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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/12

SPONSOR Beffort LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Development Training SB 189

ANALYST Lucero

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
\$1,900.0		Recurring	Development Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority  
Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 189 clarify that money in the development fund held in the state treasury is appropriated to the Economic Development Department (EDD) for the purpose of making low-interest loans to political subdivisions of the state so that they can construct or implement projects that will encourage economic development. Additionally, the bill proposes a new section be added that provides that the EDD may expend money in the development fund in fiscal year 2012 and subsequent years to operate the community development revolving loan fund.

The bill proposes to amend Section 21-19-11 NMSA 1978 to add language that would appropriate cash balances to the EDD from a development fund that was authorized but did not provide appropriation language in statute. The cash balance is the residual of an appropriation made in 1982 to a non-reverting fund.

### FISCAL IMPLICATIONS

The appropriation authorization contained in this bill is a recurring expense to the development fund. Any unexpended or unencumbered balance shall revert to the development fund.

Continuing Appropriation

This bill adds language to an existing fund that provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory, as earmarking reduces the ability of the legislature to establish spending priorities.

The EDD reports the cash balance of the fund is \$1.9 million. The appropriation of the cash balance in the development fund to EDD will allow EDD to put the money to use for its statutory purpose.

**SIGNIFICANT ISSUES**

The EDD notes that money was appropriated from the general fund in 1982 to the development fund, but cannot be used by EDD for its statutory purpose because the development fund was created without appropriation authority granted to the EDD. Money in the fund will be used by the EDD for its community development revolving loan fund program (CDRLF) to make low-interest loans to political subdivisions of the state so that they can construct or implement projects necessary to provide services that will encourage the location of industry in the political subdivisions. Infrastructure improvement must be directly related to industrial or economic development.

Loans of up to \$250,000 for up to 10 years, subject to availability, will be made to municipalities, counties, special districts, Indian tribes and pueblos, and other local governmental units. Loan proceeds may be used for infrastructure improvements, acquisition of real property, construction, rehabilitation or installation of public facilities, site improvements and utilities, and commercial or industrial buildings or structures, and other real property improvements. The acquisition or improvements are usually made on behalf of a company intent on locating or expanding within the political subdivision. Loan repayment is made by the political subdivision via a lease agreement with the company. After the loan is repaid, ownership of the property or equipment may be transferred to the company.

The fund was intended to create jobs, stimulate private investment, promote community revitalization, and expand the local tax base. The fund has been used in prior years to finance infrastructure improvements in the municipalities of Belen, Las Vegas, Grants, Roswell, Carlsbad, Hobbs, Deming, Cloudcroft, Lovington, Silver City, Jemez Springs, Raton, and Red River, and the counties of Chaves and Taos; however, the fund has not been used since 2002.

Repayment terms are negotiable but there must be a formal loan agreement as specified by the EDD. Projects will be vetted for financial viability using the same criteria EDD used to evaluate requests for Local Economic Development Act (LEDA) funding. Applications will be reviewed by the EDD staff and commented on by the Local Government Division of the DFA. Criteria for selection include: a) number of jobs to be created, retained or enhanced for local residents; b) the potential of attracting subsequent financial investments into the community; c) ability to leverage other funds for the project; and d) likelihood of successful implementation. There are currently fourteen projects that have applied for LEDA funding pending approval. These projects would create 331 direct jobs. Thus, this bill will have an immediate job-creation effect.

**PERFORMANCE IMPLICATIONS**

The EDD suggest that this bill will increase the EDD’s job creation performance measure by helping to create jobs for New Mexicans. The department has been unable to make use of its community development revolving loan fund program in the recent past because the money in the development fund was not appropriated to the EDD to use as intended.

**ADMINISTRATIVE IMPLICATIONS**

According to EDD, the department has the capability to administer the CDRLF with existing staff. The local government must submit local resolutions and ordinance supporting the project and authorizing repayment of the loan.

**ALTERNATIVES**

The cash balance contained in this development fund could be appropriated for use in the Job Training Incentive Program (JTIP). The JTIP has a backlog of pending projects that could more immediately get this money out to businesses. The EDD reports the FY13 JTIP potential project pipeline includes:

Project Name:	Jobs	Estimated JTIP	
Project Karousel (aka Blue) - (ABQ)	160	900,000	<i>Phase 2</i>
Project Terry (Metro)	300	1,800,000	<i>Phase 2</i>
BHSI (Cosmetics-Clovis)	150	500,000	<i>Phase 2</i>
Project Improv (ABQ)	150	400,000	<i>Phase 2</i>
Project Diode (ABQ)	50	250,000	
Project Verano (LC)	150	400,000	<i>Phase 2</i>
Joule: (Hobbs)	100	600,000	<i>Phase 2 &amp; 3</i>
Project INIS	100	1,100,000	<i>Phase 1 &amp; 2</i>
Project Purple	50	300,000	<i>Phase 1 &amp; 2</i>
Total for FY13	1,210	6,250,000	

Other projects under consideration include Project Arrow (AED); Project Blue Grass (AED); Project Transfer (AED) and Project Bartlett (NMP) and Project Dairy (NMP), which are too far out to include.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Money in the development fund will continue to go unused, without earning interest, and a valuable economic development tool will continue to be wasted.

**POSSIBLE QUESTIONS**

1. Are there any economic development projects that would currently qualify for these funds?
2. Are there clawback or non-performance repayment provisions associated with the community development revolving loan fund program?