

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Papen **ORIGINAL DATE** 01/30/09
LAST UPDATED 03/04/09 **HB**

SHORT TITLE Regional Housing Authority Consolidation **SB** 20/aSFC/aSFI#1

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
NFI			

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 60, the Municipal Housing Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Department of Finance and Administration (DFA)
- New Mexico Mortgage Finance Authority (MFA)
- Office of the State Auditor (OSA)

SUMMARY

Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 to Senate Bill 20 as amended removes Guadalupe county from the northern regional housing authority and redirects it to the eastern regional housing authority.

Synopsis of SFC Amendment

The Senate Finance Committee amendment strikes the language “making an appropriation” and section 21 relating to the appropriation in its entirety. SB 20 as amended seeks to enact amendments to the Regional Housing Law.

Synopsis of Original Bill

Senate Bill 20 appropriates \$600.0 from the general fund to the Department of Finance and Administration for the purpose of carrying out the provisions of the Regional Housing Law and the responsibilities and duties imposed upon the state housing authority pursuant to the provisions of the Regional Housing Law.

FISCAL IMPLICATIONS

The appropriation of \$450.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund.

The appropriation of \$150.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund.

The start-up cost of \$150,000 per region, (\$450,000 Total), will allow the new entities to hire essential staff and install a computerized information system that will extend the reach of affordable housing programs to towns and counties which are not presently served by any housing agency.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

Senate Bill 20 seeks to enact amendments to the Regional Housing Law. The proposed amendments come after an in-depth study conducted by Community Strategies Institute¹. The study highlighted three key areas.

1. Restructure configuration of the Regionals from 7 to 3 and create a rural housing delivery system of programs and services based on the strengths of the existing Regional Housing providers. Notably, Bernalillo County, Santa Fe County and Dona Ana County are not included in the three regional housing authorities created by the bill.
2. Expand the type and level of Housing related programs that Regional Housing Authorities can provide.
3. Designate an oversight agency to oversee all Regional operations and provide a limited investment from the state to accomplish the purpose of the proposed amendments to the Regional Housing Law.

The significant proposed amendments are as follows:

- Requires a threshold of experience for appointed board members so that there is related housing experience on the board decision making process. Expertise and experience must be in one or more required areas, including housing construction, real estate, architecture, law, banking, housing finance, public housing programs, and community development.
- Requires that potential board members shall be forwarded to be reviewed and recommended for approval by MFA to the Governor's office for appointment. Commissioners may be subject to dismissal for more than three unexcused absences from board meetings. The boards of commissioners are required to elect an executive committee that has the authority to act on behalf of the board.

¹ *New Mexico Regional Affordable Housing Opportunities*, Community Strategies Institute, September 2008.

- Requires that each county within the Regional configuration have no more than one representative on the Regional Board.
- Imposes restrictions on the regional housing authority, its contractors and subcontractors from entering certain contracts in connection with a housing project in which certain persons have a direct or indirect interest. Including present or former members of boards of commissioners, the immediate family or present or former members, employees of regional housing authorities who formulate policy or influence decisions with respect to housing projects, or any public official or state legislator who exercises functions or responsibilities with respect to the housing project or regional housing authority.
- Insure that Regional Housing Authorities cannot infringe on established Public Housing Authority (PHA) jurisdictions without approval of local PHA.
- Provides a process for PHAs facing receivership or default by HUD to roll up into a regional or merge with another local PHA.
- Provide a process for joint cooperation amongst PHAs so they can choose to develop consortia, and partnerships for the mutual benefit of developing and expanding housing related programs.
- Providing for the development and expansion of the expertise at the Regional Housing Authority level in order to provide programs such as weatherization, home owner rehab, homeownership counseling, new, multi-family and single family developments to local communities.
- Developing goals and objectives for expansion of housing related programs and services to local rural communities.
- Develop partnerships and establish a network of housing related service providers through out the Regional areas in order to enhance housing programs and services.
- Strengthen the conflict of interest language in the proposed amendments.
- Permanently eliminated the ability to issue bonds.
- Establishing financial oversight and requirements for the submission and review of budgets, review and submission of audits and making recommendations for taking corrective action for delinquent audits.
- Requires that any transaction over \$100,000 must be reviewed and approved by MFA.
- Requiring Regionals to provide an annual operations and financial report for review and dissemination to DFA, Legislative Finance Committee, and the MFA Legislative Oversight Committee.
- Requiring approval by MFA for the hiring of an Executive Director to a Regional.
- Require that the creation of any non-profit affiliate must be reviewed and recommended for approval by MFA and the State Board of Finance.
- Requesting an investment for each Regional for up to three years to develop and expand housing technical expertise.
- Requesting an investment on an annual basis to provide the oversight pursuant to the requirements of the proposed amendments to the Regional Housing Law.

The bill contains an emergency clause.

PERFORMANCE IMPLICATIONS

MFA will be unable to carry out administrative activities until it receives appropriated funds from DFA. MFA anticipates having to hire additional staff, purchase software, obtain training, and travel to meet with successful bidders on the public solicitation in order to coordinate program management. MFA also plans to assist the two high-performing regional housing authorities, and a third yet to be identified in the northern region, by paying for transitional costs they may incur in obtaining 501(c)(3) certification from the IRS, converting to different software systems (if necessary), training and travel, and retention of staff. These costs will be offset using the oversight component of the appropriation identified in Section 21.

RELATIONSHIP

Relates to Senate Bill 60, the Municipal Housing Act which would synchronize the two housing Acts.

TECHNICAL ISSUES

MFA believes that in Line 17, page 32 (Section 21., Subsection B) which states “One hundred fifty thousand dollars (\$150,000) is appropriated from the general fund to the department of finance and administration for the state housing authority . . .”. should instead say “for the New Mexico mortgage finance authority” for clarity.

OSA states, Subsection B of Section 19 of Senate Bill 20 requires the regional housing authority to submit a copy of its audit to OSA, DFA, MFA, the MFA Legislative Oversight Committee and the LFC within 30 days following the receipt of its annual audit report. Although this is new language added to Section 11-3A-3- NMSA 1978, this same procedure is currently required by Subsection C of 11-3A-6 NMSA 1978.

OTHER SUBSTANTIVE ISSUES

OSA points out that pursuant to the Audit Act a regional housing authority is required to bear the cost of an annual audit. The consolidation of the regional housing authorities may change the amount of audit fees necessary to complete the audits; the impacts to each region are unknown at this time. Although the bill appropriates \$150,000 to each regional housing authority to carry out the provisions of the Regional Housing Law, the bill does not specifically allocate funds for the costs of audits. Furthermore, it is unclear how this recurring audit expense of regional housing authorities will be covered given that the appropriation is limited to FY09 and 10. January 2009, OSA released the financial audits of the Regionals, in one case an audit had not been conducted since FY03.

DFA expresses concern because the bill removes the requirement for the regional housing authority to submit a proposed operating budget to the Department of Finance and Administration and requires that instead the regional housing authority submit a final operating budget to the Mortgage Finance Authority for review. This does not comply with NMSA 1978 6-6-2 which mandates Department of Finance and Administration's Local Government Division (LGD) to require periodic financial reports of local public bodies and to prescribe their form. LGD currently requires quarterly reports from counties, municipalities and special districts (not including school districts).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The intent of the original revision of the Regional Housing Authority Law as set out in SB519 (Laws 2007) would not be accomplished. If no action is taken during this legislative session to address the current regional housing authority structure, local communities in rural New Mexico will continue to be underserved, and will lack adequate housing services and programs.

JL/svb:mc