

BILL ANALYSIS

Senate Research Center
89R26226 MLH-F

C.S.S.B. 1361
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas small businesses often struggle to access financial assistance after disasters. While the small and micro-business disaster recovery loan program was established last session to give low interest loans to affected businesses, there is currently no statutory requirement to ensure that micro-businesses receive a fair share of funding. Without specific allocation requirements, larger small businesses may have an advantage in securing loans which leaves the smallest businesses at a disadvantage in disaster recovery efforts.

Under current law, the Texas Economic Development Bank, in coordination with community development financial institutions (CDFIs), administers the small and micro-business disaster recovery loan program. However, there is no mandated distribution of funds between small businesses and micro-businesses, making it uncertain whether micro-businesses receive adequate access to disaster relief funding.

S.B. 1361 ensures that at least 50 percent of the total funds allocated for the small and microbusiness disaster recovery loan program in a fiscal biennium are reserved for micro-businesses. By requiring this allocation, the bill prioritizes relief for smaller businesses which are the most vulnerable to economic disruptions caused by disasters while still allowing funding access for larger small businesses.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1361 amends current law relating to a disaster recovery loan program for small and micro-businesses.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Economic Development and Tourism Office is rescinded in SECTION 11 (Sections 481.602, 481.603, and 481.608, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Subchapter CC, Chapter 481, Government Code, to read as follows:

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

SECTION 2. Amends Section 481.451, Government Code, by amending Subdivisions (3), (4), (6), and (7), and adding Subdivision (8), to redefine "default rate," "fund," "disaster recovery loan," and "program" and define "small- and micro-business disaster recovery loan" and "small business."

SECTION 3. Amends the heading to Section 481.452, Government Code, to read as follows:

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

SECTION 4. Amends Section 481.452(a), Government Code, to provide that the small- and micro-business recovery fund is a dedicated account in the general revenue fund.

SECTION 5. Amends the heading to Section 481.453, Government Code, to read as follows:

Sec. 481.453. POWERS OF BANK IN ADMINISTERING SMALL- AND MICROBUSINESS RECOVERY FUND.

SECTION 6. Amends Section 481.454(b), Government Code, to require the small- and microbusiness disaster recovery loan program (program) to expand access to capital for qualifying small businesses and micro-businesses to create jobs in this state and constitutes a capital access program under Subchapter BB (Access to Capital Programs).

SECTION 7. Amends Section 481.455, Government Code, as follows:

Sec. 481.455. PROGRAM ADMINISTRATION. (a) Makes a conforming change to this subsection.

(a-1) Prohibits a bank from providing loans to micro-businesses under Chapter 481 (Texas Economic Development and Tourism Office) in an amount less than 50 percent of the total amount of all loans provided under the program in a fiscal biennium.

(b) Provides that a loan made by an eligible community development financial institution under the program is required to be made to a small business or microbusiness that meets certain requirements, including having suffered physical or economic injury as the result of the event leading to the disaster declaration and having paid in full any previous loan received under Subchapter CC and is prohibited from having an interest rate higher than the prevailing rate for a similar loan in this state. Makes nonsubstantive changes.

(c)-(e) Makes conforming changes to these subsections.

SECTION 8. Amends Subchapter CC, Chapter 481, Government Code, by adding Section 481.4555, as follows:

Sec. 481.4555. USES OF LOAN. Authorizes an eligible small business or micro-business to use a loan received under this subchapter to pay the business's payroll costs, including costs related to the continuation of health care benefits for the business's employees.

SECTION 9. Amends Section 481.457(a), Government Code, to make a conforming change.

SECTION 10. Amends Section 489.107(c), Government Code, to make conforming changes.

SECTION 11. Repealer: Subchapter EE (Small Business Disaster Recovery Loan Program), Chapter 481, Government Code.

SECTION 12. Effective date: September 1, 2025.