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## F I S C A L   I M P A C T   R E P O R T

<b>SPONSOR</b>	Martinez, K.	<b>ORIGINAL DATE</b>	02/04/14	<b>HB</b>	273/aHAFC
		<b>LAST UPDATED</b>	02/13/14		
<b>SHORT TITLE</b>	Economic Development Grant & Program			<b>SB</b>	
				<b>ANALYST</b>	Clark

### REVENUE (dollars in thousands)

Estimated Revenue			<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
FY14	FY15	FY16		
	NFI	NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

## SOURCES OF INFORMATION

LFC Files

### Responses Received From

Attorney General's Office (AGO)

Economic Development Department (EDD)

## SUMMARY

### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 273 strikes the section containing the appropriation and also strikes the bill's reference to the appropriation.

### Synopsis of Original Bill

House Bill 273 creates the Economic Development Grant Act, creating the economic development grant program within the Economic Development Department (EDD) and overseen by the Economic Development Commission. The purpose of the act is to provide matching grants to local and regional economic development agencies to enhance economic development and job creation. The bill requires the commission to:

- establish and publish deadlines and guidelines for the submission of grant applications;
- develop procedures for receipt, review, and approval of grant applications;
- receive, review, and approve grant applications;
- award grants to local and regional economic development agencies for up to 50 percent of the cost to the agencies to hire economic development professionals;
- monitor local and regional economic development agencies' use of grant money by reviewing annual reports submitted by those agencies to the commission; and
- perform other duties as necessary to carry out the provisions of the Economic Development Grant Act.

Second, the bill establishes basic requirements for applications for funding through the grant program and reporting requirements for local or regional economic development agencies that receive funding.

Third, the bill establishes the economic development grant fund, which consists of appropriations, gifts, grants, and donations to the fund and income from investment of the fund. Money in the fund shall not revert to any other fund at the end of a fiscal year. EDD shall administer the fund.

Fourth, the bill amends Section 9-15-11 NMSA 1978 to require the commission to oversee the economic development grant program as specified in the Economic Development Grant Act and to review and approve applications for grants pursuant to the Economic Development Grant Act.

Fifth, the bill appropriates \$3 million from the general fund to the economic development grant fund for expenditure in fiscal year 2014 and subsequent fiscal years for matching grants made to local and regional economic development agencies through the economic development grant program.

Finally, the bill declares an emergency.

## **FISCAL IMPLICATIONS**

The appropriation of \$3 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

There will be minimal costs for EDD to assist the Economic Development Commission in administering the grant program; the agency estimates a portion of one existing staff member's time would be necessary to assist the commission.

There is no direct impact on revenues; however, enactment of the bill would assist local and regional economic development efforts, which in turn could result in increased job creation and business investment. This potential economic growth would presumably result in a larger tax base.

## **SIGNIFICANT ISSUES**

Many communities throughout New Mexico, particularly rural communities, do not employ someone tasked with promoting economic development by assisting new businesses, working to retain and grow existing businesses, or recruiting new businesses. The Economic Development Department has a community, business, and rural development team that provides assistance to and coordination of many of these communities. The appropriation contained in this bill could provide substantial, direct assistance for communities; however, the Economic Development Commission would need to maintain significant oversight and develop additional guidelines for funding applications and reporting requirements if any statewide coordination of effort were to be possible for the positions funded by grants made possible by this appropriation.

## **PERFORMANCE IMPLICATIONS**

EDD notes the bill would increase the agency's performance in recruiting and retaining businesses.

**ADMINISTRATIVE IMPLICATIONS**

There would be a minimal administrative impact to EDD as it assists the commission in administering the grant program.

JC/jl