

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 7, 2003

TO: Honorable Chris Harris, Chair, Senate Committee on Administration

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2396 by Corte (Relating to the administration of and insurance requirements for certain Veterans' Land Board programs.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would change the minimum acreage that a veteran may purchase from five acres to one acre and increase the maximum amount the Veterans' Land Board (VLB) may pay for land loans from \$40,000 to \$60,000. The bill would also allow the VLB to require a purchaser to pay an account in full after a second forfeit. The VLB calculation for late payments and default rates would be amended to allow them to use industry standards, and the Board would be able to release the original veteran purchaser from liability on land loans after three years have passed since the approved assignment with the subsequent purchaser. Lastly, the bill would amend current statute to allow for the implementation of land/mortgage loans.

Over the past several years, the Board has experienced a decline in the number and volume of land loans. Currently, the Board averages 750 loans totaling \$25 million per year. The combination of changing the minimum acreage and maximum loan amounts would result in the Board being able to increase the number and volume of loans since current market value of land usually exceeds \$8,000 per acre in metropolitan and surrounding metropolitan areas. This amendment to statute would allow the Board to provide loans at \$40,000 per acre which is more in line with current demand, according to the Board. Over the next 5 years, the Board anticipates that provisions of the bill would allow it to increase its volume back to 1,500 loans per year, totaling approximately \$50 million. These loans are repaid through revenue collected from borrowers and any increase in obligation due to the issuance of debt would be covered by such revenue.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 305 General Land Office and Veterans' Land Board

LBB Staff: JK, SD, WK, MS