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MEMORANDUM

Date: June 5, 2006

To: Senator Mike Machado, Chair
Members, Senate Revenue and Taxation Committee

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 May 26, 2006
Senate Revenue and Taxation Committee Hearing: June 14, 2006
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.

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 institutions to

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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
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