

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

TO: Honorable Eddie Lucio, Jr., Chair, Senate Committee on Intergovernmental Relations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB989 by Watson (Relating to the amount of money transferred to the owner-builder revolving loan fund and the maximum loan amount made to persons under the owner-builder loan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB989, As Introduced: a negative impact of (\$4,319,578) through the biennium ending August 31, 2019.

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
2018	(\$2,159,789)
2019	(\$2,159,789)
2020	(\$2,159,789)
2021	(\$2,159,789)
2022	(\$2,159,789)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Owner-builder Revolving Loan 5077	Probable (Cost) from Owner-builder Revolving Loan 5077
2018	(\$2,159,789)	\$5,500,000	(\$5,500,000)
2019	(\$2,159,789)	\$5,683,333	(\$5,683,333)
2020	(\$2,159,789)	\$5,866,667	(\$5,866,667)
2021	(\$2,159,789)	\$6,050,000	(\$6,050,000)
2022	(\$2,159,789)	\$6,233,333	(\$6,233,333)

Fiscal Analysis

The bill would amend Subchapter FF, Chapter 2304 of the Government Code relating to the

amount of money transferred to the owner-builder revolving loan fund and the maximum loan amount made to persons under the owner-builder loan program. The bill would delete provisions relating to the total amount of loans made by the Texas Department of Housing and Community Affairs (TDHCA) and other entities to an owner-builder. The bill would amend the Section 2306.7581 of the Government Code to require TDHCA to transfer \$5.5 million instead of \$3.0 million to the owner-builder revolving loan fund each fiscal year. The bill would modify the expiration of the subchapter to be the later of August 31, 2025, or the last day of the first state fiscal year for which an audited financial statement confirms that annual repayments made to the department under Subchapter FF equal the projected amount of required funding under the provisions of the bill. The changes made to Section 2306.7581 would apply beginning in fiscal year 2018.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house. Otherwise, the bill would take effect September 1, 2018.

Methodology

This analysis assumes the provisions of the bill requiring TDHCA to transfer \$5.5 million per fiscal year to the owner-builder revolving loan fund would result in a cost of \$2.2 million in General Revenue each fiscal year beginning in fiscal year 2018.

Currently, the agency is appropriated \$3.3 million per fiscal year in General Revenue in Strategy A.1.3, Housing Trust Fund, for the owner-builder loan program, a program that provides funding for grants to assist in housing construction. Under current practice, TDHCA is required by Rider 9, Housing Trust Fund Deposits to the Texas Treasury Safekeeping Trust Company, of the agency's bill pattern in the 2016-17 General Appropriations Act to deposit all Housing Trust Fund funds in the Texas Treasury Safekeeping Trust Company where the program is currently operated. The agency does not currently use the General Revenue Dedicated Account #5077 Owner Builder Revolving Loan fund to operate the program as required by statute.

This analysis assumes the agency would now transfer the \$3.3 million per fiscal year in current General Revenue appropriations for the owner-builder loan program to the General Revenue Dedicated Account #5077 Owner Builder Revolving Loan in addition to an increase of \$2.2 million per fiscal year in General Revenue needed to meet funding requirements as established by the provisions of the bill.

It is assumed that loan repayments made from the General Revenue Dedicated Account #5077 Owner Builder Revolving Loan in fiscal year 2018 and future fiscal years would be repaid to the same account, totaling approximately \$0.2 million in fiscal year 2019 and increasing to \$0.7 million in fiscal year 2022. It is assumed the General Revenue Dedicated Account #5077 Owner Builder Revolving Loan would have costs each fiscal year equal to the amount of funding transferred to the account and the loan repayments.

This analysis assumes that to the extent any existing available funds in the Housing Trust Fund held outside the treasury or Federal Funds that could be used to fulfill the funding requirements of the owner-builder loan program are available, this amount would decrease the amount of General Revenue needed to fulfill the funding requirements as established by the provisions of the bill.

According to the agency, if the agency used existing Federal Funds to achieve the \$5.5 million per fiscal year funding requirement several federal requirements, that may be more restrictive, would be applicable to the program.

Local Government Impact

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

Source Agencies: 332 Department of Housing and Community Affairs

LBB Staff: UP, JGA, EH, EK, THh