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FISCAL IMPACT REPORT

SPONSOR Papen **ORIGINAL DATE** 1/31/06 **LAST UPDATED** 2/3/2006 **HB** _____
SHORT TITLE NMFA Public Project Revolving Fund Changes **SB** 360/aSEC
ANALYST Earp

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI			See Fiscal Impact Narrative

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 290

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Higher Education Department (HEC)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SEC Amendments

The Senate Education Committee amendments address two issues:

1. A new section 2 is added to the bill which amends Section 6-21-4 NMSA 1978 to change the title of the chief administrator of the New Mexico Finance Authority from “Executive Director” to “Chief Executive Officer”.
2. Section 6-21-6 is further amended to provide authority for NMFA to grant final approval for “small loans” (defined as public projects not to exceed \$1,000,000) without specific authorization by law. NMFA indicates that this provision will streamline the current two-step approval process which results in the NMFA providing interim financing for such projects and then adjusting interest rates when the project is granted final approval following legislative authorization. Borrowers could benefit from lower financing costs in a rising interest rate environment.

These amendments were proposed by NMFA but were not recommendations from the New Mexico Finance Authority Oversight Committee. The amendments reduce direct legislative involvement in the small loan approval process. While not specifically required in the bill, a routine reporting process on such loans to the NMFA Oversight Committee would assure that the Legislature is fully informed about these smaller loans.

Synopsis of Original Bill

Senate Bill 360, sponsored by Senator Papen on behalf of the New Mexico Finance Authority Oversight Committee, amends sections of the New Mexico Finance Authority Act to:

1. Include nonprofit foundations and other support organizations affiliated with a public university, college or other higher education institution as a qualified entity;
2. Extend the sunset provisions providing legislative authorization for urgent economic development projects from 2006 to 2009;
3. Allow for money in the public project revolving fund to capitalize other programs specifically authorized by law. Examples of such programs include the Energy Efficiency Bonding Act and State Building Bonding Act bonds.

The bill contains the emergency clause.

FISCAL IMPLICATIONS

This bill provides institutions of higher education with an alternative source of debt financing that does not impact institutional bonding capacity since the debt would be held by the support organization (such as a non-profit foundation). NMFA reports that making use of the credit rating and size of the Public Projects Revolving Fund (PPRV) could result in potential savings on the interest rate, the cost of insurance and the cost of issuance for these bonds.

SIGNIFICANT ISSUES

This bill is proposed by the New Mexico Finance Authority Oversight Committee.

ADMINISTRATIVE IMPLICATIONS

No significant administrative impact is anticipated?

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 290 and Senate Bill 360 are duplicate measures.

OTHER SUBSTANTIVE ISSUES

NMFA indicates that utilizing the public project revolving loan fund to capitalize other programs allows the NMFA to fund these programs at lower interest rates than could potentially be achieved on a stand-alone basis. By utilizing the credit rating and size of the PPRF there could potentially be a savings on the interest rate, the cost of insurance and the cost of issuance for these bonds. Two programs that could see immediate benefit are the Energy Efficiency Bonds and the State Building Bonds.

POSSIBLE QUESTIONS

Have proposals from non-profit foundations affiliated with higher education institutions been presented to or considered by the NMFA board?

What “urgent economic development projects” would be impacted by the proposed extension of the sunset period for projects reference in Laws 2003, Chapter 325?

DKE/yr