

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Campos, Jose A. **DATE TYPED** 02-07-05 **HB** 323

SHORT TITLE NM Rural Development Response Council Grants **SB** _____

ANALYST Woods

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$500.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to the appropriation for the Economic Development Department in the General Appropriations Act.
Relates to SB95

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Economic Development Department (EDD)
New Mexico Department of Finance and Administration (DFA) (SB95)

SUMMARY

Synopsis of Bill

House Bill 323 – Making an Appropriation to the Economic Development Department for the New Mexico Rural Development Response Council to Make Grants to Rural Communities and Match Federal Funding and Foundation Grants – appropriates \$500,000 from the general fund to the Economic Development Department for expenditure in FY06 and subsequent fiscal years to match federal funding and foundation grants and to make grants to rural communities statewide through the New Mexico Rural Development Response Council program under the National Rural Development Partnership. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

Significant Issues

In 1991 a *Presidential Initiative on Rural America* dictated that an array of federal agencies convene to discuss improving methods to better promulgate the various federal, state and local non-profit development programs available to rural and tribal communities. The principal outcome was the formation of the National Rural Development Partnership, a coalition of Federal agencies – the departments of Labor, Transportation, Agriculture, Veterans Administration, and Health and Human Services – which began to fund a series of new statewide organizations known as State Rural Development Councils.

DFA indicates that the New Mexico Rural Development Response Council (NMRDRC) is a 501c non-profit corporation that began operations in 1992, and serves communities, villages, cities, counties, tribal areas and other organized entities. Its principal mission is to:

- build networks;
- bring together people and organizations to solve local issues;
- remove barriers; and
- create opportunities.

DFA further notes that NMRDRC has implemented a program termed *Rural Readiness* that assists communities in building an economic development project and doing so from concept through implementation. This assistance includes the following:

- community visits and assessments through analysis to identify industries that have likelihood of success in that community;
- community development profile through data collection on ten economic variable indicators; and
- technical assistance in reviewing funding applications for communities, identifying funding sources and other areas.

NMRDRC receives matching funds from federal and other grantor agencies, and DFA indicates that, in FY03, some \$1 million was received in various federal and foundation grants, with each of the communities receiving up to \$50,000.

FISCAL IMPLICATIONS

The appropriation of \$500,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall not revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

DFA notes that NMRDRC is a non-profit organization that cannot receive appropriations directly from the state. Further, that attention should be given to the manner with which matching funds utilized from federal and foundation funds that are associated to state funds.

EDD suggests that it is the appropriate agency to administer dollars for rural economic development projects as the department has knowledge of economic development work statewide and

can appropriately deploy dollars to avoid duplication of services. Further, EDD indicates that there are state, federal and other non-profit organizations working on economic development in New Mexico's rural communities and these dollars should be coordinated to ensure that all regions of that state are served equitably with state money and that services are not being duplicated.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the appropriation for the Economic Development Department in the General Appropriations Act.

Relates to SB95 in that SB95 also seeks to appropriate \$500,000 from the general fund; however – as opposed to the Economic Development Department – SB95 appropriates the funds to the Local Government Division of the Department of Finance and Administration for expenditure in fiscal year 2006 to match federal funds and foundation grants and to make grants to rural communities through the New Mexico Rural Development Response Council program under the National Rural Development Partnership. Like this bill, SB95 states that that any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

OTHER SUBSTANTIVE ISSUES

DFA indicates that the Rural Readiness Program (Third Quarter Report) identifies seventeen communities for the period of July-September 2004 showing the communities have undertaken an economic development project describing a positive impact on the local economy either directly producing jobs or by improving the capacity of the community to compete effectively for economic development activity. The communities include Raton, Taos, Truth or Consequences, Fort Sumner, Anthony, Gallup, Santa Clara, Belen, Artesia, Las Vegas, Santa Rosa and Cuba; while the counties are indicated to be Harding, Union, McKinley, Mora and Hidalgo.

BFW/njw