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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/13
LAST UPDATED 03/13/13 **HB** 474/aHFI#1

SPONSOR Clahchischilliage

SHORT TITLE NMFA in Public Project Finance Program **SB** _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI	Not Applicable	Public Project Revolving Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 70

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HFI#1

House Floor Amendment #1 increases the number of financial institutions eligible to sell participations in federally guaranteed loans to the public project revolving loan fund administered by the New Mexico Finance Authority. The additional eligible lenders include credit unions, savings and loan associations, or savings banks. The amendment also provides technical punctuation changes as required.

Synopsis of Original Bill

House Bill 474 proposes to amend the New Mexico Finance Authority Act to allow the Authority to make loans from the public project revolving fund (PPRF) to purchase interests in federally guaranteed loans originated by a bank.

FISCAL IMPLICATIONS

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 \$29 million for FY13. The authority leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds.

This bill increases the means by which the NMFA may lend dollars from the PPRF to tribal entities for qualified projects, but the NMFA is unable to estimate how many projects, if any, would be impacted by the proposed amendments in this bill. The NMFA indicates the projects funded pursuant to this bill would be made at taxable market interest rates which are currently at a historic low. It is unclear how long the interest rate environment will continue to provide low interest rates for projects such as those originated by an eligible bank.

SIGNIFICANT ISSUES

The bill amends Section 6-21-3 of the New Mexico Finance Authority Act to define a “bank” to mean:

- (a) any state or national bank engaged in the business of receiving deposits, other than trust funds, which deposits are insured by the federal deposit insurance corporation in accordance with the Federal Deposit Insurance Act; or
- (b) an institution organized under the laws of this state, the laws of the United States, any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa or the Virgin Islands that accepts deposits that the depositor may withdraw by check or similar means for payment to third parties and is engaged in the business of making commercial loans.

The definition of “bank” excludes credit unions, savings and loans associations, foreign banks, and any other entity that does not conduct business within the United States.

Section 6-21-8 amends the Act specifies the NMFA may use PPRF funds to purchase the federally guaranteed portion of a loan originated by a bank as defined in this bill on the condition the qualified entity can document one or more sources of revenue to repay the loan and the collateral is equal to or superior to the originating bank’s collateral position.

Currently, loans made by the NMFA from the PPRF to public entities require annual financial disclosure to bondholders and rating agencies. Banks are accustomed to receiving confidential information regarding its borrowers that NMFA must make public. Therefore, it is not clear at this time how the loan servicing of the projects would be handled.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 70, endorsed by the New Mexico Finance Authority Oversight Committee, authorizing the NMFA to make loans from the public project revolving fund (PPRF) for public projects to qualified state, local, and political subdivision entities statewide.

OTHER SUBSTANTIVE 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, repeat borrowers and financial advisors to carry out their mission while at the same time sustaining the capacity of loan programs NMFA administers.

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