

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **SB 249** SLS 11RS 222  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.: **w/ PROP SEN COMM AMD**  
 Sub. Bill For.:

<b>Date:</b> May 25, 2011 8:42 AM	<b>Author:</b> RISER
<b>Dept./Agy.:</b>	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Louisiana Housing Corporation	

HOUSING OR SEE FISC NOTE SG EX 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 not 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.	SEE BELOW	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW	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 net expenditure impact of the proposed legislation is indeterminable in FY 12. Potential one-time transition costs in FY 12 include termination pay and potential bond succession expenses. However, there will likely be staff reductions and the consolidation of back office functions, which will result in an indeterminable decrease in expenditures. These expenditure reductions, which could begin in FY 12, will be offset by any potential increase in costs. The expenditure impact in subsequent fiscal years will decrease expenditures by indeterminable amount due to potential staff reductions. 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 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 new 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.

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. **□(Continued on page 2)**

**REVENUE EXPLANATION**

The proposed legislation authorizes the Louisiana Housing Corporation to charge only those fees as are currently being charged by any entity that is being transferred to the corporation. It is indeterminable as to how much revenue the newly created corporation would actually generate from these fees. Such fees shall be submitted for approval by the Joint Legislative Committee on the Budget (JLCB). 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>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<i>Evan Brasseaux</i>
		<input 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>

LEGISLATIVE FISCAL OFFICE  
Fiscal Note



Fiscal Note On: **SB 249** SLS 11RS 222  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
Proposed Amd.: **w/ PROP SEN COMM AMD**  
Sub. Bill For.:

<b>Date:</b> May 25, 2011 8:42 AM	<b>Author:</b> RISER
<b>Dept./Agy.:</b>	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Louisiana Housing Corporation	

**CONTINUED EXPLANATION from page one:**

**CONTINUED EXPENDITURE EXPLANATION**

**Per Diem Plus Travel**

The proposed bill with committee amendments provides for each member of the corporation board (11 members) may be eligible to receive \$50 per diem plus reimbursement for travel expenses incurred. If there is a minimum 1 board meeting per year and all 11 members attend, the total per diem costs will be \$550 plus travel expenditures. The current Louisiana Housing Finance Agency (LHFA) pays a per diem of \$50 to its 15 members.

**Louisiana Land Trust - Subsidiary**

Based upon the proposed amendments, the Louisiana Land Trust's obligations will not be the obligation of the newly created corporation. Thus, presumably there should be no costs related to the title transfers of approximately 7,429 pieces of property currently owned by the land trust.

**Potential Expenditure Savings**

Although this bill may increase one-time state expenditures by an indeterminable amount in FY 12 due to bond successions, 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 (if any) and/or subsequent fiscal year cost savings associated with this bill.

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.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<i>Evan Brasseaux</i>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<hr/>
		<input 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> Staff Director