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FISCAL IMPACT REPORT

SPONSOR Rodriguez LAST UPDATED 1/25/2023
ORIGINAL DATE 1/25/2023
SHORT TITLE NM Housing Trust Fund BILL NUMBER Senate Bill 140
ANALYST Leger

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$48,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Senate Bill 140

Senate Bill 140 appropriates \$48 million from the general fund to the New Mexico housing trust fund for expenditure in FY24 and subsequent fiscal years for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

The appropriation of \$48 million contained in this bill is a nonrecurring 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.

MFA reports the New Mexico housing trust fund (NMHTF) has grown from approximately \$36 million in appropriations of state funding to over \$46 million as a result of interest earned over

the years. During the 2022 legislative session, an additional \$25 million of federal funding was appropriated to the fund to respond to the financial impact of the pandemic.

The LFC capital outlay framework for state agencies includes \$5 million for the NMHTF.

SIGNIFICANT ISSUES

The NMHTF provides flexible funding for housing initiatives, produces significant housing investment in the state, rental and mortgage assistance, housing counseling, down payment assistance, home rehabilitation and weatherization, and programs to address homelessness.

MFA estimates SB140 would provide funding for approximately 2,500 quality affordable homes for low-income New Mexicans. The authority estimates New Mexico is short 32 thousand homes for extremely low-income renters.

MFA provides the following:

The need for this funding is great. In New Mexico, 117,613 households are housing cost burdened, which means they pay more than 30% of their income on housing costs, and another 100,858 are severely cost burdened, which means they pay more than 50% of their income on housing costs.

The waitlist for New Mexico EnergySmart, MFA's weatherization program, currently includes approximately 3,100 households, and New Mexico has approximately 163,500 households eligible for these services. Affordable housing is not just shelter; it is the foundation to create strong communities and thriving families. Further, its economic and social impacts are substantial, including being a social determinant of health. For example, studies show individuals and families experiencing housing instability have restricted access to preventative care and are more prone to infectious diseases and chronic health illnesses like diabetes, cardiovascular disease, and chronic obstructive pulmonary disease.

Rehabilitating affordable housing is also important and there is a substantial need. In New Mexico 40,021 units lack complete kitchens, 40,310 units lack complete plumbing and 44% of units were built before 1980 (2019 ACS 5-Year, HUD, and Root Policy Research). Rehabilitating homes also has health implications as it alleviates the health risks of substandard housing, which include asthma, stunted growth, neurological damage, accidents, injury, and disease (Health Affairs, June 2018).

PERFORMANCE IMPLICATIONS

In 2022, MFA provided more than \$642 million in low-interest financing and grants for affordable housing and related services. MFA provided \$200 million in financing to construct or rehabilitate around 1,000 rental homes and \$8.1 million to rehabilitate and improve energy-efficiency for 750 low-income households. Multiple funding sources contributed to the various financing by MFA.

To date, the NMHTF, through a competitive application process, has awarded over \$63 million—including the state appropriations of \$36 million, interest income, and loan

repayments—to 37 housing projects totaling 4,791 housing units. Funding in SB140 could provide 2,500 homes for low-income New Mexicans.

ADMINISTRATIVE IMPLICATIONS

MFA administers the NMHTF and is allowed to use up to 5 percent of expended funds for administrative costs, however, MFA averages 1.5 to 2 percent in administrative costs.

OTHER SUBSTANTIVE ISSUES

For the first time since its inception in 2005, the NMHTF will receive recurring funding beginning in FY25. Laws 2022, Chapter 38, (Senate Bill 134) amended the Severance Tax Bonding Act, earmarking 2.5 percent of the annual senior severance tax bond (STB) capacity for the NMHTF. The bill stipulates MFA shall prioritize expending or encumbering balances in the fund from principal and interest on loans for projects previously funded by the proceeds of STBs prior to expending or encumbering from more recently issued bonds. Any unencumbered balance of the proceeds issued for the HTF will revert to the severance tax bonding fund after three years. An estimated \$40 million will be available for expenditure in FY25.

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