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## FISCAL IMPACT REPORT

**SPONSOR** Lundstrom                      **ORIGINAL DATE** 01/25/14  
**LAST UPDATED** 02/07/14    **HB** 12/aHAFC  
**SHORT TITLE** NMFA Public Project Revolving Fund Projects    **SB** \_\_\_\_\_  
**ANALYST** Kehoe, L.

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
			See Fiscal Narrative

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment authorizes the New Mexico Finance Authority to make loans from the public project revolving fund for three additional qualified entities. The entities include: Nuestros Valores Charter High School, the Association for Charter Educational Services, and the Cien Aguas International School in Bernalillo County.

#### Synopsis of Original Bill

House Bill 12 for the New Mexico Finance Authority Oversight Committee authorizes the New Mexico Finance Authority (NMFA) to make loans from the public project revolving fund (PPRF) for 125 qualified state, local, and political subdivision entities statewide for infrastructure projects. This bill contains an emergency clause.

### FISCAL IMPLICATIONS

HB 12 does not appropriate funds. The bill provides legislative authorization for NMFA to make loans in the interim from current PPRF capacity. Loans from PPRF are based on terms and conditions established by the NMFA. A significant source of capital for infrastructure loans administered by NMFA is derived from an annual distribution of 75 percent 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.

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 zero or 3 percent 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.

### SIGNIFICANT ISSUES

Section 2 of the bill voids legislative authorization to the NMFA to make a loan from the PPRF if a qualified entity does not notify the NMFA by fiscal year 2017 of its intent to pursue a loan. Legislative authorization provided by this bill 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.

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 administered by the NMFA.

As of December 2013, the NMFA has made 1,143 loans from the PPRF totaling more than \$2.3 billion. Of the loans, 603 loans totaling more than \$70.2 million were made to entities eligible for disadvantaged funding. Currently, \$1.49 billion for 737 loans from the PPRF remain outstanding. As provided by NMFA, the following graph demonstrates a history of loans made from PPRF:

