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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 1/27/15 **HB** _____

SPONSOR Papen

SHORT TITLE Transfer Regional Housing Authority Oversight **SB** 49

ANALYST Daly

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$240.0	\$240.0	\$480.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with SB 50.

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Senate Bill 49, endorsed by the Mortgage Finance Authority Act Oversight Committee, transfers oversight of regional housing authorities from MFA to DFA. The bill's effective date is July 1, 2015.

FISCAL IMPLICATIONS

The General Appropriations Act of 2014 funds the regional housing oversight duties that are the subject of this bill through a \$200 thousand appropriation to DFA, which is then allocated to MFA through a Joint Powers Agreement, in light of existing law requiring MFA to perform these duties.

As shown in the table above, DFA has estimated that in order to assume this oversight function as required under this bill, its costs would include this same amount of \$200 thousand, plus an additional \$40 thousand in the first two years to develop its own in-house, specialized expertise to effectively perform and manage this responsibility. While DFA projects costs by FY 18 to drop to the \$200 thousand level, it cautions that that number is subject to change based on its experience actually performing these duties.

SIGNIFICANT ISSUES

SB 49 assigns oversight duties and responsibilities of regional housing authorities to DFA. Currently, those duties are assigned to MFA, which as an instrumentality of the state of New Mexico receives no operating funds from the state. As a result, MFA explains, it has had to rely on appropriations to DFA, who then enters into a joint powers agreement with MFA to fund its oversight responsibilities under the Regional Housing Law. In some years, MFA reports that DFA has received no appropriation to fund MFA's performance of oversight of regional housing authorities, forcing MFA to support an unfunded mandate with its own limited resources and to scale back important support functions, such as technical assistance.

This bill transfers regional housing authority oversight duties and responsibilities to DFA, a state agency that receives annual operating funds directly from the state, which MFA believes may provide a more direct mechanism to fund these oversight activities in the event that the state legislature does not pass SB 50, which provides appropriations to DFA to fund MFA's performance of these oversight responsibilities. Another alternative is the adoption of HB 5, LFC's FY 16 appropriations recommendation, which provides \$199.5 in funding for this purpose.

MFA summarizes the scope and significance of its oversight duties under the Regional Housing Law:

These duties include review and/or approval of: regional housing authority commissioners; agreements valued at \$100,000 or more; transfer or sale of property valued at \$100,000 or more; and each authority's annual operating budget, annual audit and annual report.

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 provider 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 may be left without housing services.

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 that organization.

As set forth in existing law, DFA would also have to approve the employment of each authority's executive director; review, recommend and approve articles of incorporation for regional housing authority non-profits; and recommend corrective actions for any qualified audit. Oversight duties also might require DFA staff to be out of the office on a regular basis to provide technical assistance and to assist in implementation of community application intake system.

CONFLICT, DUPLICATION

SB 50 conflicts with this bill by appropriating general fund monies to DFA to fund regional housing authority oversight activities by MFA.

OTHER SUBSTANTIVE ISSUES

MFA reports there have been no incidences of fraud or mismanagement by the regional housing authorities during the time that MFA has provided oversight. As New Mexico's housing finance agency, MFA asserts it is well equipped to oversee the state's regional housing authorities.

ALTERNATIVES

One alternative is passage of SB 50, which provides an appropriation of \$250,000 from the general fund for fiscal year 2016 and subsequent fiscal years to DFA to fund MFA's performance of regional housing authority oversight. A second is the adoption of the \$199.5 appropriation to DFA in HB 5, LFC's appropriation recommendation, which if SB 49 is not enacted, would be allocated by DFA to MFA to perform regional housing authority oversight functions.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

MFA warns that failure to pass SB 49 or SB 50 (or the \$119.5 appropriation in HB 5) may place at risk oversight of the regional housing authorities. Corruption charges at one regional housing authority resulted in the regional housing authority reform process of 2007-2009 and the establishment of oversight by MFA. The reform process included a state-funded study, *New Mexico Regional Housing Authority Assessment* (2006), which found that oversight of, technical assistance to, and capacity building for regional housing authorities were critically needed.

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