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## FISCAL IMPACT REPORT

SPONSOR: Lopez DATE TYPED: 3/21/03 HB \_\_\_\_\_

SHORT TITLE: Child Care Facility Loan Act SB 358/aSPAC/aSFC

ANALYST: Chabot

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			TBD	Non-Recurring	Child Care Facility Revolving Loan Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	None		Non-Recurring	General Fund
	TBD		Non-Recurring	Child Care Facility Revolving Loan Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Children, Youth and Families Department (CYFD)

### SUMMARY

#### Synopsis of the SFC Amendment

The Senate Finance Committee amendment to Senate Bill 358 as amended strikes the appropriation from the bill. The Child Care Facility Revolving Loan Fund would still be created in DFA and a some revenue may be received from gifts, grants and donations that could be used to fulfill the purpose of the bill.

Synopsis of the SPAC Amendment

The Senate Public Affairs Committee Amendment to Senate Bill 358 establishes the New Mexico Finance Authority (NMFA) as the administrator of the Child Care Facility Revolving Loan Fund. CYFD, in conjunction with NMFA, shall adopt rules to administer and implement the act. Loans are to be made at the “lowest legally permissible” interest rates for the longest amount of time.

Synopsis of Original Bill

Senate Bill 358 appropriates \$250.0 from the general fund to Child Care Facility Revolving Loan Fund for the purpose of making low-interest loans to licensed child care providers to support the physical improvement, repair, safety and maintenance of facilities. Money in the fund is appropriated to the CYFD that shall administer the fund. Not more than 20 percent of the fund may be loaned to a single provider in a single loan.

Significant Issues

Page 3, line 5-6 states “Loans from the fund are to be made at the very lowest possible interest rate for the longest amount of time”. This is extremely vague and could result in loans being provided with little chance of repayment. A revolving loan fund should be structured such that loan repayments and interest replenish the fund so that additional loans can be made. This provision could jeopardize the self-sustainability of the fund.

No FTE or administrative expenses are provided for in this bill. If CYFD is to implement a new program that has not been done by the agency, it will need staffing to carry out the provisions of this bill. The agency states that they have no in-house expertise to set interest rates and manage a loan program.

**FISCAL IMPLICATIONS**

The appropriation of \$250.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining in the Child Care Facility Revolving Loan Fund at the end of a fiscal year shall not revert to the general fund.

**ADMINISTRATIVE IMPLICATIONS**

CYFD currently administers no loan programs and would have to establish policy and procedures for administering a loan program with existing resources.

**TECHNICAL ISSUES**

Loan programs are usually assigned to the New Mexico Finance Authority (NMFA) because it has staff and expertise to effectively manage them.

The bill makes no provisions for loan defaults and collection of obligations from those provided low-cost loans.

**POSSIBLE QUESTIONS**

1. Should this loan program be administered by NMFA?

GAC/yr:sb:njw:yr