



STATE FARM
FARMERS
21ST CENTURY
SAFECO
PROGRESSIVE
NAMIC

FLOOR ALERT

Date: August 17, 2006

To: Members, California State Senate

From: Rex Frazier, President
Michael A. Gunning, Vice President
Michael A. Paiva, Senior Legislative Advocate

Re: AB 2831 (Ridley-Thomas) Insurance, income, and corporation tax credits: CDFI
As Amended August 17, 2006
Senate Third Reading
PIFC Position: Support

The Personal Insurance Federation of California (PIFC), representing insurers that write 48.7% of the personal lines insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive and NAMIC, **supports AB 2831** by Assemblyman Mark Ridley-Thomas.

AB 2831 would continue the California Community Development Financial Institution (CDFI) Tax Credit and Certification Program which was initiated in 1997 and has been administered by the California Organized Investment Network (COIN), within the California Department of Insurance. The bill would also increase the total aggregate amount of qualified investments, and make changes to the certification process for CDFIs and investors. As amended in the Senate Appropriations Committee today, the measure will require information be provided to the Legislative Analyst's Office to do a study on the use of the tax credit.

CDFIs are mission-driven community organizations, separate from government control, dedicated to providing financial products and services to low-income communities underserved by traditional financial markets.

This innovative program has become well-known and established with both CDFIs and investors such that the demand far exceeds the supply of tax credits. There are now 78 certified CDFIs in the State. This represents a 66% increase from the 47 that were certified when SB 409 was introduced in 2001 to last extend the program. Over the last 9 years, a modest total of \$13 million in State tax credits provided the incentive to bring more than \$65 million in vital private capital to California CDFIs.

PIFC member companies are actively involved in efforts to encourage and facilitate appropriate insurer investments in California community projects. The CDFI tax credit program has proven to be a useful tool for stimulating investment in California communities by providing an incentive for insurers and other financial

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institutions to deposit funds in CDFIs. In turn, these funds have been used to assist persons in low income communities to secure financing for economic development and affordable housing.

AB 2831 provides a positive economic incentive to encourage community investment. For these reasons, **PIFC supports AB 2831 and urges a “yes” vote.** If you have any questions, please feel free to contact Michael A. Gunning at (916) 442-6646

cc: Honorable Mark Ridley-Thomas, Author
Martin Helmke, Senate Revenue and Taxation Committee
Therese Tran, Consultant Senate Republican Caucus
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Senate Floor Analyses

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