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FISCAL IMPACT REPORT

SPONSOR Sweetser ORIGINAL DATE 1/25/19
LAST UPDATED _____ HB 126

SHORT TITLE Economic Development Grant Fund Appropriation SB _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$1,500.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department

SUMMARY

Synopsis of Bill

HB126 appropriates \$1.5 million from the general fund to the Economic Development Grant Fund to carry out the purposes of that fund.

FISCAL IMPLICATIONS

The appropriation of \$1.5 million contained in HB126 is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

SIGNIFICANT ISSUES

The following was submitted by the Economic Development Department:

HB126 appropriates \$1.5 million to the Economic Development Grant Fund. The purpose of the legislation is to provide funding for local and regional economic development organizations to hire economic development professionals, which would enhance local economic development job creation efforts. The appropriation is made to the Economic Development Department but the funds will be overseen by Economic Development Commission.

The Economic Development Commission would be responsible for the following:

- Establish and publish deadlines and guidelines for 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 organizations for up to 50 percent of the cost to the agencies to hire economic development professionals; and
- Monitor local and regional economic development agencies' use of grant funds by reviewing annual reports.

ADMINISTRATIVE IMPLICATIONS

The Economic Development Commission would be responsible for the following:

The Economic Development Commission, which is established as a “policy planning commission,” would now be responsible for the above-listed responsibilities. The Economic Development Commission does not have administrative funding nor staff; therefore, it would have to rely on the Economic Development Department (EDD) for carrying out the purpose of the Grant Fund.

During the past 8 years, EDD has experienced significant decreases in the agency’s operational budget and it is currently understaffed. The agency does not have additional administrative personnel nor funds to administer the responsibilities outlined in the act, unless a percentage of the funds can be allocated towards administration of the program.

OTHER SUBSTANTIVE ISSUES

The Economic Development Commission would be responsible for the following:

There are approximately 105 economic development type organizations, of which approximately 45 exist for the sole or primary purpose of carrying out economic development activities. The 105 include cities, counties, villages, chambers of commerce, MainStreet organizations, business accelerators/incubators, Small Business Development Centers, and Native American entities. Many organizations utilize economic development in their “titles, missions or purposes”; however, only approximately 45 of these organizations practice traditional economic development methods such as business recruitment, marketing/attraction, business retention and expansion, real estate development, economic development finance, entrepreneurship (small business start-ups), workforce development, and neighborhood revitalization, etc.

Of those 45, it is unknown how many are in the position to hire an economic development professional and/or have the 50 percent match necessary to use this grant to fund the costs of hiring an economic development professional. However, the Department has 6 regional representatives who are well versed in economic development principals, are active in their regions and can assist in community capacity building and business development activities. These regional representatives can act as the economic development professional in the absence of an actual paid employee. In the FY20 budget request for EDD, the agency is requesting

additional FTE to increase the staff on this team as well as reduce their geographic regions, which are very large.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The regional representatives of the economic development department will continue to assist economic development organizations, cities, villages, counties, etc., where no economic development professional exists.

JM/sb