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FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/08

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Economic Development Assistance Fund SB 529

ANALYST _____

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$6,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	\$6,000.0	\$0.1	Recurring	Economic Assistance Development Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 529 creates the economic development assistance fund in the state treasury and appropriates \$6 million to the new fund. Money in the fund is appropriated to the Department of Finance and Administration (DFA) to carry out economic development projects. The Economic Development Department, in coordination with DFA, is directed to establish criteria for funding projects related to the Local Economic Development Act (LEDA) of the Statewide Economic Development Finance Act. The economic development projects are not exempted from the provisions of the procurement code.

FISCAL IMPLICATIONS

The appropriation of \$6 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The economic development assistance fund shall consist of all gifts, donations, bequests, appropriations and another transfers of money made to the fund.

SIGNIFICANT ISSUES

By creating the fund in statute and requiring criteria for considering projects in compliance with LEDA and SEDFA, the bill may provide the necessary accountability of public expenditures and give additional flexibility to the Economic Development Department to attract and finance economic development projects.

Currently, economic development projects are frequently funded individually through the capital outlay process. However, in the 2007 session, \$1 million was appropriated to DFA for the economic development fund for projects statewide. The department has noted the fund has been instrumental in facilitating job creation, especially for smaller projects in rural areas.

Without a statutorily created fund, a significant amount of authority has been given to various agencies for allocating appropriations without statutorily created criteria or reporting requirements. Examples of these funds include the film and media fund, energy innovation fund, water innovation fund, MainStreet capital outlay grant fund, colonias fund, and rodeo fund, among others.

The bill does not require EDD or DFA to report to the Legislature on the allocations from the fund or outcomes of funded projects.

OTHER SUBSTANTIVE ISSUES

DFA reports that the purpose of the Local Economic Development Act [5-10-1 to 5-10-13 NMSA 1978] is to implement the provisions of the 1994 constitutional amendment to Article 9, Section 14 of the constitution of New Mexico to allow public support of economic development to foster, promote and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. Further, the purpose of that act is to allow municipalities and counties to enter into joint powers agreements to plan and support regional economic development projects.

Currently, 64 New Mexico communities have passed Local Economic Development Acts. Through passing LEDA, a community adopts an ordinance creating an economic development organization and a strategic plan. This empowers communities to embark on economic development projects tailored to their needs. Regional Representatives of the Economic Development Department help New Mexico cities and counties pass LEDA by: preparing the ordinance, attending council meetings, being available for questions and answers; extolling the

benefits of LEDA to the community and giving examples of other communities who have passed LEDA.

The Statewide Economic Development Finance Act gives local governments the ability to commit financial resources to creating new jobs. The New Mexico Economic Development Department also has a resolution which can be considered by tribal governments. Once the act or resolution has been passed by a community or tribe, they can decide whether they want to pass a 1/8th of 1% GRT to be used for economic development, or whether they want to commit up to 5% of their gross receipts tax revenue for economic development.

Passage of this Act provides a significant revenue stream to back up the issuance of bonds, directly fund business expansion, or contribute resources such as land, buildings and/or equipment to a business.

BE/mt