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## FISCAL IMPACT REPORT

SPONSOR Papen ORIGINAL DATE 1/22/18 HB   
LAST UPDATED

SHORT TITLE Regional Housing Authority Oversight SB 76

ANALYST Amacher

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$300.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act HB 131

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Mortgage Finance Authority (MFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 76 appropriates \$300 thousand from the general fund to the department of finance and administration for expenditure in FY19 and subsequent years for the purpose of funding the oversight of the regional housing authorities by the New Mexico Mortgage Finance Authority. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the general fund.

This bill is endorsed by the Mortgage Finance Authority Act Oversight Committee. If enacted, the effective date of this bill is May 16, 2018.

### FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the general fund.

The General Appropriation Act, HB 131, page 167, lines 12-14, outlines \$191,400 for disbursement to the MFA for regional housing oversight. In FY17 and FY18 appropriations for regional housing oversight were passed through the General Appropriation Act, however funds for FY18 (\$177,000) were vetoed.

### **SIGNIFICANT ISSUES**

SB 76, endorsed by the Mortgage Finance Authority Act Oversight Committee, appropriates \$300 thousand from the general fund to the department of finance and administration for expenditure in FY19 and subsequent years to fund the oversight of the regional housing authorities by the New Mexico Mortgage Finance Authority. MFA is designated as the oversight agency for the three regional housing authorities in the Regional Housing Law (Section 11-3A-1 NMSA 1978).

MFA retains approximately 25 percent of the state's appropriation to support its oversight costs, while utilizing the remaining 75 percent for training, technical assistance, and capacity building among the three regional housing authorities. Commissioner training, financial management training, internal controls training, strategic and business planning, project planning and pre-development are additional activities supported with this proposed funding. MFA is an instrumentality of the state and therefore does not receive operating funds from the state.

### **RELATIONSHIP**

Relates to Appropriation in the General Appropriation Act HB 131: Page 167, Lines 12-14, outlines \$191,400 for disbursement to the MFA for regional housing oversight.

### **OTHER SUBSTANTIVE ISSUES**

Oversight duties under the Regional Housing Law include review and/or approval of: regional housing authority commissioners, agreements valued at \$100 thousand or more, transfer or sale of property valued at \$100 thousand or more, annual operating budgets, annual audits and reports. MFA also plays an active role in providing training, technical assistance and capacity building to the regional housing authorities. These critical oversight and support functions cannot be sustained without state funding.

MFA further highlights that as federal funding for housing authorities declines, many small public housing authorities are consolidating under the state's three regional housing authorities, which are rapidly becoming the sole housing service providers in some parts of the state. For example, there are currently 28 public housing authorities in New Mexico. Public housing authorities rated as troubled or substandard by HUD will likely request to consolidate with regional housing authorities during the next few years. Without oversight, technical assistance and capacity building, regional housing authorities will not be equipped to consolidate with public housing authorities and some rural areas could be left without housing services.

### **ALTERNATIVES**

The MFA proposes the following:

- A preferred alternative to this bill is a permanent line item of \$300 thousand in the state budget to support regional housing authority oversight by MFA; or,
- Oversight could be transferred to the department of finance and administration (DFA), a state agency that receives annual operating funds from the state. This alternative is not preferred because DFA does not have experience with

housing authority oversight.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Lack of oversight of the regional housing authorities risks potential fraud and mismanagement. MFA notes that corruption charges at one regional housing authority resulted in the regional housing authority reform process of 2007-2009 and a mandate for oversight by MFA. The reform process included a state-funded study, *New Mexico Regional Housing Authority Assessment*, which found that oversight, technical assistance, and capacity building were critically needed.

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