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FISCAL IMPACT REPORT

	ORIGINAL DATE	01/25/07	
SPONSOR <u>Papen</u>	LAST UPDATED	03/17/07	HB <u>221/aSFC/aSFL#1/aHFI</u>
SHORT TITLE <u>NMFA Economic Development Fund Projects</u>			SB <u>#1</u>
			ANALYST <u>Woods</u>

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI (see narrative)		

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
 Attorney General's Office (AGO)
 Economic Development Department (EDD)

SUMMARY

Synopsis of HFI#1 Amendment

House Floor amendment #1 to Senate Bill 221 (as amended) reflects the following language:

1. On page 2, line 2, before the colon, insert:

“; provided, however, that no funds shall be released for a loan participation until the eligible entity has provided evidence to the New Mexico finance authority that the eligible entity’s share of the project financing is available for immediate expenditure”.

The amendment adds no appropriation to the legislation.

Synopsis of SFL#1 Amendment

The Senate Floor Amendment will require the NMFA to report annually to their oversight committee, the Governor and the Legislature for each project approved the previous year. The report must contain information to allow evaluation of the effectiveness of the program; and, include the name of the company, the project location, the amount of the state loan, the number

of jobs created, and the status of all outstanding loans.

The amendment will further require eligible entities receiving loans to waive state and federal confidentiality laws; including the section of the Act maintaining the confidentiality of proprietary information received by the EDD.

SIGNIFICANT ISSUES

A state and federal confidentiality waiver will need to be incorporated into any loan agreement between the Department, NMFA, and eligible entities. In addition, the redirection of staff and resources may be necessary to fulfill the annual reporting requirements under the amendment.

Synopsis of SFC Amendment

The Senate Finance Committee Amendment qualifies 60 additional projects in New Mexico to seek financing from the Economic Development Revolving Loan Fund subject to the same detailed analysis, final approval and terms and conditions.

Synopsis of Original Bill

Senate Bill 221 authorizes the NMFA to permit 69 eligible private economic development projects seeking \$675 million in business financing be eligible to receive financing assistance from the Economic Development Revolving Loan Fund (Fund) in the form of loan participations with private lenders not to exceed five million dollars (\$5,000,000) per project subject to certain terms and conditions as set forth by NMFA.

SB 221 has an emergency clause requesting the Act take effect immediately.

FISCAL IMPLICATIONS

NMFA states SB 221 is a project authorization bill and has no impact on the 2007 budget. The 2005 legislature appropriated \$10 million to capitalize the Fund and the 2006 Legislature authorized 48 projects to potentially receive finance assistance from the Fund. To date, NMFA has obligated \$4.3 million for business attraction, retention and expansion projects in Alamogordo, Albuquerque and Raton and has ten additional projects in the queue for remaining funds. NMFA estimates the overall economic impact of each project by looking at potential increase in state revenue, job creation, and geographical location to determine priority of funded projects.

The authorization sought in SB 221 is required pursuant to the Statewide Economic Development Finance Act. The Act partners the NMFA with the EDD to create and provide statewide economic development lending to private business and non-profit corporations. Pursuant to the Act, the NMFA and EDD implemented in 2006 the Smart Money Loan Participation Program, which leverages New Mexico's capital by bringing in private banks and lending institutions as partners, so that loans from the Fund finance no more than 49 percent of the total bank loan. The "Act" authorizes use of the Fund to purchase loan participations and make loans for certain projects approved by law. SB 221 seeks to approve additional projects.

The executive capital outlay recommendation proposes \$30 million to fund the Smart Money

program.

SIGNIFICANT ISSUES

EDD expects the economic impact of the original \$10 million appropriation to create one thousand jobs, \$75 million in new plant and equipment, \$420 million in new wages and salaries over the next decade, and \$50 million in added state income and gross receipts taxes.

ADMINISTRATIVE IMPLICATIONS

EDD reports the funding of these projects will require additional outreach and marketing costs to the EDD to attract Smart Money participants.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates HB 253

Companion to HB 252, seeking an appropriation of \$30 million to fund projects authorized by SB 221.

OTHER SUBSTANTIVE ISSUES

EDD reports the approval of these 69 projects will provide NMFA the tools to utilize the \$30 million in HB 252 and seek investors for the New Markets Tax Credit application. The Smart Money program will seek to provide capital to businesses in the underserved areas of New Mexico. Smart Money is designed to bridge a company's financial gap and give businesses access to affordable capital.

There are over 164 Smart Partner banks located throughout the State. EDD serves as the primary interface with business and economic developers and determines business eligibility. NMFA's role is the primary interface with the Smart Partner Banks. NMFA analyzes and structures applications for funding submitted by Smart Partner Banks and serves as the state's fiduciary agent in this loan transaction.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD believes failure to pass this bill will limit the ability of local communities to create jobs and new investment with the expansion of existing businesses and the attraction and start-up of new businesses.

AHO/mt