

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 249** SLS 11RS 222  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 18, 2011 7:43 AM	<b>Author:</b> RISER
<b>Dept./Agy.:</b>	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Louisiana Housing Corporation	

HOUSING OR INCREASE SG EX See Note Page 1 of 2  
 Creates Louisiana Housing Corporation. (gov sig)

Proposed legislation creates the Louisiana Housing Corporation as a political subdivision of the state. Proposed legislation provides that the Louisiana Housing Corporation shall operate from self-generated revenues and shall be a budget unit of the state. Proposed legislation abolishes the Louisiana Housing Finance Agency and the Louisiana Land Trust and transfers its responsibilities and any outstanding debt obligations to the Louisiana Housing Corporation. In addition, this bill also transfers housing programs from the Division of Administration - Disaster Recovery Unit to the Louisiana Housing Corporation. Also, the bill transfers the Louisiana Emergency Shelter Grants program and the Rapid Re-housing program from the Department of Children & Family Services to the newly created Louisiana Housing Corporation. Upon enactment of this bill, this bill provides that no more than 6 months from the effective date the board of directors of the Louisiana Housing Corporation shall be appointed. On or after the effective day of the act, the commissioner of administration, President of the Senate and the Speaker of House shall form a transition committee that shall be terminated no more than 6 months from effective date.

<b>EXPENDITURES</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	INCREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW					
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW					
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The proposed legislation could result in an indeterminable one-time increase in state expenditures in FY 12, but would likely result in state expenditure savings in subsequent fiscal years due to potential staff reductions and the potential consolidation of back office functions. This bill creates the Louisiana Housing Corporation by consolidating the Louisiana Housing Finance Agency, Louisiana Land Trust, Louisiana Emergency Shelter Grants Program, the Rapid Re-housing Program and various housing programs under the purview of the Division of Administration (DOA) - Disaster Recovery Unit.

**Potential Land Title Transfer Costs**

Some of the indeterminable immediate costs associated with this consolidation include: property ownership, bond debt, and legal change obligor of bond debt. According to the Louisiana Land Trust, by the end of June 2011 the Louisiana Land Trust will have the title for 7,429 pieces of property with monthly costs of approximately \$28,000 (liability insurance & maintenance). Once the new corporation is created, the property currently owned by the Louisiana Land Trust will require title transfers to reflect the new ownership to the Louisiana Housing Corporation. According to the Louisiana Land Trust, the average cost for a land title transfer is approximately \$650. For illustrative purposes, to the extent a basic land title transfer costs approximately \$650/transfer, the potential costs of these title transfers could be approximately \$4,828,850.

**Potential Bond Succession Costs**

As per Fiscal Year 2010 Annual Financial Statements, the LHFA currently has outstanding bond debt of approximately \$1.8 billion (\$1.01 billion principal) with annual debt service payments of approximately \$178.7 million (\$136.2 million principal). The outstanding bond debt is associated with Single Family Mortgage Revenue Bonds, Multifamily Mortgage Revenue Bonds and General Obligation Bonds. There are approximately 40 various debt issuances the LHFA is still making payments on. Although the proposed bill provides that the newly created Louisiana Housing Finance Corporation will assume all outstanding debt obligations, there could be some indeterminable legal costs associated with finalizing that these outstanding debts are now the responsibility of the corporation. Some of those unknown costs include: signature authorization, securitization changes, new certificates, notifications to the rating agencies. The actual costs associated with the bond succession are indeterminable and will ultimately depend upon what is contained within each bond indenture. **(Continued on page 2)**

**REVENUE EXPLANATION**

The proposed legislation provides for the Louisiana Housing Corporation the ability to charge application fees, processing fees, closing costs and mortgage and title insurance fees. It is indeterminable as to how much revenue the newly created corporation would actually generate from these fees. However, for illustrative purposes, according to its FY 2010 audit report, the LHFA generated approximately \$11.9 million in fee revenues generated.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<i>Evan Brasseaux</i>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
		<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Evan Brasseaux Staff Director</b>

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**CONTINUED EXPLANATION from page one:**

**CONTINUED EXPENDITURE EXPLANATION**

In addition, according to a Sector Comment paper published by Moody's Investors Service, Moody's indicates that the consolidation of these housing programs indicates a credit negative for LHFA bonds. Moody's argues that by consolidating the various housing programs proposed within this bill and dissolving the LHFA and its governance structure, could reduce LHFA's current financial strength. At this time, the Legislative Fiscal Office cannot determine what the overall impact to LHFA's financial strength will be as a result of this measure.

**Potential Expenditure Savings**

Although this bill could increase one-time state expenditures by an indeterminable amount in FY 12, the subsequent fiscal year impact will presumably result in overall indeterminable expenditure savings due to the potential elimination of various positions. There are approximately 180 positions and total personal services costs of approximately \$12.9 million within the LHFA, the Louisiana Land Trust and the Disaster Recovery Unit working in housing related programs. LHFA currently has 134.5 positions and personal services costs of approximately \$9.7 million. The Louisiana Land Trust, which is an off-budget entity that does not employ civil service state employees, has 30 positions and administrative costs of approximately \$2.0 million. The Disaster Recovery Unit within the DOA has 15 positions and total personal services costs of approximately \$1.2 million for those who work with various housing programs. The Legislative Fiscal Office is unable to explicitly determine what specific positions of the approximate 180 would eventually be reduced as a result of this bill. However, by consolidating these 3 programs, there will likely be some administrative costs savings. The majority of these savings would likely result in the consolidation of the various back-office functions such as accounting, budget, human resources and information technology (IT). For illustrative purposes, to the extent the transition team determines that 10% of the current positions are not needed, the potential savings could result in cost savings of approximately \$1.3 million and the potential reduction 18 positions.

To the extent T.O. positions are reduced and individuals are laid-off, any potential expenditure savings resulting from those T.O. position reductions could be diminished due to indeterminable termination costs related to those layoffs.

According to the Division of Administration, there are various housing programs with components of both the Disaster Recovery Unit and the LHFA including the Piggyback Loan Program and the Non-Profit Pilot Rebuild Program. Other specific housing programs to be transferred from the Disaster Recovery Unit to the newly created corporation are as follows: Gustav/Ike Housing Program, Affordable Rental Housing Program, First Time Home buyer Program, Soft Second Mortgage Program, Plaquemines Parish New Development Program, Louisiana Housing Council Disaster Recovery Program, Small Rental Property Program, Affordable Rental Housing Program, Land Assembly Operations, Supportive Housing Services, Homelessness Supports and Housing Program, Permanent Supportive Housing Voucher Program, Short Term Assistance and Rental Services, Drywall Testing, Housing Development Loan Fund.

NOTE: Until the transition team provides details of the proposed consolidation, the Legislative Fiscal Office is unable to determine the specific costs increases and/or subsequent fiscal year cost savings associated with this bill. In addition, it is unknown what specific means of finance would be utilize to fund any one-time cost increases as a result of this legislation. Thus, this fiscal note assumes that SGF may be utilized if the SGR of LHFA or the federal recovery funds of the DRU and Louisiana Land Trust cannot be utilized.

The Louisiana Housing Finance Agency is a political subdivision of the state established in 1980. The initial enabling legislation allows the agency the authority to undertake various programs to assist in the financing of housing needs in Louisiana for persons of low and moderate incomes. Current programs implemented by the agency include: Mortgage Revenue Bond Programs, the Low Income Housing Tax Credit Program, Louisiana Housing Trust Fund Program, Mark-to-Market program and various federal award programs including the Low Income Housing Energy Assistance Program, the Weatherization Assistance Program and Section 8 Contract Administration.

The Louisiana Land Trust is a nonprofit organization formed to manage the properties that have been purchased by the state under the Road Home Program as part of the recovery effort from hurricanes Katrina and Rita in 2005.

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		<input checked="" type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Evan Brasseaux</b> <b>Staff Director</b>