

BILL ANALYSIS

S.B. 1361
By: Alvarado
Trade, Workforce & Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that small businesses in Texas have faced significant delays and challenges in obtaining financial assistance following declared disasters. The bill sponsor has also informed the committee that federal disaster relief programs can be slow to roll out, have burdensome requirements, and be quickly depleted due to high demand. S.B. 1361 seeks to address these concerns by consolidating the existing state small business and micro-business disaster recovery loan programs into one single, efficient financial assistance program.

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

ANALYSIS

S.B. 1361 amends the Government Code to provide for the consolidation of the small business disaster recovery loan program and the micro-business disaster recovery loan program. The bill repeals provisions that provide for the small business disaster recovery loan program.

S.B. 1361 expands the micro-business disaster recovery program to incorporate small businesses into the program and the micro-business recovery fund. Accordingly, the bill renames the program as the small- and micro-business disaster recovery program and reflects that change in provisions relating to the program as follows:

- defines "small business" for purposes of the program as a corporation, partnership, sole proprietorship, or other legal entity that:
 - is domiciled in Texas or has at least 51 percent of its employees located in Texas;
 - is formed to make a profit;
 - is independently owned and operated; and
 - employs more than 20 and fewer than 100 full-time employees;
- expands the definition of "default rate" to include the percentage of small-business disaster recovery loans made that did not meet the payment terms during a period specified by the bank;
- changes the definition of "fund" from the micro-business recovery fund to the small- and micro-business recovery fund;
- changes the term defined as a loan made by a participating community development financial institution to businesses under the program from "micro-business disaster recovery loan" to "small- and micro-business disaster recovery loan" and expands that

definition and the definition of "disaster recovery loan" to include loans made to small businesses in addition to loans made to micro-businesses under the program;

- establishes that the small- and micro-business recovery fund is a dedicated account in the general revenue fund;
- requires the program to expand access to capital for qualifying small businesses to create jobs in Texas, in addition to the existing requirement for the program to do so for qualifying micro-businesses;
- requires the bank, under the program, to provide zero interest loans to eligible community development financial institutions for purposes of making interest-bearing loans to qualifying small businesses that have difficulty in accessing capital following a declared disaster;
- prohibits the bank from providing loans to micro-businesses under statutory provisions relating to the Texas Economic Development and Tourism Office (TEDTO) in an amount less than 50 percent of the total amount of all loans provided under the program in a fiscal biennium;
- revises provisions relating to a loan made by an eligible community development financial institution under the program as follows:
 - specifies that the loan must be made to a small business, in addition to a micro-business, that meets specified criteria; and
 - includes as additional criteria that the business:
 - has suffered physical or economic injury as the result of the event leading to the disaster declaration; and
 - has paid in full any previous loan received under the small- and micro-business disaster recovery program;
- prohibits a loan made by an eligible community development financial institution under the program from having an interest rate higher than the prevailing rate for a similar loan in Texas;
- reflects the inclusion of small businesses in the program in provisions relating to:
 - payments on small- and micro-business disaster recovery loans;
 - income received on a loan; and
 - exemptions from responsibility or liability for any defaults on a loan;
- authorizes an eligible small business or micro-business to use a loan received under the program to pay the business's payroll costs, including costs related to the continuation of health care benefits for the business's employees;
- requires a community development financial institution participating in the program to report quarterly to the bank the names of small businesses that have received a disaster recovery loan, in addition to reporting the names of applicable micro-businesses; and
- requires the annual status report submitted to the legislature by TEDTO on the activities of the Texas Economic Development Bank to include, for the program, a general description of each small business and micro-business for which an applicant was awarded a loan from the fund during the preceding fiscal year.

S.B. 1361 repeals Subchapter EE, Chapter 481, Government Code.

EFFECTIVE DATE

September 1, 2025.