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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/13
LAST UPDATED 02/01/13 **HB** 70/a/HTRC

SPONSOR Lundstrom

SHORT TITLE NMFA Public Project Revolving Fund Projects **SB** _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI	N/A	Public Project Revolving Fund (See Fiscal Impact)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 70, as amended, provides the following:

Item 1, clarifies the request for assistance for water rights is within a “special assessment district,”

Items 2 thru 5, removes the county designation for the location of the project because the project may overlap into multiple counties,

Item 6, clarifies the official name of the “New Mexico” Border Authority,

Items 7 and 8, removes the county designation for the location of the project because the project may overlap into multiple counties, and

Item 9 and 10, provide punctuation corrections; and authorizes the New Mexico Finance Authority to make loans to an additional 48 eligible entities from the public project revolving fund.

Synopsis of Original Bill

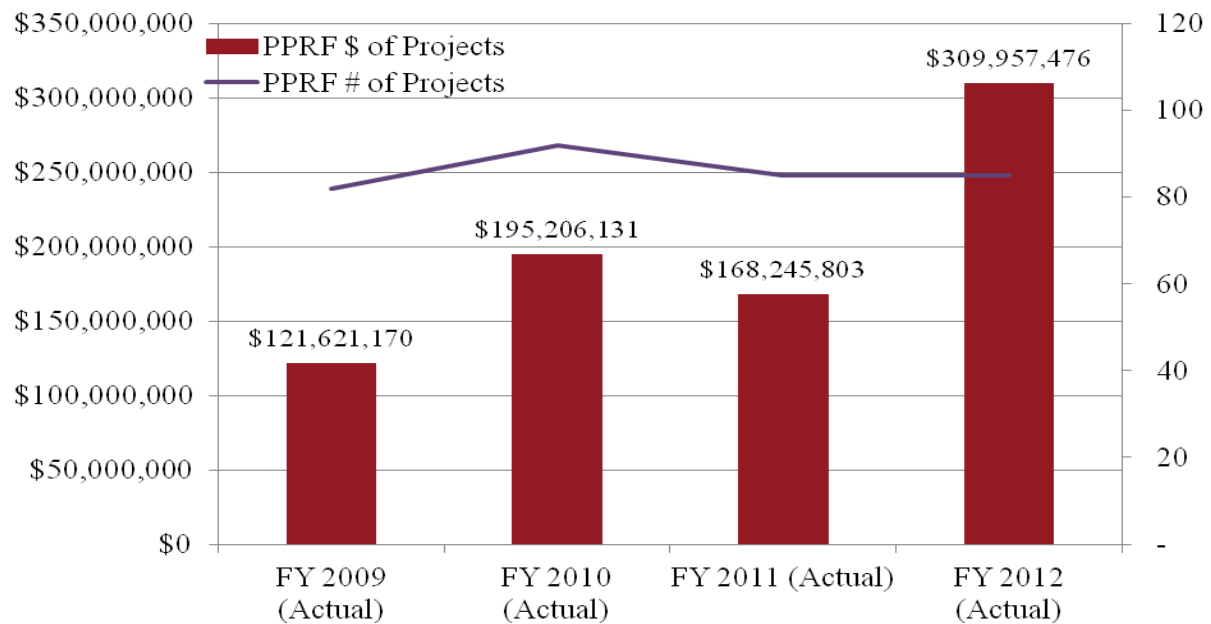
House Bill 70, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to make loans from the public project revolving fund (PPRF) for 95 public projects to qualified state, local, and political subdivision entities statewide. This bill contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 70 does not appropriate funds. The bill provides legislative authorization for NMFA to make loans in the interim from current PPRF capacity. A significant source of capital for infrastructure loans administered by NMFA is derived from an annual distribution of 75% of the state’s Governmental Gross Receipts Tax (GGRT), approximately \$29 million for FY13. The authority leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds.

The passage of this bill may reduce borrowing costs to qualified entities due to fixed interest rates for loans from the Authority. Additionally, interest rates may be subsidized further if borrowers qualify for disadvantaged funding provided by NMFA. The disadvantaged rates are determined based on an entity’s Median Household Income (MHI) in relation to the state’s MHI and provides 0% or 3% interest rates per entity per fiscal year. The rates for disadvantage funding are based on a maximum funding level of \$75,000 for each equipment loan and \$200,000 for each infrastructure loan per fiscal year.

As of January 2013, the NMFA has made 1,080 loans from the PPRF totaling more than \$2.26 billion. Of the loans, more than \$66.9 million was for 581 loans made to entities eligible for disadvantaged funding. Currently, \$1.36 billion for 669 loans from the PPRF remain outstanding. As provided by NMFA, the following graph demonstrates a history of loans made from PPRF:



SIGNIFICANT ISSUES

Section 2 of the bill voids legislative authorization to the NMFA to make a loan from the PPRF if a qualified entity does not notify the NMFA by fiscal year 2016 of its intent to pursue a loan. Legislative authorization provided by House Bill 70 does not guarantee the projects will receive a loan. Loans are only made to those entities with a sufficient source of revenue for repayment of the loan and other financial criteria established by NMFA.

The New Mexico Finance Authority (NMFA) was created as a governmental instrumentality in 1992 to coordinate and facilitate the planning and financing of state and local capital projects in New Mexico. As a non-governmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The Authority partners with local government entities, state agencies, legislators, repeat borrowers and financial advisors to carry out their mission while at the same time sustaining the capacity of loan programs NMFA administers.

LMK/svb:bm