

BILL ANALYSIS

C.S.H.B. 3431
By: Menendez
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, the Texas State Affordable Housing Corporation and the Texas Department of Housing and Community Affairs (TDHCA) conduct virtually identical programs that provide both multifamily and single-family housing assistance and purchase programs to qualified low-income families throughout Texas.

The corporation and TDHCA manage multifamily private activity bonds to provide multifamily housing properties as rental housing for low-income families as well as a variety of first-time home buyer programs, buyer education opportunities, and other identical initiatives related to affordable housing in Texas.

The corporation does not receive general revenue from appropriations, but pays high overhead costs from revenue earned on the private activity bond authority issued by the state. By combining the programs and assets of the corporation into those identical programs administered on a much larger scale by TDHCA, the earned revenue would be available for reinvestment into the housing trust fund or other associated programs that are necessary but significantly underfunded.

The TDHCA administers the same programs on a larger volume scale and has a much higher bond rating standard with the investment community. This allows TDHCA to offer more attractive financing for the development of housing and especially for first-time home buyers.

The combined benefits of lower mortgage rates, uninterrupted buyer opportunities, and overhead cost savings represent a significant enhancement to the state's affordable housing programs.

C.S.H.B. 3431 transfers the powers, duties, and programs of the corporation to TDHCA and establishes certain other programs and divisions within TDHCA to reduce redundancy in overhead costs for operations and administration of affordable housing programs, ensure better use of available housing resources, and provide enhanced service to the low-income working families of Texas. The bill abolishes the Texas State Affordable Housing Corporation.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the executive director of the Texas Department of Housing and Community Affairs (TDHCA) in SECTIONS 1 and 7 and to TDHCA in SECTION 3 of this bill.

ANALYSIS

C.S.H.B. 3431 amends the Government Code to transfer the powers and duties of the Texas State Affordable Housing Corporation to the Texas Department of Housing and Community Affairs (TDHCA). The bill requires the corporation to transfer to TDHCA all assets owned or distributed by the corporation, including any real or personal property owned by the corporation and any bond revenue distributed by the corporation, as well as all records related to the

operation of any home loan programs and any applications pending with the corporation on the date the corporation is dissolved by the board of the corporation. The bill requires the board of the corporation to take all necessary actions to dissolve the corporation and, at the request of the executive director, to assist the director in formulating the transition plan. The bill specifies that a reference in law to the corporation is a reference to TDHCA. The bill requires all earnings from bonds issued by the corporation under specified provisions of the law to be allocated to the homeless grant program.

C.S.H.B. 3431 requires the executive director of TDHCA by rule to adopt a transition plan for TDHCA's assumption of the former powers and duties of the corporation. The bill requires the plan to include a timetable with specific steps and deadlines needed to fully complete the transfer and ensure that the transfer is fully implemented not later than January 1, 2010. The bill requires the plan to ensure that the professional educators home loan program and the fire fighter, law enforcement or security officer, and emergency medical services personnel home loan program will be administered by a 501(c)(3) tax-exempt organization. The bill prohibits the director from consolidating or eliminating those two programs. The bill authorizes the director to adopt rules necessary to improve the efficiency or effectiveness of any program that is transferred to TDHCA as a result of its assumption of the former powers and duties of the corporation, including rules that provide for consolidating the operation of programs already administered by TDHCA and a program or programs that are transferred to TDHCA from the corporation.

C.S.H.B. 3431 establishes that the nonprofit assistance division is an independent entity within TDHCA, administratively attached to TDHCA, and not an advisory board to the department. The bill requires TDHCA to administer and enforce, through the nonprofit assistance division, state law on technical and financial assistance provided to nonprofit corporations.

C.S.H.B. 3431 requires TDHCA to provide grants, supporting housing services, and housing retention services to support services offered to homeless persons by political subdivisions, housing finance corporations, for-profit corporations, and nonprofit organizations. The bill requires such grants to be used only for support services for homeless persons, including case management, job training, job placement, job retention, housing placement and retention, and mental health services. The bill authorizes TDHCA to adopt rules to administer such provisions.

C.S.H.B. 3431 abolishes the corporation on January 1, 2010, and requires all powers, duties, obligations, rights, contracts, funds, unspent appropriations, records, and real or personal property of the corporation to be transferred to TDHCA not later than that date. The bill includes other transition provisions. The bill requires the executive director of TDHCA to adopt rules relating to the transfer of the programs assigned to TDHCA not later than October 1, 2009.

C.S.H.B. 3431 repeals Sections 2306.255(g) and 2306.552, Government Code, as conforming changes.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 3431 differs from the original by requiring the transition plan of the executive director of the Texas Department of Housing and Community Affairs (TDHCA) to ensure that the professional educators home loan program and the fire fighter, law enforcement or security officer, and emergency medical services personnel home loan program will be administered by a 501(c)(3) tax-exempt organization. The substitute adds a provision not in the original that prohibits the director from consolidating or eliminating those programs.

C.S.H.B. 3431 removes a provision included in the original that required all personnel of the Texas State Affordable Housing Corporation to be transferred to TDHCA not later than January 1, 2010.