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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/12

SPONSOR Nunez LAST UPDATED _____ HB 146

SHORT TITLE WNMU Rural Economic Development Institute SB _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$5.0	Recurring	General fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Western New Mexico University
Economic Development Department
Higher Education Department

SUMMARY

Synopsis of Bill

House Bill 146 appropriates five thousand dollars (\$5,000) from the general fund to the Board of Regents of Western New Mexico University (WNMU) for the rural economic development institute.

The bill creates the Rural Economic Development Institute (REDI) as a division of WNMU and allows the REDI to seek appropriations from the Legislature and other items of value from public or private sources.

The bill identifies the REDI's purposes as follows:

1. Provide research and training for rural economic development;
2. Transfer information through the use of technical and miscellaneous publications, newsletters, conferences and presentations;
3. Provide expertise, specialized assistance and information to address rural economic development problems and solutions;
4. Cooperate with local, state and federal agencies that are involved with rural economic development problems and solutions;

5. Promote and facilitate the use of federal new markets tax credits as a means to further rural economic development and develop a state new markets tax credits.

The REDI is tasked with developing and proposing legislation and rules for implementation of a state new markets tax credit program and present the proposed legislation and rules to the appropriate interim legislative committees by August 1, 2012.

The bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of five thousand dollars (\$5,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY13 shall revert to the general fund.

SIGNIFICANT ISSUES

The bill states that the REDI shall develop proposed legislation and rules for implementation of a state new markets tax credit program and present the proposed legislation and rules to the appropriate interim legislative committees. Presumably to allocate state tax credits.

Presumably, the bill intends the WNMU to create a separate state entity but similar to the New Markets Tax Credit (NMTC) Program administered by the New Mexico Finance Authority (NMFA). The NMFA's new market tax credit program allocates federal tax credits to encourage investment in economic development projects.

According to the NMTC Coalition, approximately 81 percent of the federal new markets tax credits have been obligated. The federal new markets tax credits are authorized periodically by congress and currently no new allocations are authorized. Since 2007, the New Mexico finance authority has operated a new markets tax credit program through its subsidiary Finance New Mexico which has been successful in securing \$156 million in federal new markets tax credits and has obligated approximately \$110 million – 45 percent of which has been targeted to projects in rural New Mexico.

The Statewide Economic Development Finance Act grants the New Mexico Finance Authority with broad authority to operate financing programs that stimulate economic development including the power to form, operate, own or co-own qualified Community Development Entities ("CDEs") for the purpose of participating in the [New Markets Tax Credit \("NMTC"\) Program](#).

In 2006 the New Mexico Finance Authority (NMFA) formed Finance New Mexico, LLC, a qualified CDE, which is a requirement for participation in the federal New Markets Tax Credit (NMTC) loan program.

The New Mexico Finance Authority operates the NMTC program on behalf of Finance New Mexico under the guidance of its adopted New Markets Tax Credit Program Policies and Procedures, Economic Impact Policies and Lending and Credit Policies. The NMTC program was established primarily to provide greater access to financing for new, expanding or relocating businesses in underserved areas across the country. Finance New Mexico and the New Mexico Finance Authority are targeting the use of allocation of tax credit incentives to add to existing

statewide economic development initiatives. NMFA and EDD regularly provide training for the program statewide. Both NMFA and EDD have dedicated FTEs to market the program, provide the required economic impact analysis of each project and ensure the successful completion of applications.

The WNMU submits the following:

The issue of economic development is a key focus for the university and its service regions of Deming, Truth or Consequence, Gallup and Lordsburg. Recently, the university became aware of the federal new market tax credits for rural markets. The federal government has dedicated \$200 million of tax credits for New Mexico's rural economic development. Presently the New Mexico Finance Authority (NMFA) has a program to encourage the use of these tax credits. Unfortunately, there is an unmet need in the rural areas like Grant and Luna counties. With the establishment of this institute, WNMU would meet the federal standards and develop the necessary rules and regulations to certify eligible tax credits. This has a major opportunity to encourage the development of New Mexico's regional areas. The cost to the state is a minimal \$5,000 of initial funding with remaining funding be generated by application fees. If passed, the implementation of the bill would be immediate; however, such means that the federal government requires all policies and procedures to be in place. It is estimated the first certification would occur by Jan. 1 2013. However, once started the impact to the state would be tremendous. Each tax credit is worth 39% of expenditures providing incentive to lenders and others to invest in rural New Mexico.

DUPLICATION, RELATIONSHIP

Sections 1.C(6) and 1.D of this bill duplicates provisions contained in SB 76, HB 176 and SB 198 which propose to amend the statewide economic development finance act to provide for a state new markets tax credit program.

TECHNICAL ISSUES

The Statewide Economic Development Finance Act (SEDFA) grants the New Mexico Finance Authority with broad authority to operate financing programs that stimulate economic development including the power to form, operate, own or co-own qualified Community Development Entities ("CDEs") for the purpose of participating in the [New Markets Tax Credit \("NMTC"\) Program](#). Presumably, the authority to create a state new market tax credit program already exists within SEDFA.

OTHER SUBSTANTIVE ISSUES

According to the New Markets Tax Credit Resource Center, several states have, or have proposed legislation authorizing state NMTC programs. The following website provides an overview of state programs:

http://www.novoco.com/new_markets/nmtc/state_nmtc_programs.php

