

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 7, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1592 by West (Relating to applications for and allocations of reservations of the state ceiling among issuers of qualified residential rental project bonds.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill increases the fee for private activity bond (PAB) applications for residential rental projects from \$500 to \$5,000. Of this amount, \$1,000 is allocated to the Bond Review Board to offset the costs of administering the private activity bond allocation program, and \$4,000 is allocated to the Texas Department of Housing and Community Affairs to contract for affordable housing market and research studies, and public education and outreach efforts.

Based on the higher application fee, the Bond Review Board expects the number of multifamily applications for the private activity bond allocation program to decline by 50%, down from 236 application in the 2003 lottery to 118 applications in 2004 and subsequent fiscal years. Annual revenues from the application fees will increase above current levels, from an estimated \$118,000 in 2003 to \$590,000 in 2004 and subsequent fiscal years, due to the fee increase.

Since the agency expects this legislation to reduce, rather than increase the number of multifamily applications, the agency requires no additional resources to implement this legislation.

The bill allocates \$472,000 per fiscal year (i.e., \$4,000 of the \$5,000 application fee) to contract for affordable housing research and education projects. Since the cost of this new program is funded by the higher fee required by the legislation, implementation of this legislation is expected to have no significant fiscal impact on state government.

Local Government Impact

The bill amends Subsection (a), Section 1372.0321, Government Code by changing the date that allows residential rental projects located in areas of the state where the Area Median Family Income (AMFI) is below that of the state average, to compete on a priority one basis with other projects in-line for an allocation of private activity bonds. June 1 is the current date when these projects receive the benefit of a priority boost from a competition standpoint; the bill changes the date to March 31.

The fiscal impact to local government would occur in areas of the state where these projects are built. The impact would depend on a variety of factors, including the corporate structure of the development, the dollar amount of bonds issued, and the current availability of housing at levels already deemed “affordable” without the use of tax credits and private activity bonds.

Source Agencies: 332 Department of Housing and Community Affairs, 352 Bond Review Board

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