

1-1 By: Alvarado, Blanco, Johnson S.B. No. 1361
 1-2 (In the Senate - Filed February 18, 2025; March 6, 2025,
 1-3 read first time and referred to Committee on Business & Commerce;
 1-4 May 9, 2025, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 11, Nays 0; May 9, 2025,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1361 By: Nichols

1-21 A BILL TO BE ENTITLED
 1-22 AN ACT

1-23 relating to a disaster recovery loan program for small and
 1-24 micro-businesses.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 SECTION 1. The heading to Subchapter CC, Chapter 481,
 1-27 Government Code, is amended to read as follows:

1-28 SUBCHAPTER CC. SMALL- AND MICRO-BUSINESS DISASTER RECOVERY PROGRAM

1-29 SECTION 2. Section 481.451, Government Code, is amended by
 1-30 amending Subdivisions (3), (4), (6), and (7) and adding Subdivision
 1-31 (8) to read as follows:

1-32 (3) "Default rate" means the percentage of small- and
 1-33 micro-business disaster recovery loans made that did not meet the
 1-34 payment terms during a period specified by the bank.

1-35 (4) "Fund" means the small- and micro-business
 1-36 recovery fund established under Section 481.452.

1-37 (6) "Small- and micro-business [~~Micro-business~~]
 1-38 disaster recovery loan" or "disaster recovery loan" means a loan
 1-39 made by a participating community development financial
 1-40 institution to small businesses or micro-businesses under the
 1-41 program.

1-42 (7) "Program" means the small- and micro-business
 1-43 disaster recovery loan program established under this subchapter.

1-44 (8) "Small business" means a corporation,
 1-45 partnership, sole proprietorship, or other legal entity that:

1-46 (A) is domiciled in this state or has at least 51
 1-47 percent of its employees located in this state;

1-48 (B) is formed to make a profit;

1-49 (C) is independently owned and operated; and

1-50 (D) employs more than 20 and fewer than 100
 1-51 full-time employees.

1-52 SECTION 3. The heading to Section 481.452, Government Code,
 1-53 is amended to read as follows:

1-54 Sec. 481.452. SMALL- AND MICRO-BUSINESS RECOVERY FUND.

1-55 SECTION 4. Section 481.452(a), Government Code, is amended
 1-56 to read as follows:

1-57 (a) The small- and micro-business recovery fund is a
 1-58 dedicated account in the general revenue fund.

1-59 SECTION 5. The heading to Section 481.453, Government Code,
 1-60 is amended to read as follows:

2-1 Sec. 481.453. POWERS OF BANK IN ADMINISTERING SMALL- AND
2-2 MICRO-BUSINESS RECOVERY FUND.

2-3 SECTION 6. Section 481.454(b), Government Code, is amended
2-4 to read as follows:

2-5 (b) The program shall expand access to capital for
2-6 qualifying small businesses and micro-businesses to create jobs in
2-7 this state and constitutes a capital access program under
2-8 Subchapter BB.

2-9 SECTION 7. Section 481.455, Government Code, is amended to
2-10 read as follows:

2-11 Sec. 481.455. PROGRAM ADMINISTRATION. (a) The bank, under
2-12 the program, shall provide zero interest loans to eligible
2-13 community development financial institutions for purposes of
2-14 making interest-bearing loans to qualifying small businesses and
2-15 micro-businesses that have difficulty in accessing capital
2-16 following a declared disaster.

2-17 (a-1) The bank may not provide loans to micro-businesses
2-18 under this chapter in an amount less than 50 percent of the total
2-19 amount of all loans provided under the program in a fiscal biennium.

2-20 (b) A loan made by an eligible community development
2-21 financial institution under the program:

2-22 (1) must be made to a small business or micro-business
2-23 that:

2-24 (A) is in good standing under the laws of this
2-25 state; ~~and~~

2-26 (B) did not owe delinquent taxes to a taxing unit
2-27 of this state before the date of the initial issuance of the
2-28 disaster declaration;

2-29 (C) has suffered physical or economic injury as
2-30 the result of the event leading to the disaster declaration; and

2-31 (D) has paid in full any previous loan received
2-32 under this subchapter;

2-33 (2) may not be made to a micro-business that:

2-34 (A) has total revenue that exceeds the amount for
2-35 which no franchise tax is due under Section 171.002(d)(2), Tax
2-36 Code;

2-37 (B) is a franchise;

2-38 (C) is a national chain with operations in this
2-39 state;

2-40 (D) is a lobbying firm; or

2-41 (E) is a private equity firm or backed by a
2-42 private equity firm;

2-43 (3) may not have an interest rate higher than the
2-44 prevailing rate for a similar loan in this state; and

2-45 (4) ~~(3)~~ must meet any other criteria provided by
2-46 this subchapter.

2-47 (c) Payments on small- and micro-business disaster recovery
2-48 loans shall be made directly to the lending community development
2-49 financial institutions.

2-50 (d) All income received on a loan made by a community
2-51 development financial institution participating in the program is
2-52 the property of the financial institution. Income received on a
2-53 loan includes the payment of interest by a borrower small business
2-54 or micro-business and the administrative fees assessed by the
2-55 community development financial institution.

2-56 (e) A community development financial institution
2-57 participating in the program shall make payments to the bank on the
2-58 zero interest loans borrowed by the financial institution under the
2-59 program quarterly, and the bank or this state is not responsible or
2-60 liable for any defaults in small- and micro-business disaster
2-61 recovery loans made by the community development financial
2-62 institution.

2-63 SECTION 8. Subchapter CC, Chapter 481, Government Code, is
2-64 amended by adding Section 481.4555 to read as follows:

2-65 Sec. 481.4555. USES OF LOAN. An eligible small business or
2-66 micro-business may use a loan received under this subchapter to pay
2-67 the business's payroll costs, including costs related to the
2-68 continuation of health care benefits for the business's employees.

2-69 SECTION 9. Section 481.457(a), Government Code, is amended

3-1 to read as follows:

3-2 (a) A community development financial institution
3-3 participating in the program shall report quarterly to the bank:

3-4 (1) the names of small businesses and micro-businesses
3-5 that have received a disaster recovery loan;

3-6 (2) the current balance of all outstanding disaster
3-7 recovery loans;

3-8 (3) the default rate on existing disaster recovery
3-9 loans; and

3-10 (4) any other information the bank requires.

3-11 SECTION 10. Section 489.107(c), Government Code, is amended
3-12 to read as follows:

3-13 (c) For the small- and micro-business [~~small-business~~]
3-14 disaster recovery loan program, the report must include a general
3-15 description of each small business and micro-business for which an
3-16 applicant was awarded a loan from the fund during the preceding
3-17 fiscal year.

3-18 SECTION 11. Subchapter EE, Chapter 481, Government Code, is
3-19 repealed.

3-20 SECTION 12. This Act takes effect September 1, 2025.

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