FISCAL IMPACT REPORT

		ORIGINAL DATE	01/15/16		
SPONSOR	Lundstrom	**LAST UPDATED**	02/01/16	**HB**	12/aHGEIC
SHORT TITLE	Public Project Revolving Fund Projects			**SB**	
				ANALYST	Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	**FY17**		
			See Fiscal Implications

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files
NM Finance Authority (NMFA)

SUMMARY

Synopsis of HGEIC Amendment

The House Government, Elections and Indian Affairs Committee amendment removes the spaceport authority from the project list and adds four additional eligible entities: 1) the village of Loving in Eddy county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects; 2) the Moriarty-Edgewood school district in Torrance and Santa Fe counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects; 3) the Estancia, Moriarty, Willard and Torrance regional water association in Torrance county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects; and, 4) Cibola county for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects.

The amendment also removes the spaceport authority from the project list. HB12 as amended authorizes the NMFA to provide loans from the PPRF to 118 qualified state, local and political subdivision entities statewide for infrastructure projects.

Synopsis of the Original Bill

House Bill 12 authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving loan fund (PPRF) to 115 qualified state, local and political subdivision entities statewide for infrastructure projects. This bill is endorsed by the New Mexico Finance Authority Oversight Committee. House Bill 12 includes an emergency clause. The bill voids authorization if a qualified entity does not certify to the NMFA by the end of fiscal year 2019 its desire to continue to pursue a loan from the PPRF.

FISCAL IMPLICATIONS

House Bill 12, as amended, provides legislative authorization, without an appropriation, for 118 entities to seek financial assistance for infrastructure projects from the PPRF. Financial assistance is provided at below market interest rates. Additionally, interest rates may be further subsidized for qualifying borrowers for disadvantaged funding.

The NMFA recently revised its policies and rules to provide a greater benefit for disadvantaged entities by lowering the interest rate and increasing the maximum funding amounts. Disadvantaged interest rates are based on an entity's Median Household Income (MHI) in relation to the state's MHI. A disadvantaged entity may qualify for a zero up to two percent interest rate per fiscal year based on the median household income relative to the state's median household income. The maximum funding amounts at these low rates are $150,000 for equipment loans and $500,000 for infrastructure loans per fiscal year.

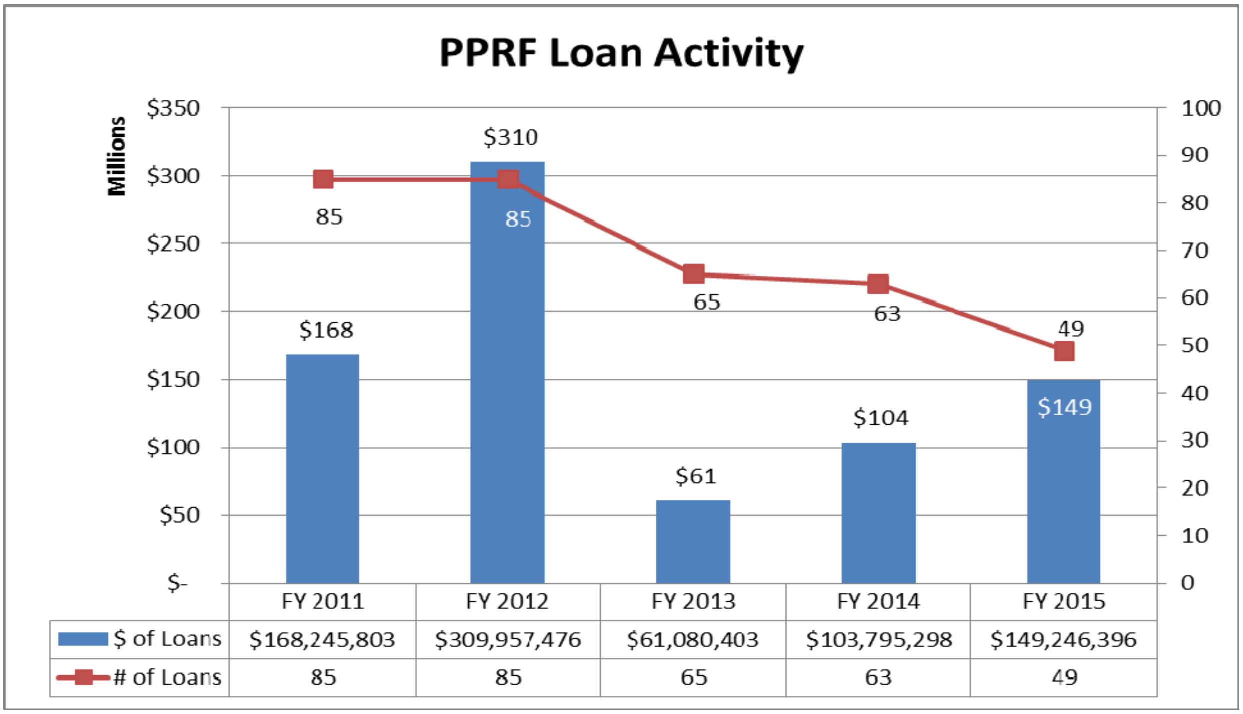
The below market interest rates are supported by a diverse portfolio of projects funded through the PPRF coupled with an annual distribution of 75 percent of the state's governmental gross receipts tax (GGRT), approximated $26.5 million for fiscal year 2015. This combination has helped the PPRF attain higher bond ratings which result in lower costs of issuance to all borrowers, and the subsidized interest rates on PPRF loans for disadvantaged entities. The funds from loan repayments and the GGRT distributions are not needed to pay debt service on bonds. These funds are placed in interest-bearing reserve accounts, a contingent liquidity account and a common debt service reserve fund, for only the senior lien PPRF loan portfolio.

The passage of HB 12, as amended, may reduce the borrowing costs to qualified entities by authorizing the NMFA to provide PPRF loans to 118 qualified state, local, and political subdivision entities statewide for infrastructure projects.

SIGNIFICANT ISSUES

HB 12, as amended, outlines an authorization that requires an application and an identified repayment source sufficient to meet the loan repayment and other financial qualifications established by the NMFA. The authorization is void if a qualified entity does not notify the NMFA by the end of fiscal year 2019.

To date, NMFA has made over 1,260 loans from the PPRF totaling more than $2.63 billion, of which 649 loans received more than $77.5 million in diadvantaged funding. Currently, 675 loans totaling approximately $1.2 billion are still outstanding. In fiscal year 2015, the NMFA closed 49 PPRF loans totaling $149.2 thousand. The following graph, provided by NMFA, showcases the recent history of PPRF loans:



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
$ of Loans	$168,245,803	$309,957,476	$61,080,403	$103,795,298	$149,246,396
# of Loans	85	85	65	63	49

OTHER SUBSTANTIVE ISSUES

In 1992, the NMFA was created as a governmental instrumentality to coordinate and facilitate the planning and financing of state and local capital projects. As a non-governmental entity, NMFA utilizes financing mechanisms to leverage and maximize the state's capital investments in projects statewide. The NMFA partners with local government entities, state agencies, Tribes and Pueblos, legislators, borrowers and financial advisors to carry out their missions while simultaneously sustaining the capacity of the loan programs administered by the NMFA.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Entities requesting financial assistance through the PPRF would then be required to seek alternative financing that may increase their borrowing costs and potentially delay infrastructure projects.

JMA/jle/jo/jle