

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 9, 2011

TO: Honorable Mike Jackson, Chair, Senate Committee on Economic Development

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

IN RE: SB891 by Carona (Relating to certain investments in certain Texas businesses by 2 insurance companies and related organizations.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB891, Committee Report 1st House, Substituted: a positive impact of \$247,500 through the biennium ending August 31, 2013.

General Revenue-Related Funds, Nine-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$67,500
2013	\$180,000
2014	\$180,000
2015	\$180,000
2016	\$180,000
2017	(\$49,820,000)
2018	(\$49,910,000)
2019	(\$49,910,000)
2020	(\$49,910,000)

All Funds, Nine-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Foundation School Fund</i> 193
2012	\$67,500	\$0
2013	\$180,000	\$0
2014	\$180,000	\$0
2015	\$180,000	\$0
2016	\$180,000	\$0
2017	(\$37,320,000)	(\$12,500,000)
2018	(\$37,410,000)	(\$12,500,000)
2019	(\$37,410,000)	(\$12,500,000)
2020	(\$37,410,000)	(\$12,500,000)

Fiscal Analysis

The bill would establish an additional Certified Capital Company (CAPCO) Investment Program, Program Three. The bill would provide for \$200 million in insurance premium tax credits for investment made under Program Three. The comptroller would accept premium tax credit allocation claims no later than January 1, 2012. Aggregate credits would be limited to \$50 million each year. The first credits could not be claimed until the tax report due in March 2017.

Companies would be pay the state a \$7,500 application fee, an annual fee not to exceed \$15,000, and 20 percent of the net profit realized on qualified investments. The bill would allow the comptroller to decertify a capital company on the written request of the company, provided that the company had made qualified investments of 100 percent of the company's certified capital and had secured matching investments of 150 percent of its Program Three allocation. Voluntary decertification would not authorize the recapture and forfeiture of premium tax credits, and decertified companies would not be required to pay an annual fee.

The bill would take effect September 1, 2011.

Methodology

The estimate assumes that 9 companies would apply under Program Three and pay the \$7,500 application fee in fiscal year 2012. The estimate assumes that the comptroller would set the annual fee for each company at \$15,000 and that the fee would apply to all CAPCO companies. The estimate assumes that Program One companies would decertify before fiscal 2013, and Program Two companies would decertify before fiscal 2018.

The estimate assumes \$50 million in credits would be taken each year for four years beginning in fiscal year 2017. The estimate assumes that the state's share of net profit from Program Three investments would not be received before fiscal year 2021. The amount of the state share of profits, if any, cannot be determined.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, AG, SD, RS