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FISCAL IMPACT REPORT

SPONSOR	Sens. Padilla, Gonzales, and Nava/Reps. Dixon and Anyanonu	LAST UPDATED	
		ORIGINAL DATE	2/10/2025
SHORT TITLE	State Office of Housing Planning and Production	BILL	
		NUMBER	Senate Bill 205/ec
		ANALYST	Hilla

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	\$86.2	\$258.5	\$258.5	\$603.2	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 190

Sources of Information

LFC Files

Agency Analysis Received From

Department of Finance and Administration (DFA)

Office of Housing (HOU)

New Mexico Mortgage Finance Authority (NMFA)

Indian Affairs Department (IAD)

Economic Development Department (EDD)

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Senate Bill 205

Senate Bill 205 (SB205) creates the Office of Housing Planning and Production, administratively attached to the Department of Finance and Administration (DFA). The purpose of the Office of Housing Planning and Production is to reduce housing costs, increase statewide housing availability, maximize resources to address statewide housing need, address underlying factors that impact housing costs, grow local programs and capacity to address needs and further fair housing, identify state resources for housing, and track housing progress through goal setting and data. The Office of Housing Planning and Production would:

- Develop a statewide strategy to build collaborative partnerships among state agencies and local stakeholders in addressing housing and homelessness, aligning programs and identifying resources;
- Provide technical assistance to local governments, Indian nations, tribes, and pueblos, and regional entities to improve housing regulation, further fair housing, increase housing development capacity and housing funding, grow local and statewide capacity for

- homelessness service and prevention, and promote public-private housing partnerships;
- Align resources across state agencies and the private sector to identify new programs to increase capacity in housing finance and housing development and to grow the construction and trades workforces;
 - Address underlying factors that impact housing costs and availability, regardless of income;
 - Collect and report housing and land use data and outcomes at least annually to the Legislative Finance Committee;
 - Collect and report data at least annually to describe and monitor the housing market in regions of the state and statewide and establish housing production goals across all income levels;
 - Evaluate housing data to identify geographic gaps in housing availability; and
 - Provide support to state agencies undertaking housing and housing-adjacent activities in nonduplicative duties.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

DFA states implementing SB205 would require 2 FTE at a total estimated cost of \$258.5 thousand. DFA states that since the Local Government Division receives significant funding in general, including housing appropriations, 2 FTE would help with the administrative functions of the Office of Housing. The LFC recommendation supports an increase in personnel of \$150 thousand in general fund revenue for FY26 for the Local Government Division in DFA's operating budget, which could be used towards hiring one of the two FTE needed should SB205 pass. The fiscal impact notes a reduced impact for FY25. LFC data indicates that the Local Government Division has an estimated funded vacancy of \$493.1 thousand for FY25, which could be used to address immediate personnel needs should SB205 pass.

There is a \$2 million government results and opportunities (GRO) appropriation from the General Appropriation Act of 2024 for housing assistance personnel and programs for expenditure through FY26 which could be used for the creation of the Office of Housing. At the time of analysis, this appropriation has a balance of \$1.8 million. The executive recommendation supports a \$2 million special nonrecurring appropriation, which is not included in the LFC recommendation or the current version of House Bill 2. The \$2 million in the Executive recommendation is for housing assistance personnel and programs, duplicative of last year's GRO appropriation. A funding source is needed to start the office's operations should SB205 pass due to the emergency clause in the bill. Using the already appropriated \$2 million in GRO funds for the Office of Housing Planning and Production would allow the state to gauge the true cost of the office before allocating new funding sources should SB205 pass.

SIGNIFICANT ISSUES

In 2024, the governor created the Office of Housing. SB205 would administratively attach this office to DFA. DFA's Local Government Division currently works with local governments to address housing; administratively attaching the current Office of Housing to DFA as the Office of Housing Planning and Production would allow for better outreach to local governments when

addressing underlying factors contributing to homelessness. This could reduce the Local Government Division’s administrative burden as the division would be able to focus on other appropriations while the proposed Office of Housing Planning and Production focuses specifically on housing. For example, DFA was appropriated \$389 million in nonrecurring one-time special appropriations alone for FY25, which most of that amount flowing through the Local Government Division. In addition, the Local Government Division is tasked to oversee the \$31.8 million in GRO-D (also referred as “junior money”) from FY25.

The New Mexico Mortgage Finance Authority (MFA) states that the state’s homelessness population increased by 51 percent between 2018 to 2023, with average rent and home sale prices increasing as well. MFA states that, should the office be successful in identifying and addressing underlying factors impacting housing costs, the state should see a decrease in regulatory barriers and an increase in supply, stabilizing affordable housing levels.

The Office of Housing notes similar issues as MFA. The increase in the cost of construction and high interest rates have resulted in affordable homes requiring more subsidies than previous years. The Office of Housing states there are significant systemic issues driving housing costs, and should SB205 pass, the proposed Office of Housing Planning and Production could help New Mexico residents obtain equitable access to housing, regardless of income level, by addressing larger needs of the state regarding housing and homelessness.

MFA raises concerns that the proposed Office of Housing Planning and Production may duplicate some of MFA’s existing programs. However, MFA also notes that the proposed Office of Housing Planning and Production will focus on larger system issues impacting housing affordability and would not duplicate current MFA housing efforts.

The Indian Affairs Department (IAD) notes that Native American populations in the state face various housing-related challenges, such as undercounting in federal data, limited access to remote areas, and resource limitations within tribal communities. IAD notes SB205 addresses data collection, which will help inform funding decisions and allow for more accurate data collection among tribal communities.

Attaching the current Office of Housing to DFA could allow for more grants to be distributed out to local governments for housing, which could potentially reduce the likelihood of reverting or reauthorizing appropriations relating to housing due to more administrative oversight.

HOU states that the technical housing capacity created by SB205 could have performance benefits for other state agencies with housing or housing-adjacent programs by ensuring effective and efficient program design and ongoing technical support from the proposed Office of Housing Planning and Production.

ADMINISTRATIVE IMPLICATIONS

DFA and the proposed Office of Housing Planning and Production would have to identify existing housing efforts at state agencies and determine how to avoid duplicating these efforts; a new tool may be needed to identify existing state housing and homelessness efforts.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB205 relates to Senate Bill 190 (SB190), which creates the Homelessness Reduction Division at the Health Care Authority (HCA). The division's goals are to reduce homelessness and unnecessary institutionalization in the state and create a "homeless data integration system" that shall collect local data through homeless management information systems. Should both SB205 and SB190 pass, both the Office of Housing Planning and Production and the Homeless Reduction Division at the HCA would need to work together to reduce duplicative homelessness reduction efforts. However, the Office of Housing states that the new HCA division would not address the larger housing issues that ultimately drive the growth in the state's homeless population, meaning there may not be any duplication should both bills pass.

POSSIBLE QUESTIONS

The Legislature previously allocated funding to DFA to administer a fund transfer to MFA's New Mexico housing trust fund. While MFA notes the proposed Office of Housing Planning and Production does not intend to duplicate the project-based funding activities of MFA, how could the Legislature appropriate future funds in a non-duplicative manner for the proposed Office of Housing Planning and Production without conflicting with already existing processes for addressing housing and homelessness, like fund transfers into the New Mexico housing trust fund?

EH/hj