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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/15

SPONSOR Varela, L. LAST UPDATED \_\_\_\_\_ HB 248

SHORT TITLE Emergency and Minor Repairs for Low-Income Persons SB \_\_\_\_\_

ANALYST Graeser/Dorbecker

### APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
0	\$2,000.0	0	0	0	Nonrecurring	General Fund

Parenthesis ( ) indicate expenditure decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		0.0		0.0	Nonrecurring	MFA Operating Budget

Parenthesis ( ) indicate expenditure decreases

MFA will spend no more than 5 percent of this appropriation for administrative expenses. However, MFA notes that this allowance is not necessary. The administrative mechanism is already in place for other MFA programs – including the Weatherization program – and no additional funding will be necessary.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Mortgage Finance Authority (MFA)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

House Bill 248 provides \$2 million from the general fund to New Mexico Department of Finance and Administration for disbursement to MFA to provide emergency and minor repairs of homes occupied by low-income persons. This money is for expenditure in FY 2016. Any unexpended amounts will revert to the general fund.

## **FISCAL IMPLICATIONS**

The general fund would be reduced by \$2 million. MFA will expend the funds over a one-year period, FY2016. No more than five percent of the appropriation will be used by MFA for administrative expenses. Because MFA would administer the emergency and minor home repairs proposed by HB 248 alongside its existing home rehabilitation program, no additional operating budget impact is anticipated by MFA.

## **SIGNIFICANT ISSUES**

This bill is endorsed by the Mortgage Finance Authority Act Oversight Committee.

MFA notes the following:

“A \$2 million appropriation will provide funding for MFA to provide emergency and minor home repair for the homes of approximately 250 low-income households, at an average cost of \$8,000 per home. Work will include repairs necessitated by natural disasters, repair and replacement of roofs and accessibility modifications for physically impaired persons. There is currently no funding source to address emergency and minor home repairs for low-income homeowners. MFA frequently receives requests for such assistance, especially in years when natural disasters occur. MFA’s existing federally-funded home rehabilitation program requires full rehabilitation of the home; therefore, it cannot be used for smaller emergency repairs. Low-income homeowners affected by unexpected life events or who experience natural disasters often lack personal savings and insurance coverage needed to pay for critical home repairs. HB 248 would provide badly needed additional funding for home rehabilitation in New Mexico. According to US Census American Community Survey 1-year estimates for 2013, New Mexico’s poverty rate (22 percent) is the second highest in the nation. High poverty and low incomes prevent many homeowners from making needed repairs to their homes. New Mexico’s housing stock is also aging—48 percent of homes were built before 1980 and only 18 percent of homes were built since 2000. “

The effective date of the act is not stated – assume 90-days after adjournment or June 19, 2105. The appropriation is for expenditures in FY 2016.

## **PERFORMANCE IMPLICATIONS**

Approximately 250 low-income households/families would receive emergency home repair as a result of HB 248. MFA administers two existing programs—House by House Rehabilitation and NM EnergySmart (weatherization)—that can potentially be leveraged to perform additional work on these homes.

## **ADMINISTRATIVE IMPLICATIONS**

MFA currently administers a home rehabilitation program for low-income homeowners. MFA would administer the emergency and minor home repair program proposed by HB 248 alongside its existing home rehabilitation program.

**TECHNICAL ISSUES**

DFA notes that the bill may be strengthened by adding a definition of low-income persons to ensure the funding is well-targeted and avoids any possibility of violating the NM Constitution's anti-donation clause, which provides an exemption for charitable purposes:

Article IV, Sec. 31. [Appropriations for charitable, educational, etc., purposes.]

No appropriation shall be made for charitable, educational or other benevolent purposes to any person, corporation, association, institution or community, not under the absolute control of the state, but the legislature may, in its discretion, make appropriations for the charitable institutions and hospitals, for the maintenance of which annual appropriations were made by the legislative assembly of nineteen hundred and nine.

LG/bb