

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 2009

**TO:** Honorable Eddie Lucio, Jr., Chair, Senate Committee on International Relations & Trade

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

**IN RE: SB2288** by Lucio (Relating to the provision of affordable housing in this state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB2288, As Introduced: a negative impact of (\$1,142,592) 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	(\$596,546)
2011	(\$546,046)
2012	(\$546,046)
2013	(\$596,546)
2014	(\$546,046)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from Community Affairs Fed Fd 127	Change in Number of State Employees from FY 2009
2010	(\$596,546)	(\$1,070,000)	7.0
2011	(\$546,046)	\$0	7.0
2012	(\$546,046)	\$0	7.0
2013	(\$596,546)	\$0	7.0
2014	(\$546,046)	\$0	7.0

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 establish the Small Municipality and Rural Area Housing Development 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, equivalent to any amount provided to the Community Development Block Grant Colonia Fund under the bill in excess of the amount provided to the Community Development Block Grant Colonia Fund for the state fiscal year ending August 31, 2008.

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. Additionally, the bill would require TDHCA to support and fund housing initiatives that serve agricultural workers. The bill would allow TDHCA to enter into a memorandum of understanding with the Texas State Affordable Housing Corporation to adopt a rural land bank demonstration program.

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 with 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 creates a new fund, the Small Municipality and Rural Area Housing Fund, to be funded by annual transfers from ORCA. The annual transfer amounts are based on a base level of funding in the community development block grant colonia fund for the fiscal year ending August 31, 2008. Since the Community Development Block Grant Colonia Fund is currently not an existing fund and was not in existence in the fiscal year ending August 31, 2008, the transfer amounts required by the bill are assumed to be \$0 each fiscal year for the purposes of this analysis. Based on information provided by ORCA, it is assumed that any costs from duties and responsibilities associated with implementing the provisions of the bill could be covered with existing resources.

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 and other operating expenses of \$61,000 each fiscal year. Additionally, there would be equipment costs of \$10,500 in FY2010 and FY2013.

Based on information provided by TDHCA, it is assumed that a market survey, with a cost of \$40,000 in FY2010 and FY2013 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 FY2010. 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.

## **Technology**

The bill would have a technology impact of \$10,500 in FY2010.

## **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

**LBB Staff:** JOB, CL, MW, CH, TP