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FISCAL IMPACT REPORT

ORIGINAL DATE 02/1/13

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Transfer Regional Authority Oversight SB 62

ANALYST Daly

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$250.0*	\$250.0*	\$500.0*	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Implications.

Conflicts with SB 61.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)

Attorney General's Office (AGO)

Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 62, endorsed by the Mortgage Finance Authority Act Oversight Committee, transfers oversight responsibilities as to regional housing authorities from the MFA to the DFA.

FISCAL IMPLICATIONS

The DFA advises that SB 62 would require it to increase its operational budget by approximately \$250 thousand to provide recommended training for all three Regional Housing Authorities in the State of New Mexico. The DFA reports these anticipated expenditures for the responsibilities that would be transferred to DFA: \$72.5 thousand for training (recruitment, financial, management and internal controls), \$107.5 thousand for technical assistance (strategic plans and construction pre-development), \$50 thousand for direct and indirect costs by DFA (oversight), \$12.5 thousand legal (housing attorney), and \$7.5 thousand travel (provide technical assistance and training).

SB 61 appropriates this same amount of money (\$250 thousand) from the General Fund to the DFA in FY 14 and 15 to fund oversight of the regional housing authorities by the MFA. If SB 62 is enacted, that appropriation should remain with the DFA to fund its own performance of those oversight functions.

SIGNIFICANT ISSUES

The DFA advises in 1997, MFA became the state government's designated housing authority. And, since 2007, MFA has been allocated \$1.9 million to carry out the responsibilities, duties and provisions of the regional housing law. The MFA currently administers more than 35 state and federal housing programs. The MFA has proven expertise in the housing industry by providing more than \$4.4 billion in affordable housing for New Mexico's families with both State and Federal Programs.

The MFA provides this history and explanation of the issues that have arisen and the basis for the transfer of oversight responsibilities contained in SB 62:

MFA and the Department of Finance and Administration (DFA) were designated as oversight agencies when the Regional Housing Authority system was overhauled in 2007. The State also appropriated funds to pay for oversight and other expenses as described above, but because Regional Housing Authority funding has not been incorporated in the regular budget process, appropriations have been inconsistent and inadequate. As a result, Regional Housing Authorities struggle to pay for audits and other essential organizational and capacity building expenses, and MFA cannot afford to carry out its assigned oversight duties. Therefore, MFA proposes amending the Regional Housing Law so that all oversight responsibilities are transferred to DFA, which receives its annual operating budget via the regular state budget/appropriations process.

The MFA explains that it cannot, without state appropriations (which are not included in this bill but are the subject of SB 61):

afford to subsidize the State to carry out its assigned oversight duties. In the current economic climate, especially with a 38 percent reduction in the public housing program and a 28 percent reduction in the Section 8 Housing Choice Voucher Program, the existence of more than 20 local and municipal housing authorities in New Mexico are threatened. If no action is taken during this legislative session to address funding for oversight activities, or in the alternative, those oversight duties are not transferred to DFA, the local communities in rural New Mexico will continue to be underserved, and will lack adequate housing services and programs.

PERFORMANCE IMPLICATIONS

The MFA reports it will be unable to carry out the assigned administrative activities until it receives appropriated funds from DFA.

ADMINISTRATIVE IMPLICATIONS

The DFA reports that transferring oversight responsibilities to DFA would significantly increase DFA's workload. DFA does not have the capacity or expertise and would have to hire and/or train staff in regional housing laws including federal programs that are not run by the DFA, such as Section 8, homeownership counseling, weatherization, and new housing development. The DFA would also have to create regulations for oversight responsibilities; produce updates and reports to other regulatory agencies; report on new regional housing board appointees to the Governor's office; review, recommend and approve board and commissioners; review, recommend and approve articles of incorporations for non-profits; approve all contracts over \$100,000; transfer, sell or liquidate any real personal property over \$100,000; review operating fiscal budgets; and recommend corrective actions for any qualified audits. In addition, the DFA staff will need to be out of the office on a regular basis to conduct technical assistance and to assist in implementation of community application intake system.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 62 conflicts with SB 61, which appropriates funding to the DFA to fund (via a Joint Powers Agreement) the MFA's performance of regional oversight responsibilities, while this bill (SB 62) transfers those responsibilities to the DFA itself.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill does not pass, and SB 61, which provides \$250,000 to fund MFA's oversight duties and responsibilities, does not pass, MFA must perform those duties and responsibilities with no funding.

MD/bm