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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED

SPONSOR Ingle **HB** _____

SHORT TITLE Affordable Housing Act Oversight Duties **SB** 250

ANALYST van Moorsel

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	\$250.0	\$250.0	\$250.0	\$250.0	Recurring	General Fund

Parenthesis () indicate expenditure decreases

Relates to SB 27 - Foreclosure Process Task Force; SB28 - Pre-Purchase Homebuyer Education Program; SB 87 – New Mexico Housing Trust Fund.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 250 appropriates \$250 thousand from the general fund to the Department of Finance and Administration (DFA) for expenditure by MFA in fiscal year 2016 and subsequent fiscal years for the purpose of funding oversight of the Affordable Housing Act.

FISCAL IMPLICATIONS

The appropriation of \$250 thousand contained in this bill is a recurring expense to the general fund. Unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

The MFA reports the Affordable Housing Act of 2004 assigns MFA rulemaking and oversight authority for the act. MFA states because it is an instrumentality of the state of New Mexico, it does not currently receive operating funds from the state to fund its oversight responsibilities under the Affordable Housing Act. The authority states the appropriation in this bill, received each year, would provide such recurring funding.

Based on current and prior years of oversight, MFA reports there should be no additional operating budget impact on MFA if this recurring appropriation is made.

SIGNIFICANT ISSUES

MFA notes the Affordable Housing Act is an important tool for the state and local governments to create and preserve affordable housing. The act is enabling legislation for an affordable housing exception to the anti-donation clause of the New Mexico Constitution, permitting state and local governments to contribute public funds, buildings or other resources to create or preserve affordable housing. In exchange for these contributions, MFA points out, the act imposes a long-term affordability requirement on publicly-subsidized properties.

MFA reports it has adopted and overseen rules for the Affordable Housing Act since its inception. In addition to its oversight responsibility, MFA provides technical assistance to local governments as they create affordable housing plans and ordinances required by the Act. To date, MFA has assisted 19 local governments with affordable housing plans and ordinances. MFA assistance includes review and approval of plans, provision of affordable housing data, legal review of ordinances, and presentations to local government bodies. MFA also provides grant funding to assist local governments with the costs of plan development. MFA states it sustained a \$10 million loss in federal funding in FY13, addint it can no longer afford to subsidize these oversight and technical assistance activities.

As is reported in volume 2 of the Legislative Finance Committee Report for Fiscal Year 2016, about 2 percent of the authority's program resources are currently funded by state nonrecurring special appropriations and state tax credits issued to qualified contributors through vouchers from the state Taxation and Revenue Department. MFA's fiscal year 2015 general operating budget for FY15 totals \$11.2 million, an increase of \$1.9 million, or 20 percent, over FY14 projected actuals due to \$1.9 million of unanticipated revenue in other financing sources and uses, related to revenue transferred from the single family bond programs during FY14. Fiscal year 2015 operating revenues are budgeted at \$12.6 million, an increase of \$800 thousand from FY14 projected revenues as a result of revenue increases from interest on loans, interest on cash and investments, To Be Announced (TBA) transaction fees from mortgage loan sales to the secondary market, and administrative fees associated with housing program income. For FY15, MFA has also budgeted funds received from the State of New Mexico for regional housing authority oversight and administration of the Affordable Housing Act.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate