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FISCAL IMPACT REPORT

01/21/12
ORIGINAL DATE 02/02/12
LAST UPDATED 02/06/12 **HB** 46/aHBIC/aHTRC

SPONSOR Lundstrom

SHORT TITLE NMFA Public Project Fund Projects **SB** _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
NFI	NFI	N/A	Public Project Revolving Fund (see Fiscal Impact)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 46, as amended, provides the following:

Items 1 and 2, clarifies the Mid-Region Council of Governments is in New Mexico and that the council includes the counties of Valencia, Torrance and Sandoval;

Item 3, clarifies the Northwest New Mexico Regional Solid Waste Authority includes the counties of Cibola and McKinley;

Items 4 and 5, provide punctuation corrections; and

Item 6, authorizes the New Mexico Finance Authority to make loans to an additional 18 eligible entities from the public project revolving fund.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment to House Bill 46 makes a technical

correction to delete “Santa Fe County” and inserts in lieu thereof McKinley, Cibola and San Juan as the correct counties within the Northwest New Mexico Council of Governments.

Synopsis of Original Bill

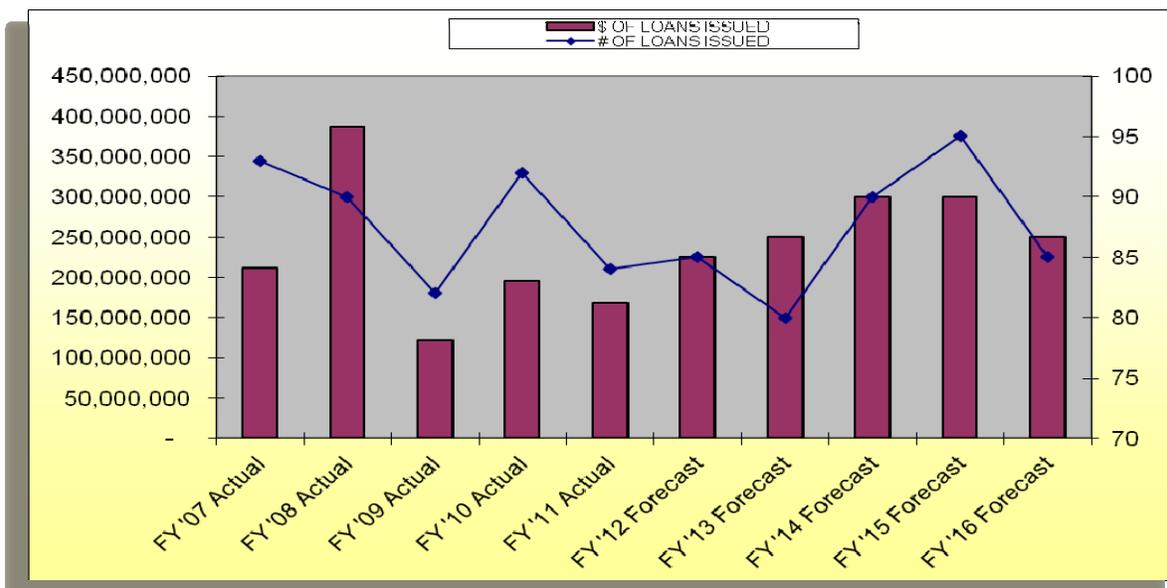
House Bill 46, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to make loans to qualified state, local, and political subdivision entities for 72 public projects statewide from the public project revolving fund (PPRF). This bill contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 46 does not appropriate funds. The bill provides legislative authorization for NMFA to make loans in the interim from current PPRF capacity. A significant source of capital for infrastructure loans administered by NMFA is derived from an annual distribution of 75% of the state’s Governmental Gross Receipts Tax (GGRT), approximately \$26.4 million for FY12 and \$26.6 in FY13. In addition to GGRT, NMFA raises capital through the issuance of tax-exempt pooled bonds, direct loan repayments, and other fees.

The passage of this bill may reduce borrowing costs to qualified entities due to fixed interest rates for loans from the Authority. Additionally, interest rates may be subsidized further if borrowers qualify for disadvantaged funding provided by NMFA. The disadvantaged rates are determined based on an entity’s Median Household Income (MHI) in relation to the state’s MHI and provides 0% or 3% interest rates per entity per fiscal year. The rates for disadvantage funding are based on a maximum funding level of \$75,000 for each equipment loan and \$200,000 for each infrastructure loan per fiscal year.

As of January 2012, the NMFA made 999 loans from PPRF totaling more than \$2.1 billion. Of the loans, \$1.26 billion remains outstanding for 635 loans. Nearly 550 of the loans received \$63 million in disadvantaged funding. As provided by NMFA, the following graph demonstrates a history of loans made from PPRF and projected loans in FY13 to FY16:



Legislative authorization provided by House Bill 46 does not guarantee the projects will receive a loan. Loans are only made to those entities with a sufficient source of revenue for repayment of the loan and other financial criteria established by NMFA.

SIGNIFICANT ISSUES

The New Mexico Finance Authority (NMFA) was created as a governmental instrumentality in 1992 to coordinate and facilitate the planning and financing of state and local capital projects in New Mexico. As a non-governmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The Authority partners with local government entities, state agencies, legislators, legislators, repeat borrowers and financial advisors to carry out their mission while at the same time sustaining the capacity of loan programs NMFA administers.

LMK/amm:svb