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FISCAL IMPACT REPORT

SPONSOR	<u>Rodriguez</u>	LAST UPDATED	<u>2/22/23</u>
		ORIGINAL DATE	<u>2/7/2023</u>
SHORT TITLE	<u>NMFA Public Project Revolving Fund Projects</u>	BILL NUMBER	<u>Senate Bill 332/ aSFC/ec</u>
		ANALYST	<u>Carswell</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 298

Sources of Information

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
Higher Education Department (HED)

SUMMARY

Synopsis of SFC Amendment to Senate Bill 332

The Senate Finance Committee amendment to Senate Bill 332 adds 11 entities to those already authorized for loans from the public project revolving loan fund.

Synopsis of Original Bill

Senate Bill 332 authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving loan fund (PPRF) to 37 state and local government entities based on terms and conditions established by NMFA. The bill voids legislative authorization if a qualified entity does not certify to NMFA by the end of FY26 its intent to pursue a loan from NMFA.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

SB332 does not make an appropriation. There is no fiscal impact to the state's general fund.

SB332 may reduce borrowing costs to qualified entities due to the competitive interest rates they receive on PPRF loans. Interest rates may be subsidized in instances where borrowers qualify for disadvantaged funding. Disadvantaged rates are determined by an entity's median household income (MHI) in relation to the state's MHI, with up to \$500 thousand in loans at either 0 percent or 2 percent interest rates per entity per fiscal year.

NMFA bonds are not obligations of the state and are not a factor in the state's bond ratings. NMFA and the PPRF increase the overall capacity of the state to support infrastructure financing, especially for economically challenged communities.

SIGNIFICANT ISSUES

NMFA has made over 2,150 loans from the PPRF totaling more than \$4.65 billion. As of December 31, 2022, there are 1,053 PPRF loans outstanding totaling \$1.71 billion.

Legislative authorization is required for NMFA to make loans from the PPRF in excess of \$1 million. Authorization does not guarantee projects will receive a PPRF loan. Loans will be made to those entities that can identify a sufficient repayment source and meet other financial criteria established by NMFA.

The 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 nongovernmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The entities named in SB332 would not be able to take PPRF loans greater than \$1 million. Those entities would have to seek alternative financing, which could increase borrowing costs and delay critical infrastructure projects.

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