

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 16, 2013

TO: Honorable Harold V. Dutton, Jr., Chair, House Committee on Urban Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3779 by Isaac (Relating to affordable housing.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3779, As Introduced: a negative impact of (\$505,190) through the biennium ending August 31, 2015.

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
2014	(\$294,595)
2015	(\$210,595)
2016	(\$216,913)
2017	(\$223,420)
2018	(\$230,123)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Appropriated Receipts</i> 666	Probable Revenue Gain/(Loss) from <i>Appropriated Receipts</i> 666	Change in Number of State Employees from FY 2013
2014	(\$294,595)	(\$372,308)	\$372,308	6.5
2015	(\$210,595)	(\$372,308)	\$372,308	6.5
2016	(\$216,913)	(\$372,308)	\$372,308	6.5
2017	(\$223,420)	(\$372,308)	\$372,308	6.5
2018	(\$230,123)	(\$372,308)	\$372,308	6.5

Fiscal Analysis

The bill would amend Government code to require the Bond Review Board (BRB) to approve the issuance of any securities issued by Housing Finance Corporations. The bill would also require the allocation of 4 percent tax credits to developments financed in through the private activity bond (PAB) program, to be allocated in the same manner as 9 percent tax credits to developments

not financed to the PAB program. Developments financed through the PAB program were previously exempted. The bill would require new construction of housing developments financed through the PAB program to receive an application score higher than all developments not financed through the program to be eligible for housing tax credits. Additionally, the bill would require that a PAB financed development application for rehabilitation or reconstruction receive a score not lower than the lowest score awarded to any application for non-PAB financed housing tax credits.

The bill would take effect September 1, 2013.

Methodology

The bill would require the BRB to review additional issuances of any securities issued by Housing Finance Corporations. The BRB indicates a need to hire 2.0 additional full-time equivalent positions (FTEs) - two Financial Analyst III - to handle the increase in transactions reviewed. The BRB estimates the costs associated with these additional FTEs would be approximately \$195,995 in the first year and between \$190,995 and \$210,123 subsequent fiscal years for salary, benefits and other operating costs. The agency estimates additional software costs of \$98,950 in fiscal year 2014 and \$20,000 in each subsequent fiscal year.

For the purpose of this analysis, the Texas Department of Housing and Community Affairs (TDHCA) indicates it would need \$372,308 and 4.5 Full-time Equivalents (FTE) positions each fiscal year to implement the provisions of the bill. TDHCA's analysis assumes the following: 1.5 FTEs would be needed in the Multifamily Finance Division to incorporate new requirements in the program rules, manuals, application and application workshops; 2.0 FTEs would be needed in the Real Estate Analysis Division to conduct underwriting procedures to determine the long-term financial viability of each applicant property; and 1.0 FTE in the Legal Division to assist with expected workload increases related to rulemaking, amendment and waiver issues, monitoring and enforcement issues and drafting amendments and releases of land use restriction agreements. Based on the analysis of the agency, it is assumed that TDHCA would adjust license fees to cover any additional costs associated with the implementation of this bill.

Technology

The BRB indicated that there would be additional technology related costs in order to obtain certain software licenses, used to process size, structure, and refund calculations for debt issuances. The BRB indicated that this software was purchased in 2001 and estimate the cost of purchasing updated software at \$78,950 in the first year, and \$20,000 for maintenance in every subsequent year.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 332 Department of Housing and Community Affairs, 352 Bond Review Board

LBB Staff: UP, KKR, EP, EMO, NV