

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 5, 2007

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1741 by Flynn (Relating to certain investments by insurance companies and related organizations.), **As Introduced**

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| No significant fiscal implication to the State is anticipated for fiscal years 2008 through 2012. |
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The bill would amend the Insurance Code to establish a new certified capital company (CAPCO) investment program. Current law allows for the creation of certified capital companies which would have as their primary business activity the investment of cash in certified qualified businesses, with at least 30 percent of the amount invested in qualified businesses in the state's strategic investment area. The bill would expand the investment restriction to include qualified businesses in a low income community as that term is defined in the Internal Revenue Code. This program would be titled Program Two. The bill provides that the total amount of certified capital for which credits would be allowed would be \$200 million, and the aggregate credits that could be taken each year would be limited to \$50 million. The bill provides that the first credits claimed under Program Two could not be claimed until 2013.

The bill provides that an entity must meet organizational and capitalization requirements and apply to the Comptroller of Public Accounts (Comptroller) for certification in order to become a certified investment company and to continue existence as a certified investment company. The application must include a nonrefundable fee of \$7,500 and annual renewal fees are \$5,000. The bill also provides that the Comptroller is authorized to levy administrative penalties on certified capital companies not in compliance with the law. Based on the analysis of the Comptroller, it is unknown how many entities will apply to become certified investment companies and how much revenue will be generated in administrative penalties.

The bill would take effect September 1, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JOB, JRO, MW, SK