

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 1056 (First Edition)

**SHORT TITLE:** Financial Oversight for Housing Authorities

**SPONSOR(S):** Senators Hagan, et al.

**FISCAL IMPACT**

**Yes ( )      No (X)      No Estimate Available ( )**

**FY 2001-02   FY 2002-03   FY 2003-04   FY 2004-05   FY 2005-06**

**REVENUES**

**EXPENDITURES**

see ASSUMPTIONS AND METHODOLOGY

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of State Treasurer – Local Government Commission;  
99 public housing authorities in NC

**EFFECTIVE DATE:** Section 1 of the bill is effective when it becomes law and applies to the fiscal years of housing authorities beginning on or after October 1, 2001. The remainder of the bill is effective when it becomes law.

**BILL SUMMARY:** This bill amends the applicability of the Local Government Budget and Fiscal Control Act to public housing authorities under Chapter 157 of the General Statutes.

**BACKGROUND:** In 1999, the U.S. Department of Housing and Urban Development (HUD) revised its auditing and accounting guidelines for public housing authorities to require that audited financial statements be prepared in accordance with generally accepted accounting principles (GAAP). In response to HUD’s move to an accounting method used by state and local agencies, staff for the Local Government Commission (LGC) issued Memorandum #899 on November 2, 1999 to remind public housing authorities that GS 159 required them to submit the contract and invoices for an audit to the LGC for approval and to submit the audited financial statement to the LGC for approval. The LGC reported that its staff “would use the audited financial statements to review the financial condition, compliance with General Statutes and internal controls of each public housing authority”. The LGC staff said all financial statements prepared in accordance with GAAP must be received and approved prior to LGC recommended approval of any public housing authority debt.

**ASSUMPTIONS AND METHODOLOGY:** This bill will have no impact on state or local government budgets. North Carolina's 99 Public Housing Authorities are primarily funded with federal funds from the U.S. Department of Housing and Urban Development (HUD) and with rent from their housing units. While public housing authorities now use GAAP accounting methods, there are many HUD accounting regulations that they must follow that do not conform to LGC standards. For example, federal law requires depreciation of housing authority property, but state law does not. In fact, an official with the Raleigh Housing Authority believes the passage of SB 1056 will save his agency \$50,000 to \$90,000 they would spend on additional staff to keep two sets of accounting books to comply with the LGC's recent enforcement of Chapter 159. This bill is a compromise between the LGC and the public housing authorities to simplify financial compliance and to ensure fiscal integrity of the housing agencies.

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION 733-4910**

**PREPARED BY:** Richard Bostic

**APPROVED BY:** James D. Johnson

**DATE:** April 17, 2001



**Signed Copy Located in the NCGA Principal Clerk's Offices**