligible entities in accordance with the bill's provisions and pay the necessary and reasonable expenses of administering the fund. The bill establishes certain accounts within the fund, each with a specified purpose as indicated below, and requires TDEM to condition each grant awarded from any of those accounts 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 five percent of the recipient's match coming from local sources.

Electric Grid Improvement Account

C.S.H.B. 2275 creates the electric grid improvement account as an account of the critical infrastructure resiliency fund and sets out the composition of the account. The bill restricts TDEM's use of the account to making matching grants to the following entities for hardening and weatherizing the electric grid:

- municipally owned electric utilities;
- electric cooperatives;
- transmission and distribution utilities; and

- vertically integrated utilities.

The bill prohibits TDEM from using the account to make grants for routine vegetation management. The bill sets out certain factors TDEM must consider in making grants from the account and authorizes TDEM to consult with the Public Utility Commission of Texas (PUC) in doing so.

Hospital Infrastructure Resiliency Account

C.S.H.B. 2275 creates the hospital infrastructure resiliency account as an account in the critical infrastructure resiliency fund and sets out the composition of the account. The bill restricts TDEM's use of the account to making matching grants to a municipally owned hospital or a private for-profit or nonprofit hospital for purchasing reserve power supply necessary to sustain critical medical care. The bill sets out certain factors TDEM must consider in making grants from the account and authorizes TDEM to consult with the Health and Human Services Commission (HHSC) in doing so.

Nursing Home Resiliency Account

C.S.H.B. 2275 creates the nursing home resiliency account as an account in the critical infrastructure resiliency fund and sets out the composition of the account. The bill restricts TDEM's use of the account to making matching grants to state-licensed convalescent and nursing facilities and other related institutions for purchasing reserve power supply necessary to sustain critical medical care. The bill authorizes TDEM to consult with HHSC in making the grants from the account and authorizes TDEM to reduce the amount of each grant awarded in proportion to the number of individuals served by the grant applicant if TDEM receives more qualifying applications for a grant from the account than TDEM has available money to fully fund.

Dialysis Infrastructure Account

C.S.H.B. 2275 creates the dialysis infrastructure account as an account in the critical infrastructure resiliency fund and sets out the composition of the account. The bill restricts TDEM's use of the account to making matching grants to end stage renal disease facilities for purchasing reserve power supply necessary to sustain critical medical care. The bill sets out certain factors TDEM must consider in making grants from the account and authorizes TDEM to consult with HHSC in doing so. The bill authorizes TDEM to reduce the amount of each grant awarded in proportion to the number of individuals served by the grant applicant if TDEM receives more qualifying applications for a grant from the account than TDEM has available money to fully fund.

Rulemaking

C.S.H.B. 2275 requires TDEM to adopt rules necessary to carry out the bill's provisions relating to the critical infrastructure resiliency fund and related accounts, including rules for the administration of the fund, the investment of money, and the establishment of procedures for an application for and the award of financial assistance.

Water Loan Assistance Program

C.S.H.B. 2275 amends the Water Code to authorize the Texas Water Development Board (TWDB) to use the water loan assistance fund to provide grants for projects to harden and weatherize water and wastewater systems in Texas, including covering wells, purchasing reserve power supply, and building connectivity to neighboring water suppliers. The bill sets out certain factors the TWDB must consider in passing on an application for such a grant and requires the TWDB to consult with TDEM in doing so. The bill requires the TWDB to condition each grant awarded 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 five percent of the recipient's match coming from local sources.

EFFECTIVE DATE

January 1, 2022, except that the effect of provisions establishing the critical infrastructure resiliency fund and related accounts is contingent on voter approval of a corresponding constitutional amendment.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2275 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

While both the original and the substitute create the critical infrastructure resiliency fund and certain accounts in the fund, the substitute revises the original's provisions as follows:

- changes the composition of the fund by omitting from the sources of revenue proceeds of general obligation bonds issued for a purpose of the fund;
- with respect to the accounts in the fund:
 - clarifies which entities are eligible to receive grants under each account, whereas the original established eligibility for grants under the fund generally;
 - changes the entities eligible to receive a grant from the electric grid improvement account to remove investor-owned utilities and include transmission and distribution utilities and vertically integrated utilities;
 - changes the purposes for which grants may be made from the electric grid improvement account from activities related to localized improvements to the electric grid and other energy systems with onsite generation and improvements at and between buildings to create micro-grids using onsite generation and energy storage, as in the original, to hardening and weatherizing the electric grid;
 - prohibits TDEM from using the electric grid improvement account to make grants for routine vegetation management;
 - renames the medical infrastructure resiliency account, which the original established to provide grants to government-owned, non-profit, and for-profit hospitals, as the hospital infrastructure resiliency account and limits the government-owned hospitals eligible for a grant from the account to municipally owned hospitals;
 - omits the local communications resiliency account and no longer provides for grants to be made to telecommunications providers; and
 - creates the nursing home resiliency account and the dialysis infrastructure account for purposes of making grants to state-licensed convalescent and nursing facilities and other related institutions and end stage renal disease facilities, which were not included among the entities eligible for grants in the original;
- with respect to the factors TDEM must consider in making grants:
 - omits as a consideration whether a project utilizes distributed energy resources; and
 - excludes the nursing home resiliency account from accounts for which TDEM must make those considerations when making a grant;
- with respect to the matching requirements:
 - changes the matching requirement for for-profit hospitals from a match of at least 50 percent of the grant amount with at least 30 percent of that coming directly from the entity to a match of at least 10 percent with at least 5 percent of that match coming from local sources, which is in line with the matching requirement for all other entities receiving grants from the fund's accounts; and

- clarifies that the 10 percent matching requirement applies with respect to non-state funding sources; and
- authorizes TDEM to consult with the PUC and with HHSC, as appropriate, in making grants from the various accounts.

Both the original and substitute provide for grants to be made for projects to weatherize and harden water and wastewater systems in Texas. However, whereas the original created the water infrastructure resiliency fund to be used by the TWDB to make grants to eligible entities for weatherizing and hardening water and wastewater systems, the substitute instead authorizes the TWDB to use the existing water loan assistance fund to provide grants for such projects. By nature of this, the entities eligible for the grants changes. Under the original's provisions, local government entities, nonprofits, and investor-owned entities that provide water or wastewater services were eligible for a grant from the established resiliency fund, whereas political subdivisions and federal agencies are the only entities eligible for assistance from the water loan assistance fund. Additionally, the substitute makes the following changes:

- omits from the factors the TWDB must consider in acting on grant applications, as set out by the original, whether the project utilizes distributed energy resources;
- requires the TWDB to consult with TDEM in passing on a grant application; and
- clarifies that the 10 percent matching requirement applies with respect to non-state funding sources.

Because the substitute amends provisions relating to the existing water loan assistance fund rather than creating a new water infrastructure resiliency fund, as in the original, the substitute updates the bill's effective date provision to account for the fact that the entirety of the bill is not contingent on the approval of the corresponding constitutional amendment.