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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/09

SPONSOR Rodriguez LAST UPDATED _____ HB _____

SHORT TITLE Housing Trust Fund SB 211

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$15,000.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 211 appropriates \$15,000.0 from the general fund to Department of Finance and Administration for the purpose of carrying out the provisions of the New Mexico Housing Trust Fund Act.

FISCAL IMPLICATIONS

The appropriation of \$15,000.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

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

The initial appropriation for use under the Housing Trust Fund was \$10 million, and another \$5 million has been appropriated to the Fund in the last three legislative sessions. During the 2008

legislative session, the source of the \$2 million appropriation to the Housing Trust Fund was severance tax bond funding. MFA was informed there were problems the way the language was structured; a request has been made to Department of Finance and Administration and Legislative Finance Committee to correct the language.

Because MFA has not been able to access or make available to applicants the \$2 million appropriated in 2008, the following report pertains to the \$13 million MFA received during the 2005, 2006, and 2007 legislative sessions. An additional \$1.3 million in loan repayments and interest earnings gives the Housing Trust Fund \$14.3 million in total award capacity. MFA has awarded \$14.7 million to twenty projects (*i.e.*, MFA has overcommitted \$350,000). These projects will result in the development or rehabilitation of 2,029 housing units throughout the state (1,242 of which will be single family homeownership units). Importantly, these projects will leverage another \$164 million in other financing sources. In other words, *successful Housing Trust Fund applicants brought more than eleven times as much funding from other sources as MFA awarded in state funds.*

MFA has held quarterly funding rounds since late 2005. Funds are awarded to the most competitive application, regardless of activity, based on merit. Here are some quick facts regarding the funding process:

- MFA has 20 active projects in the pipeline to which \$14,711,855 has been awarded in Housing Trust Funds
- These awards have leveraged \$163,858,899 in other public and private funding (more than 11:1)
- When completed, these awarded projects will comprise 2,029 units in 14 counties, one pueblo, one reservation, and one colonia:
 - 1,242 units of single family for-sale housing
 - 132 units of owner-occupied housing rehabilitation
 - 655 rental units

In light of ever-increasing building and energy costs, the mortgage market credit crunch, and dwindling financial resources available for bold housing initiatives, MFA requests a \$15 million appropriation to further capitalize New Mexico's Housing Trust Fund to meet unaddressed housing needs throughout the state and sustain the growth of this valuable state program.

ADMINISTRATIVE IMPLICATIONS

The Housing Trust Fund Act states “(m)oney from the fund may also be used to reimburse the authority for actual expenses incurred in administering the fund in an amount not to exceed five percent of total funds disbursed from the fund.”

JL/svb