

LFC Requester:

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 1/31/24
Bill No: HB273

Sponsor: Serrato
Short Title: Amending the Local Economic Development Act (LEDA) to include child care facilities as qualifying entities

Agency Name and Code Economic Development Department
Number: 41900
Person Writing Sara Gutierrez
Phone: 505-231-4224 **Email:** Sara.gutierrez@edd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|------------------------------|------------------|
| FY24 | FY25 | | |
| | | | |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------------|------------------|
| FY24 | FY25 | FY26 | | |
| | | | | |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY24 | FY25 | FY26 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-------------|-------------|-------------|------------------------------|--------------------------------------|--------------------------|
| Total | | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 273 (HB273) amends the Local Economic Development Act (LEDA) (NMSA 1978, 5-10-1) to include childcare facilities as qualifying entities.

HB273 would include childcare facilities as qualifying entities for LEDA funds, also removing the out-of-state revenue requirement and allowing onsite delivery of services for those facilities. The bill defines a childcare facility as one that is either home-based or center-based and is licensed by the Early Childhood Education and Care Department to provide care to infants, toddlers, and children.

FISCAL IMPLICATIONS

By adding new qualifying entities to LEDA, HB273 has the potential to increase the rate at which available LEDA funds are expended – given the finite amount of funds allocated for LEDA, and the existing pipeline of LEDA projects, this could affect LEDA fund availability for the expansion or relocation of economic-base businesses.

SIGNIFICANT ISSUES

While the Economic Development Department (EDD) acknowledges the need for childcare facilities and the challenges establishing and operating them, the inclusion of this type of business as a qualified entity under LEDA strays from the intent of the legislation, which is to support the expansion and location of economic-base businesses. Economic-base businesses are those that export a product or service to a customer base outside of the state, bringing in revenues from an external source, thereby infusing New Mexico’s economy with new money and growing the tax base. Service-based industries, like childcare facilities, are the natural result of a strong economic base, much like retail and other service-based industries.

From an economic development perspective, it makes sense to incentivize employers to either provide in-house childcare for their employees or provide offsets to their employees for childcare expenses – it increases employee retention and makes employers more attractive to job seekers. The employer tax credits are appealing to prospective employers and enhance our ability to attract new business to the state.

New Mexico is one of sixteen states that has an employer tax credit to incentivize the provision of childcare for employees as well as a dependent care tax credit for parents.
<https://www.ced.org/child-care-state-tax-credits>

The Collateral Assistance Program (CAP) is an existing program within the Economic Development Department that could possibly assist childcare providers. To support business growth in New Mexico and to create and retain jobs, EDD encourages banks and other financial institutions to make loans to small businesses in underserved markets. EDD can pledge cash to cover a collateral shortfall of a loan to enable financing that otherwise might not be available to a small business. Loan proceeds may be used for start-up costs, asset purchases, working capital, franchise fees, equipment, inventory and bridge loans.

<https://edd.newmexico.gov/business-development/edd-programs-for-business/finance-development/nm-credit-enhancement-program/>

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

No additional administrative implications for EDD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS