

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1365  
By: Barrientos  
Intergovernmental Relations  
4-24-97  
Committee Report (Substituted)

### **DIGEST**

Currently, Chapter 2306.551, Government Code, contains provisions governing the Texas Housing Corporation. The corporation is required to carry out the public purposes of Chapter 2306 and to engage insurable functions. The members of the board of the Texas Department of Housing and Community Affairs (department) serve as the board of the corporation. The corporation is subject to the limitations provided for the department under Chapter 2306 and has the rights and powers of a nonprofit corporation incorporated under the Texas Non-Profit Corporation Act.

C.S.S.B. 1365 expands the purposes of the corporation; sets forth requirements regarding the use of housing funds; places limits on lending activities; makes changes in regard to the board of directors of the corporation and the executive officers of the corporation; requires the corporation to develop personnel policies; amends law concerning distribution of earnings; and sets forth provisions regarding public access, financial management, funding from the department, audits, and reports to the department.

### **PURPOSE**

As proposed, C.S.S.B. 1365 expands the purposes and powers of the Texas Housing Corporation.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2306.111(b), Government Code, to require the housing finance division (division) of the Texas Department of Housing and Community Affairs (department) to use certain percentages of the division's total housing funds to provide housing assistance for individuals and families with certain incomes.

SECTION 2. Amends Section 2306.202, Government Code, by adding Subsection (c), to require the department to use at least 30 percent of money expended from the housing trust fund each year to provide assistance to individuals in households earning less than 30 percent of the area median family income, as defined by the U.S. Department of Housing and Urban Development.

SECTION 3. Amends Chapter 2306J, Government Code, by adding Section 2306.2211, as follows:

Sec. 2306.2211. **LIMITATION ON LENDING ACTIVITIES.** Prohibits the department from servicing loans or providing secondary lending or mortgage banking services unless expressly permitted by this chapter.

SECTION 4. Amends Chapter 2306Y, Government Code, as added by Chapter 76, Acts of the 74th Legislature, Regular Session, 1995, by adding Section 2306.5521, as follows:

Sec. 2306.5521. **SUNSET PROVISION.** Provides that the Texas Housing Corporation (corporation) is subject to Chapter 325 (Texas Sunset Act). Provides that unless continued in existence as provided by that chapter, the corporation is abolished and this subchapter expires September 1, 1999. Requires reviews of the corporation under Chapter 325 to be

conducted in conjunction with reviews under that chapter of the department.

SECTION 5. Amends Section 2306.553(a), Government Code, to set forth the purposes of the corporation.

SECTION 6. Amends Section 2306.554, Government Code, to set forth the composition of the board of directors (board). Sets forth provisions regarding designation by a member of the board of another person to act on the member's behalf, the presiding officer of the board, and the speaker of the house of representatives.

SECTION 7. Amends Chapter 2306Y, Government Code, as added by Chapter 76, Acts of the 74th Legislature, Regular Session, by adding Sections 2306.5541-2306.5543, as follows:

Sec. 2306.5541. EXECUTIVE DIRECTOR. Provides that the director of the department serves as executive director of the corporation. Requires the executive director to submit monthly financial statements to the board.

Sec. 2306.5542. CHIEF FINANCIAL OFFICER. Requires the board to employ a chief financial officer for the corporation.

Sec. 2306.5543. PERSONNEL POLICIES. Requires the board to develop and implement personnel policies, including policies relating to employee conflicts of interest, that are substantially similar to comparable policies that govern state employees.

SECTION 8. Amends Section 2306.555, Government Code, by amending Subsection (a) and adding Subsections (d) and (e), to provide that the corporation has the powers and is subject to the limitations provided for the department under this chapter, including provisions relating to property acquisition and ownership. Authorizes the corporation to apply for funding for special programs from the department. Provides that in applying for funding, the corporation is subject to all procedures and requirements applicable to other applicants. Provides that money received under this subsection is not a loan of money subject to approval by the Legislative Budget Board under Section 2306.560(d). Authorizes the corporation to issue qualified 501(c)(3) bonds under Section 145, Internal Revenue Code of 1986 (26 U.S.C. Section 145), to provide financing for the construction or rehabilitation of affordable multifamily housing.

SECTION 9. Amends Chapter 2306Y, Government Code, as added by Chapter 76, Acts of the 74th Legislature, Regular Session, 1995, by adding Section 2306.5555, as follows:

Sec. 2306.555. PUBLIC ACCESS. Requires the board to develop and implement policies that provide that public with a reasonable opportunity to appear before the board and to speak on any issue under this jurisdiction of the corporation.

SECTION 10. Amends Section 2306.557, Government Code, to set forth provisions regarding the depositing of earnings of the corporation. Sets forth provisions regarding appropriation by the legislature of money for the corporation. Sets forth provisions regarding the transfer of money to the housing trust fund by the comptroller.

SECTION 11. Amends Chapter 2306Y, Government Code, as added by Chapter 76, Acts of the 74th Legislature, Regular Session, by adding Sections 2306.560-2306.564, as follows:

Sec. 2306.560. FUNDING FROM DEPARTMENT. Authorizes the department to loan the corporation not more than \$1 million each fiscal year. Prohibits the department from providing funding to the corporation in any form other than a loan. Sets forth additional provisions regarding funding from the department.

Sec. 2306.561. FINANCIAL MANAGEMENT SYSTEM; RESTRICTED CAPITAL FUND. Requires the corporation to establish and maintain a financial management system in accordance with generally accepted accounting principles, as prescribed by the Financial Accounting Standards Board. Sets forth requirements regarding the financial management

system. Requires the corporation to establish and maintain a restricted capital fund for money provided by the department or this state. Requires the fund to reflect the accumulated total of department and state investment in the corporation.

Sec. 2306.562. AUDIT. Requires, on or before March 1 of each year, a certified public accountant with experience in auditing mortgage firms and financial institutions to audit the corporation's books and accounts and file a copy of the audit with the governor and the Legislative Budget Board. Requires the state auditor to review an audit after the audit is completed by the certified public accountant. Requires the corporation to pay for the audit.

Sec. 2306.563. REPORT ON SERVICES. Requires the corporation to report to the department information on services provided by the corporation. Sets forth requirements regarding the information. Requires the department to include information provided under Subsection (a) in the annual report required by Section 2306.072.

Sec. 2306.564. APPLICATION OF OTHER LAWS. Provides that the board is subject to the open meetings law, Chapter 551, and the open records law, Chapter 552.

SECTION 12. Effective date: September 1, 1997.

SECTION 13. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

#### SECTION 1.

Replaces proposed SECTION 1 with new SECTION 1 regarding the use of the division's total housing funds.

#### SECTIONS 2-13.

Sets forth new SECTIONS.