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## FISCAL IMPACT REPORT

**SPONSOR** Papen **ORIGINAL DATE** 1/21/15  
**LAST UPDATED** 3/18/15 **HB** \_\_\_\_\_

**SHORT TITLE** Regional Housing Authorities **SB** 50

**ANALYST** Daly

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$250.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriations Act  
Conflicts with SB 49

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Mortgage Finance Authority (MFA)

Department of Finance & Administration (DFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 50, endorsed by the Mortgage Finance Authority Oversight Committee, appropriates \$250 thousand from the general fund to the DFA for expenditure in FY 16 and subsequent fiscal years to fund the oversight of the regional housing authorities by the New Mexico mortgage finance authority. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

### FISCAL IMPLICATIONS

The appropriation of \$250 thousand contained in this bill is a recurring expense to the general fund. As drafted, any unexpended or unencumbered balance remaining at the end of a fiscal year does not revert to the general fund.

LFC staff deems this appropriation to be recurring as the oversight function being funded is a continuing year-over-year expense, and recommends this bill be amended to reflect a one-year appropriation that is renewed annually. HB5, the LFC FY16 appropriation recommendation

includes \$199.5 to fund the oversight of regional housing authorities.

### **SIGNIFICANT ISSUES**

DFA reports that in FY 15, it received \$200 thousand to fund MFA’s oversight of regional housing authorities. MFA explains the continuing need for this appropriation:

As part of the regional housing authority reform process in 2007-2009, the state legislature designated MFA as the oversight agency for New Mexico’s three regional housing authorities. Because MFA is an instrumentality of the state of New Mexico and receives no operating funds from the state, it has relied on annual appropriations requests to fund its oversight responsibilities under the Regional Housing Law. In some years, MFA has received no funding for the regional housing authorities, forcing it to support an unfunded mandate with its own limited resources and to scale back important support functions, such as technical assistance. SB 50 would remedy this situation by providing a recurring appropriation of \$250,000 to MFA for oversight of the regional housing authorities. Based on current and prior years of oversight, there should be no additional operating budget impact on MFA if a recurring appropriation is approved through SB 50.

Oversight duties under the regional housing law include review and/or approval of: the appointment of regional housing authority commissioners; agreements and transfer or sale of property valued at \$100,000 or more; and annual operating budgets, audits and annual reports. MFA reports that it also plays an active role in providing technical assistance and capacity building services to the regional housing authorities, and advises that these critical oversight and support functions cannot be sustained without state funding. For example, the Northern Regional Housing Authority, one of the state’s three regional authorities, is in the early stages of development, and these oversight, technical assistance and capacity building services are critical to support this start-up.

### **PERFORMANCE IMPLICATIONS**

MFA advises that it cannot continue providing oversight duties without state funding such as that contained in this bill.

### **DUPLICATION, CONFLICT**

SB 49 duplicates an appropriation in HB 2, which appropriates \$199.5 to DFA for regional housing authority oversight.

SB 49 conflicts with SB 50 by transferring the oversight responsibilities currently being provided by MFA and which this bill funds to DFA. SB 49 contains no appropriation.

### **OTHER SUBSTANTIVE ISSUES**

MFA reports that 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 providers in some parts of the state. MFA cites data provided

by HUD in July 2014 that 11 of New Mexico’s 26 public housing authorities are rated as troubled or substandard; many of these will likely request to consolidate with Regional Housing Authorities over the next few years. 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 will be left without housing services.

MFA recommends that oversight of regional housing authorities continue as long as those entities continue to operate: there have been no incidents of fraud or mismanagement by regional housing during the time MFA has provided oversight. And as New Mexico’s housing finance agency, MFA believes it is well equipped to oversee the state’s regional housing authorities.

### **ALTERNATIVES**

MFA notes that SB 49, which transfers oversight of the regional housing authorities to DFA, a state agency that receives annual operating funds from the state, provides an alternative to the appropriation contained in this bill.

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

MFA believes that failure to fund SB 50 will place at risk the oversight of the regional housing authorities, which protects against fraud and mismanagement. It notes that 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*, which found that oversight, technical assistance, and capacity building were critically needed.

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