

By: Alvarado

S.B. No. 26

A BILL TO BE ENTITLED

AN ACT

relating to a disaster recovery loan program for small and micro-businesses.

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

SECTION 1. The heading to Subchapter CC, Chapter 481, Government Code, is amended to read as follows:

SUBCHAPTER CC. SMALL- AND MICRO-BUSINESS DISASTER RECOVERY PROGRAM

SECTION 2. Section 481.451, Government Code, is amended by amending Subdivisions (3), (4), (6), and (7) and adding Subdivision (8) to read as follows:

(3) "Default rate" means the percentage of small- and micro-business disaster recovery loans made that did not meet the payment terms during a period specified by the bank.

(4) "Fund" means the small- and micro-business recovery fund established under Section 481.452.

(6) "Small- and micro-business [~~Micro-business~~] disaster recovery loan" or "disaster recovery loan" means a loan made by a participating community development financial institution to small businesses or micro-businesses under the program.

(7) "Program" means the small- and micro-business disaster recovery loan program established under this subchapter.

(8) "Small business" means a corporation, partnership, sole proprietorship, or other legal entity that:

1 (A) is domiciled in this state or has at least 51
2 percent of its employees located in this state;
3 (B) is formed to make a profit;
4 (C) is independently owned and operated; and
5 (D) employs more than 20 and fewer than 100
6 full-time employees.

7 SECTION 3. The heading to Section 481.452, Government Code,
8 is amended to read as follows:

9 Sec. 481.452. SMALL- AND MICRO-BUSINESS RECOVERY FUND.

10 SECTION 4. Section 481.452(a), Government Code, is amended
11 to read as follows:

12 (a) The small- and micro-business recovery fund is a
13 dedicated account in the general revenue fund.

14 SECTION 5. The heading to Section 481.453, Government Code,
15 is amended to read as follows:

16 Sec. 481.453. POWERS OF BANK IN ADMINISTERING SMALL- AND
17 MICRO-BUSINESS RECOVERY FUND.

18 SECTION 6. Section 481.454(b), Government Code, is amended
19 to read as follows:

20 (b) The program shall expand access to capital for
21 qualifying small businesses and micro-businesses to create jobs in
22 this state and constitutes a capital access program under
23 Subchapter BB.

24 SECTION 7. Section 481.455, Government Code, is amended to
25 read as follows:

26 Sec. 481.455. PROGRAM ADMINISTRATION. (a) The bank, under
27 the program, shall provide zero interest loans to eligible

community development financial institutions for purposes of making interest-bearing loans to qualifying small businesses and micro-businesses that have difficulty in accessing capital following a declared disaster.

(a-1) The bank may not provide loans to micro-businesses under this chapter in an amount less than 50 percent of the total amount of all loans provided under the program in a fiscal biennium.

(b) A loan made by an eligible community development financial institution under the program:

(1) must be made to a small business or micro-business that:

(A) is in good standing under the laws of this state; ~~and~~

(B) did not owe delinquent taxes to a taxing unit of this state before the date of the initial issuance of the disaster declaration;

(C) has suffered physical or economic injury as the result of the event leading to the disaster declaration; and

(D) has paid in full any previous loan received under this subchapter;

(2) may not be made to a micro-business that:

(A) has total revenue that exceeds the amount for which no franchise tax is due under Section 171.002(d)(2), Tax Code;

(B) is a franchise;

(C) is a national chain with operations in this state;

(D) is a lobbying firm; or

(E) is a private equity firm or backed by a private equity firm;

(3) may not have an interest rate higher than the prevailing rate for a similar loan in this state; and

(4) ~~[(3)]~~ must meet any other criteria provided by this subchapter.

(c) Payments on small- and micro-business disaster recovery loans shall be made directly to the lending community development financial institutions.

(d) All income received on a loan made by a community development financial institution participating in the program is the property of the financial institution. Income received on a loan includes the payment of interest by a borrower small business or micro-business and the administrative fees assessed by the community development financial institution.

(e) A community development financial institution participating in the program shall make payments to the bank on the zero interest loans borrowed by the financial institution under the program quarterly, and the bank or this state is not responsible or liable for any defaults in small- and micro-business disaster recovery loans made by the community development financial institution.

SECTION 8. Subchapter CC, Chapter 481, Government Code, is amended by adding Section 481.4555 to read as follows:

Sec. 481.4555. USES OF LOAN. An eligible small business or micro-business may use a loan received under this subchapter to pay

1 the business's payroll costs, including costs related to the
2 continuation of health care benefits for the business's employees.

3 SECTION 9. Section 481.457(a), Government Code, is amended
4 to read as follows:

5 (a) A community development financial institution
6 participating in the program shall report quarterly to the bank:

7 (1) the names of small businesses and micro-businesses
8 that have received a disaster recovery loan;

9 (2) the current balance of all outstanding disaster
10 recovery loans;

11 (3) the default rate on existing disaster recovery
12 loans; and

13 (4) any other information the bank requires.

14 SECTION 10. Section 489.107(c), Government Code, is amended
15 to read as follows:

16 (c) For the small- and micro-business [~~small-business~~]
17 disaster recovery loan program, the report must include a general
18 description of each small business and micro-business for which an
19 applicant was awarded a loan from the fund during the preceding
20 fiscal year.

21 SECTION 11. Subchapter EE, Chapter 481, Government Code, is
22 repealed.

23 SECTION 12. This Act takes effect on the 91st day after the
24 last day of the legislative session.