

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

May 22, 2009

TO: Honorable Yvonne Davis, Chair, House Committee on Urban Affairs

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

IN RE: SB1861 by Ellis (Relating to the transfer of powers, duties, and programs to, and the continuation of, the Texas Department of Housing and Community Affairs, to the establishment and administration of certain other programs and divisions within the department, and to other provisions relating to fair or affordable housing.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1861, Committee Report 2nd House, Substituted: a negative impact of (\$4,000,000) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$2,000,000)
2011	(\$2,000,000)
2012	(\$2,000,000)
2013	(\$1,000,000)
2014	(\$1,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue Gain from Appropriated Receipts 666	Probable (Cost) from Appropriated Receipts 666	Probable Revenue Gain from Texas Treasury Safekeeping Trust Fund - Fund Held Outside the Treasury
2010	(\$2,000,000)	\$411,000	(\$1,572,000)	\$4,129,845
2011	(\$2,000,000)	\$500,000	(\$1,588,000)	\$0
2012	(\$2,000,000)	\$595,000	(\$1,604,000)	\$0
2013	(\$1,000,000)	\$687,000	(\$1,619,000)	\$0
2014	(\$1,000,000)	\$781,000	(\$1,636,000)	\$0

Fiscal Year	Probable (Cost) from Texas Treasury Safekeeping Trust Fund - Fund Held Outside the Treasury
2010	(\$4,129,845)
2011	\$0
2012	\$0
2013	\$0
2014	\$0

Fiscal Analysis

The bill would amend the Government Code relating to the transfer of powers, duties, and programs to, and the continuation of, the Texas Department of Housing and Community Affairs (TDHCA), to the establishment and administration of certain other programs and divisions within the department, and to other provisions relating to fair or affordable housing. The bill would direct TDHCA to establish a program that provides financial assistance for residential weatherization-related measures that do not qualify for Federal Funds under the Weatherization Assistance Program (WAP). The bill would also allow TDHCA to establish a pilot program to study the effectiveness of weatherization measures in increasing residential energy efficiency for individuals and families of low income. The bill states that TDHCA may fund existing pilot programs or create new pilot programs as appropriate using federal supplemental appropriations under the American Recovery and Reinvestment Act of 2009. In addition, the bill would establish a Nonprofit Assistance Division and create a homeless grant program to fund support services for the homeless population.

The bill also includes a sunset provision. The Texas State Affordable Housing Corporation (TSAHC) is subject to the Sunset Act and unless continued in existence, the corporation would be abolished September 15, 2013.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, proposed Sections 2306.122 and 2306.6736 of the Government Code would take effect September 1, 2009 and Sections 11.182 and 11.1825, Tax Code, would take effect January 1, 2010.

Methodology

To develop this estimate, TDHCA surveyed eight WAP sub-recipients to determine the level of existing need for supplemental assistance as described in the bill. Based on this survey, the following assumptions were made: 5 percent of homes served through WAP would receive supplemental assistance; since the most common reason a house cannot be served is that the roof needs to be replaced, repairs funded would primarily be related to roof repair; roof repairs are typically about \$5,000 per household. Based on these assumptions, TDHCA would limit supplemental assistance to \$2,000 per home for fiscal years 2010-2012 and increase this to \$5,000 per year from fiscal year 2013 forward.

Grant costs were therefore estimated as follows: Annual households served through federal Weatherization Assistance Program, fiscal years 2010-2012 calculated at 20,000 households per year X 5% = 1,000 homes X \$2,000 per home = \$2 million per year. For fiscal years 2013-2014, calculated at 4,000 household per year X 5% = 200 homes X \$5,000 per home = \$1 million per year.

TDHCA also assumed that the program would be implemented using an existing online contract reporting system and that additional state administration would be minimal.

TDHCA anticipates there would be increased revenues associated with fees collected in association with the Single Family (SF) and Multifamily (MF) bond issuances and with certain loan servicing activity currently undertaken by the TSAHC. Consistent with current TDHCA bond fees used for administrative purposes, these fees would initially be deposited in the Texas Treasury Safekeeping Trust Fund but then be transferred to TDHCA's Appropriated Receipts account within the Treasury.

According to the analysis provided by the Texas State Affordable Housing Corporation (TSAHC), upon dissolution of the Corporation there would be an approximate cash balance available for a one-time transfer to the Texas Treasury Safekeeping Trust Fund - Fund Held Outside the Treasury, totaling \$4,129,845 in fiscal year 2010. This balance equals total cash and liquidated investment holdings less liabilities immediately due and payable when the Corporation is transferred to TDHCA..

For the purpose of this analysis TSAHC estimates a revenue gain to the state of \$411,000 in fiscal year 2010, \$500,000 in fiscal year 2011, \$595,000 in fiscal year 2012, \$687,000 in fiscal year 2013, \$781,000 in fiscal year 2014, totaling \$2,974,000 for the five-year period from Single Family Fee Income, Multi-family Bond Program Fees, and Loan Servicing Fees. Based on information provided by TDHCA, this analysis assumes that all revenues accumulated from the fees mentioned above would be expended each fiscal year for the Homeless Grant Program.

In addition, TSAHC analysis provided estimated costs to operate programs transferred to TDHCA. According to the analysis, salaries, overhead, and payroll related costs would be required to operate the programs. Estimated expenditures are based on TSAHC's historical operating costs including staff of 15 FTEs. Estimated costs also include expenditures necessary to fund the employee retirement system pension and healthcare accounts. TSAHC noted that its employees do not receive state funded pension or healthcare benefits. Based on these assumptions, TSAHC estimates operating costs to the state of approximately \$1.6 million in fiscal years 2010-2014, totaling \$8.0 million for the five-year period.

TSAHC noted that non-liquid assets for notes receivable (\$3,049,936) and loans receivable (\$1,297,968) were not included in the calculation since collection is tied to mortgages and other long-term payment agreements.

As required by the bill, TDHCA would administer single family and multifamily mortgage revenue bond programs, including the Professional Educator Home Loan Program and the "Homes for Heroes" Loan Program, currently administered by the Corporation; revenues the Department would receive in association with Corporation bond programs would be applied to the homeless grant program established under the bill. TDHCA also identified revenues associated with the Corporation's role as master servicers of certain TDHCA bond issuances; these would also be transferred to the Department.

This analysis also assumes that administrative duties and responsibilities associated with implementing the provisions of the bill could be covered within existing resources.

Local Government Impact

According to TSAHC, the bill would result in the termination of the 501(c)(3) non-profit status granted by the IRS. Consequently, the ability of the state to raise funds from charitable foundations, private donors, and financial institutions seeking to meet Community Reinvestment Act credit would be lost. TSAHC reported the amount of funds received to date was an estimated \$2.27 million (excluding funds received from TDHCA), and the amount leveraged was more than \$7.5 million for affordable housing in Texas.

Source Agencies: 116 Sunset Advisory Commission, 332 Department of Housing and Community Affairs, 712 Texas Engineering Experiment Station

LBB Staff: JOB, DB, MW, NV, TP