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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/13

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Political Subdivision Job Growth Grants SB 452

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$10,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 352, Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 452 appropriates \$10 million from the general fund to the Economic Development Department for expenditure in fiscal years 2014 through 2018 for the purpose of providing grants to political subdivisions to foster job growth in existing businesses and attract new businesses.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2018 shall revert to the general fund.

SIGNIFICANT ISSUES

The anti-donation clause in the New Mexico Constitution prohibits direct grants from governmental entities to private entities. In order to work around this prohibition, the Local Economic Development Act (LEDA) allows local governmental entities to provide public support to a company in return for a substantive contribution.

The EDD provides the following analysis.

New Mexico is limited in its ability to attract new investment to the state, offset infrastructure improvements in communities, or to assist in job creation, retention, or expansion opportunities without an appropriation for LEDA funds.

The EDD has not received funding for LEDA projects since 2008 and has committed all funding that is currently available. Without this appropriation, there will be no state funding available for LEDA projects.

Several western states have funds that can be used to offset a company's costs of locating or expanding in that jurisdiction, and New Mexico's competition has significantly more resources (e.g., Wyoming has one-fourth New Mexico's population and has a budget of \$80 million; Oklahoma Department of Commerce has an annual budget of \$26.9 million). Funds can be employed when a political subdivision demonstrates additional funding is needed to close a competitive cost gap relative to other states or localities that are also vying for the same economic development project. The intended goal would be to award enough money to "close a deal."

PERFORMANCE IMPLICATIONS

The funds provided for in this bill would enable the EDD to assist more companies with expansions and relocations, thereby increasing the number of jobs created with department assistance. The EDD reports it has requests in the pipeline that total \$35 million in injected new capital investment to the state, with a potential job creation count of more than 1600 jobs to communities across the state.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to the General Appropriation Act, which contains funding through the LEDA for the same purpose provided here. The executive budget recommendation asks for an identical \$10 million in LEDA funding.

The bill also relates to HB 352, which requires security from companies for public support and additionally requires local governments to recover the public support from a company that fails to provide the contractually required substantive contribution.

TECHNICAL ISSUES

The EDD provides the following technical issue in its analysis.

SB452 should be amended to include the following statute. Because of the anti-donation clause's restriction on the use of public funds, funds would have to operate within the confines of the LEDA.

The purpose of the Local Economic Development Act [5-10-1 to 5-10-13 NMSA 1978] is to implement the provisions of the 1994 constitutional amendment to Article 9, Section 14 of the constitution of New Mexico to allow public support of economic development

to foster, promote and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. Further, the purpose of that act is to allow municipalities and counties to enter into joint powers agreements to plan and support regional economic development projects.

JC/blm