LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 14, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB654** by Shapleigh (Relating to access to capital and other funds by individuals and new businesses in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB654, As Introduced: a negative impact of ($40,000,000) through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	($40,000,000)
2006	($20,000,000)
2007	($20,000,000)
2008	($20,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue Gain from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1
2004	$0	$0	$137,152	($137,152)
2005	($30,000,000)	($10,000,000)	$259,305	($259,305)
2006	($15,000,000)	($5,000,000)	$259,305	($259,305)
2007	($15,000,000)	($5,000,000)	$259,305	($259,305)
2008	($15,000,000)	($5,000,000)	$259,305	($259,305)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	1.5
2005	3.0
2006	3.0
2007	3.0
2008	3.0

Fiscal Analysis

The provisions of the bill would require the Finance Commission (FC), Department of Economic Development (TDED), and the Department of Housing and Community Affairs (TDHCA) to file a biennial strategic plan for access to capital in unserved and underserved areas of the state no later than

November 1, 2004. Only after that date would a corporation be able to develop and implement a community reinvestment plan. The Finance Commission would then have to certify that the corporation met each of its plan targets for the corporation to be eligible to receive a franchise tax credit. The maximum credit available to an eligible corporation would be the corporation's qualifying expenditures up to a limit of 15 percent of the corporation's tax liability. Qualifying expenditures would include (1) lending money to borrowers in underserved areas of the state; (2) investing in or with nonprofit lending institutions for lending activities in underserved areas in the state; and (3) investing in or with community development financial institutions. A corporation could not carry forward or assign unused credits; the franchise tax credit would apply to reports due on or after January 1, 2004 and to expenditures made on or after January 1, 2004.

In addition, the Finance Commission, in consultation with TDED and TDHCA, would assist lenders in identifying and setting community reinvestment targets for the submission of community reinvestment plans. The Finance Commission would adopt policies and rules as necessary, including policies and rules that provide lenders with specific guidelines and procedures for the adoption and submission to the Commission of community reinvestment plans, including a reasonable time frame for implementation of the plan; and create a certification process for lenders that meets each of the targets set under their respective plan. The Finance Commission may consult with and request relevant information from the TDED and TDHCA. The provisions of the bill require that the Finance Commission adopt rules not later than November 1, 2003.

Methodology

According to the Comptroller, assuming it did certify the availability of funds following adjournment sine die of the 78th Legislature, Regular Session, and further assuming that the maximum allowable investment was made and credit claims filed in calendar 2004, the first credits claimed would occur in fiscal 2005, in the aggregate amount of $40 million. Each year thereafter through the projection period, the losses would be $20 million.

According to information provided from the Finance Commission, the duties and responsibilities would require three FTEs and approximately $260,000 each full year in associated costs starting in fiscal year 2005. Costs for fiscal year 2004 are estimated to occur after November 1, 2003 and only for six months. It is assumed that any costs incurred by the Finance Commission would be offset by an equal amount of revenue.

Based on the analysis of the Comptroller, TDED, TDHCA, Office of Consumer Credit Commissioner, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

The bill takes effect September 1, 2003.

Technology

The FC would need three computers and software in fiscal year 2004 totaling $7,500 for the additional FTEs.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State, 332 Department of Housing and Community Affairs, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 480 Texas Department of Economic Development

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