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FISCAL IMPACT REPORT

SPONSOR Papen **ORIGINAL DATE** 01/22/14
LAST UPDATED _____ **HB** _____

SHORT TITLE Regional Housing Authority Oversight **SB** 11

ANALYST Daly

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$250.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB 29 and SB 32.
 Duplicates HB 28.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Mortgage Finance Authority (MFA)
 Department of Finance & Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 11, endorsed by the Mortgage Finance Authority Oversight Committee, appropriates \$250 thousand from the general fund to DFA for expenditure in FY 15 and subsequent fiscal years to fund the oversight of the regional housing authorities by the New Mexico mortgage finance authority. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$250 thousand contained in this bill is a RECURRING expense to the GENERAL FUND. As drafted, any unexpended or unencumbered balance remaining at the end of a fiscal year does not revert to the GENERAL FUND.

LFC staff deems this appropriation to be recurring as the oversight function being funded is a continuing year-over-year expense, and recommends this bill be amended to reflect a one-year appropriation that is renewed annually.

SIGNIFICANT ISSUES

MFA explains the need for this appropriation:

As part of the regional housing authority reform process in 2007-2009, the state legislature designated MFA as the oversight agency for New Mexico's three regional housing authorities. Because MFA is an instrumentality of the state of New Mexico and receives no operating funds from the state, it has relied on annual appropriations requests to fund its oversight responsibilities under the Regional Housing Law. In some years, MFA has received no funding for the regional housing authorities, forcing it to support an unfunded mandate with its own limited resources and to scale back important support functions, such as technical assistance. SB 11 would remedy this situation by providing a recurring appropriation of \$250,000 to MFA for oversight of the regional housing authorities. Based on current and prior years of oversight, there should be no additional operating budget impact on MFA if a recurring appropriation is approved through SB 11.

Oversight duties under the regional housing law include review and/or approval of: the appointment of regional housing authority commissioners; agreements and transfer or sale of property valued at \$100,000 or more; and annual operating budgets, audits and annual reports. MFA reports that it also plays an active role in providing technical assistance and capacity building services, and that a state-funded study, *New Mexico Regional Housing Authority Assessment* (2006), found that oversight, technical assistance and capacity building were critically needed.

DFA reports that, as part of the Regional Housing Authority reform process, MFA was designated as the oversight agency and in the past received sporadic flow-through funding (appropriated to DFA in the same manner as the appropriation in SB 11) to ensure appropriate oversight. In the last two legislative sessions, additional funding for regional housing authority oversight was sought but the bills did not pass.

PERFORMANCE IMPLICATIONS

MFA advises that it cannot continue providing oversight duties without state funding such as that contained in this bill.

CONFLICT, DUPLICATION

HB 29 and SB 32 conflict with SB 11 by transferring the oversight authority currently being provided by MFA and which this bill funds to DFA.

This bill duplicates HB 28.

OTHER SUBSTANTIVE ISSUES

MFA reports that as federal funding for housing authorities declines, many small local housing authorities are consolidating under the state's regional housing authorities, which are rapidly

becoming the sole housing service providers in some parts of the state. Without oversight, technical assistance and capacity building, regional housing authorities will not be equipped to meet the housing needs of the communities they serve and many rural areas will be left without housing services.

Additionally, MFA notes that one of the state’s three housing authorities—the Northern Regional Housing Authority—is in the early stages of development. Oversight and funding for technical assistance and capacity building is critical for the start-up stage of the organization. Further, MFA recommends that oversight of regional housing authorities continue as long as those entities continue to operate: there have been no incidents of fraud or mismanagement by regional housing during the time MFA has provided oversight. And as New Mexico’s housing finance agency, MFA believes it is well equipped to oversee the state’s regional housing authorities.

ALTERNATIVES

MFA notes that HB 29, which transfers oversight of the regional housing authorities to DFA, a state agency that receives annual operating funds from the state, provides an alternative to the appropriation contained in this bill.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Oversight of regional housing authorities may be at risk. MFA reports that a lack of oversight prior to the adoption of oversight legislation in 2009 resulted in improper spending of \$5 million in bond proceeds by a then-existing regional housing authority. A state-funded study, *New Mexico Regional Housing Authority Assessment (2006)*, found that as to regional housing authorities, oversight, technical assistance and capacity building were critically needed.

MD/jl