LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 20, 2009

TO: Honorable Veronica Gonzales, Chair, House Committee on Border & Intergovernmental Affairs

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

IN RE: **SB2288** by Lucio (Relating to the provision of affordable housing in this state.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2288, Committee Report 2nd House, Substituted: a negative impact of ($1,033,392) 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	($541,946)
2011	($491,446)
2012	($491,446)
2013	($491,446)
2014	($491,446)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable (Cost) from *Community Affairs Fed Fd* 127	Probable (Cost) from *ORCA Federal Funds* 5091	Change in Number of State Employees from FY 2009
2010	($541,946)	($2,070,000)	($1,291,400)	11.0
2011	($491,446)	($1,000,000)	($1,270,400)	11.0
2012	($491,446)	($1,000,000)	($1,270,400)	11.0
2013	($491,446)	($1,000,000)	($1,270,400)	11.0
2014	($491,446)	$0	($270,400)	11.0

Fiscal Analysis

The bill would amend the Government Code relating to affordable housing and the duties of the Texas Department of Housing and Community Affairs (TDHCA). The bill would create the Nonborder Colonia Fund as an account in the General Revenue Fund in the state Treasury and would provide direction as to the uses of the fund. The bill would require the Office of Rural Community Affairs (ORCA) to set aside and transfer an amount of money, not to exceed $7.5 million each year, that exceeds the amount provided to the state under the program in state fiscal year 2008. The bill would require, from amounts allocated to the state under the federal community development block grant nonentitlement program, ORCA to transfer to the fund an amount, not to exceed $7.5 million each fiscal year, that exceeds the amount provided to the state under that program for the state fiscal year ending on August 31, 2008. The bill would require that that amounts in the fund could be appropriated to ORCA only for housing initiatives in eligible counties and cities and housing improvements in a colonia. Additionally, the bill would require both ORCA and TDHCA to transfer $1 million in fiscal years 2010 through 2013 in federal funding to the rural housing land assemblage program.

The bill would establish a new division at TDHCA to support rural community and small municipality housing initiatives, to include creating regional housing development organizations, assisting local governments in housing development planning, establishing an online homebuyer education program, and creating pilot programs. The bill would provide for real time, online training to rural communities to increase housing opportunities in rural areas.

The bill would establish the Texas Secure Loan pilot program at TDHCA to provide mortgage loans to low-income homeowners and creates an associated housing education service for the loan recipients. The bill would create the Rural Housing Land Assemblage Program at TDHCA in coordination ORCA and rural communities. The bill would grant rulemaking authority to TDHCA and ORCA to implement the provisions of the bill.

The bill would take effect September 1, 2009. The bill would require TDHCA to adopt rules required by the bill no later than October 1, 2009; implement the new homebuyer education program no later than December 1, 2009; and to begin issuing loans under the Texas secure loan pilot program no later than January 1, 2010.

Methodology

The bill would create a new fund, the Nonborder Colonia Fund, to be funded by annual transfers from ORCA. Any expenditures from the fund would have to be an allowable use under the Federal Housing and Urban Development Guidelines for the community development block grant program. The annual transfer amounts are based on a base level of funding in the community development block grant program for the fiscal year ending August 31, 2008. Based on information provided by ORCA, the amount of funding for fiscal year 2008 from this program was $72,542,692. It is estimated that the amount of federal funds received for this program will be $71,779,088 for each year of the fiscal years 2010-11 biennium. Since this amount is less than the amount allocated to the colonia fund in FY08, this analysis assumes no transfers would occur. Due to the amount of funding for the program depending on federal funding levels, the amount of future transfers cannot be estimated.

Based on analysis provided by TDHCA, implementation of the homebuyer education program would cost $75,000 in General Revenue each fiscal year and the online training program would cost $5,050 in General Revenue each fiscal year. It is assumed that the housing development planning assistance would require 7 FTEs each fiscal year, with $315,000 in salaries and wages with $89,996 in benefits each fiscal year, and travel, rent and other operating expenses of $81,400 in each fiscal year. Additionally, there would be equipment costs of $10,500 in fiscal years 2010 and 2013.

Based on information provided by TDHCA, it is assumed that a market survey, with a cost of $40,000 in fiscal years 2010 and 2013 in General Revenue, would be necessary to document the housing needs of agricultural workers.

Based on information provided by TDHCA, it is assumed the Secure Loan Pilot Program would be funded through federal funds with a cost of $1,070,000 in fiscal year 2010. This analysis assumes the pilot program would make 10 loans at an average of $107,000 for each loan and that repayment of the loans would be required for the following 4 years at an interest rate that would be determined by TDHCA. This analysis also assumes that any administrative costs associated with implementing the Secure Loan Pilot Program could be absorbed within TDHCA’s existing resources.

This analysis assumes an allocation of $1,000,000 from ORCA and TDHCA for each fiscal year until that section of the bill expires on September 1, 2013.

In each year of 2010 - 2013, the bill would require ORCA to allocate $1,000,000 in federal Community Development Block Grant (CDBG) funding for the Rural Housing Land Assemblage program. Any expenditures of CDBG funds would have to comply with federal Housing and Urban Development Guidelines for the CDBG program.

In each year of 2010-2013, the bill would require TDHCA to allocate $1,000,000 in funds allocated for the federal HOME Investment Partnerships (HOME) program for the Rural Housing Land Assemblage program. Any expenditures of HOME funds would have to comply with federal Housing and Urban Development guidelines for the HOME program.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993, and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

The bill would have a technology impact of $10,500 in fiscal year 2010.

Local Government Impact

The bill would allow rural counties and municipalities to participate in the Rural Housing Land Assemblage Program. The bill would require property sold to and held by a rural housing land assemblage entity for subsequent resale to be exempt from ad valorem taxation for a period not to exceed three years from the date of acquisition. A local government could experience a loss as a result of the value lost depending on an entity's participation in the program; however, the fiscal impact is not anticipated to be significant.

Local governmental entities with eligible colonias that receive financial assistance from the community development block grant colonia fund for housing initiatives could experience a significant positive fiscal impact. The amount would vary depending on a county or municipality meeting the qualifications of a colonia, and the amount an entity receives from the fund.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs, 357 Office of Rural Community Affairs

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