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FISCAL IMPACT REPORT

SPONSOR Papen ORIGINAL DATE 1/18/19
LAST UPDATED _____ HB _____

SHORT TITLE Regional Housing Authority Oversight SB 40

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$300.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act. The LFC version of the GAA includes \$200 thousand special appropriation to the Department of Finance and Administration for disbursement to the New Mexico Mortgage Finance Authority for regional housing oversight, training and technical assistance.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Senate Bill 40

Senate Bill 40 appropriates \$300 thousand from the general fund to the Department of Finance and Administration for oversight of the regional housing authorities.

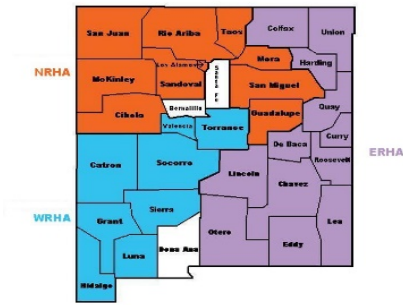
FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a nonrecurring 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.

SIGNIFICANT ISSUES

In 2009, the Legislature enacted legislation requiring MFA to provide oversight of New Mexico's regional housing authorities (RHAs). New Mexico's three RHAs (Northern Regional Housing Authority in Taos, Eastern Regional Housing Authority in Roswell and Western

Regional Housing Authority in Silver City and Deming) are responsible for providing housing services in rural areas. The role of RHAs has increased as small local housing authorities that



lack the funding to operate consolidate with the RHAs. RHAs are responsible for creating partnerships with local governments, state entities, nonprofit organizations and the private sector to plan, finance and create affordable housing. In addition, they operate federal programs such as Section 8 or Housing Choice Voucher Program and the Low Rent Program (public housing). These programs provide rental assistance and subsidized rentals for households with incomes that earn 80 percent or less of the area median income.

MFA is an instrumentality of the state of New Mexico and does not receive operating funds from the state. Therefore, MFA has relied primarily on annual appropriations to fund oversight of RHAs.

In FY12, \$100 thousand was vetoed; in FY18, \$177 thousand was vetoed; and in FY19, \$200 thousand was vetoed. Lack of state funding has forced MFA to support an unfunded mandate with its own resources.

With funding received from the state, MFA provides technical assistance and training for the RHAs to ensure their ability to provide affordable housing in rural areas. Other trainings provided include financial management and internal controls training, strategic and business planning, commissioner training, project planning and pre-development. When MFA receives no funding, it is forced to scale back these important functions.

Appropriations for RHA Oversight

2009	\$ 250,000
FY11	\$ 30,000
FY12	\$ 50,000
FY13	\$ 250,000
FY14	\$ -
FY15	\$ 200,000
FY16	\$ 199,500
FY17	\$ 191,400
FY18	\$ -
FY19	\$ -

PERFORMANCE IMPLICATIONS

Statutorily MFA is responsible for the oversight which includes approval of contracts, memorandums of understanding, etc. with a value over \$100 thousand; transfer, sale or liquidation of property with a value over \$100 thousand; review of an operating budget; and review of financial audits and annual reports.

Regional Housing Authority	# of Public Housing Authorities	Low-Rent Units	Section 8 Vouchers	Overall Rating
Eastern	6	155	1,892	High Performer
Northern	12	184	488	Troubled
Western	5	54	911	High Performer

ADMINISTRATIVE IMPLICATIONS

RHAs receive 75 percent of the appropriation for services in their respective regions. The remaining 25 percent is utilized by MFA for administrative costs.

ALTERNATIVES

- 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.
- Oversight of the regional housing authorities could be transferred to the Department of Finance and Administration (DFA), a state agency which receives annual operating funds from the state. This alternative is not preferred because DFA does not have experience with housing authority oversight.

JL/cw