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## FISCAL IMPACT REPORT

**SPONSOR** Ezzell **ORIGINAL DATE** 02/11/21 **LAST UPDATED** 02/02/21 **HB** 196/a HLLC  
**SHORT TITLE** Regional Housing Authority Changes **SB** \_\_\_\_\_  
**ANALYST** Leger

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

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		*minimal, see fiscal implications	*minimal, see fiscal implications	*minimal, see fiscal implications	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Mortgage Finance Authority (MFA)

Office of the State Auditor (OSA)

Office of the Attorney General (NMAG)

### SUMMARY

#### Synopsis of HLLC Amendment

The House Local Government, Land Grants & Cultural Affairs Committee amendment to House Bill 196 strikes language authorizing the appropriate federal agency to approve contracts, memorandum of understanding or agreements valued greater than \$150 thousand and transfer, sell, or liquidate real or personal property valued greater than \$100 thousand purchased with federal funds. The preamble is updated accordingly.

The amendment also strikes language authorizing the state auditor to recommend corrective action on a qualified audit for more than two consecutive years.

#### Synopsis of Original Bill

House Bill 196 removes the New Mexico Mortgage Finance Authority (MFA) from: 1) approval of an executive director 2) review of commissioners recommended for appointment 3) approval of articles of incorporation and subsequent changes 4) approval of contracts greater than \$100 thousand (amount amended to \$150 thousand) 5) receiving copies of housing authority audits 6)

receiving an annual report of financial and operational activities and 7) receiving a final operating budget for the subsequent fiscal year.

The bills amends financial and operational oversight to be conducted in compliance with the federal U.S. Housing Act of 1937, in cooperation with the U.S. Department of Housing and Urban Development (HUD).

The bill requires the state auditor to work with a regional housing authority that receives a qualified audit opinion more than two consecutive years on a corrective action plan.

### **FISCAL IMPLICATIONS**

According to the Office of the State Auditor (OSA), minimal time and staff resources will be needed to track the opinion and recommendation of corrective action, if applicable, for each Regional Housing Authority. The cost is minimal and may be absorbed by the agency.

Changes proposed in HB196 will eliminate the need for state funding for oversight purposes. Between FY10 and FY20, nearly \$1.4 million was appropriated to the Department of Finance and Administration for disbursement to MFA for the training and oversight of the Regional Housing Authorities (RHAs).

### **SIGNIFICANT ISSUES**

MFA reports, the intention of HB 196 is to address the redundant oversight occurring by MFA and the Department of Housing and Urban Development (HUD) of RHAs. Further, the oversight of RHAs will be pursuant to the United States Housing Act of 1937, which promotes state compliance with federal law.

In 2009, MFA was mandated by the Legislature to provide oversight of New Mexico's regional housing authorities (RHAs) and review efforts to consolidate and reorganize. The RHAs 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. Regional authorities 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.

### **PERFORMANCE IMPLICATIONS**

According to the 2019 Annual Report on the RHAs, Eastern and Western continue to be high performers, while Northern RHA was designated "troubled" for the 5th time. The MFA Board was receiving more frequent updates from Northern RHA and HUD on its operations.

### **TECHNICAL ISSUES**

The OSA noted three items in HB196 for further review and clarification:

1. The proposed replacement language (Section 11-3A-30 (E)) “*state auditor shall recommend corrective action to be taken*” is unclear. Is the intent for the state auditor to recommend corrective action be taken by the housing authority or is the intent for the state auditor to provide a recommended corrective action? It would not be appropriate for the state auditor to specify or provide corrective action, the housing authority would be required to do such (as in accordance with federal regulations);
2. It is unclear who will monitor the Regional Housing Authority once the OSA recommends the corrective action; and
3. Language in Section 11-3A-30 (E), should likely refer to “modified audit opinion” rather than “qualified”. There may be a need to also incorporate “disclaimer of opinion” depending on the intent of the bill.

The NMAG flags, page 5, lines 22-23. The approval from an “appropriate agency of the federal government” is vague because there are hundreds of different federal agencies.

JLL/al