

LFC Requester:	Cally Carswell
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**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 January 20, 2024

Bill No: SB109

Sponsor: Hamblen
Short Title: CATASTROPHIC BUSINESS RELIEF ACT

Agency Name and Code Economic Development
Number: Department 41900
Person Writing Shani Harvie
Phone: 505-699-2809 **Email** Shani.harvie@edd.nm

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$25,000.00	Nonrecurring	General fund
	\$250.00	Nonrecurring?	General fund

(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)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

This bill looks to establish a loan fund for businesses effected by catastrophic incidents that cause significant damage to businesses and their assets, administered by the New Mexico Finance Authority. It imposes a twenty-five-thousand dollar ceiling on the loan amount and offers an additional one-half percent of the final loan amount to businesses with annual revenues under five hundred thousand who are receiving technical assistance from a service provider, to use the one-half percent to pay the service provider for continued assistance. It does not require the business to be receiving technical assistance as part of eligibility or qualification.

It appropriates twenty-five million dollars to the fund, non-reverting and two hundred fifty thousand dollars for administering the program.

The intended catastrophic business relief fund would be an additional program available to businesses that has the potential to support continued business operations and economic participation for the term of the loan.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

This program has the potential to bring in additional revenue for the New Mexico Finance Authority if it is targeted towards very small businesses with ten employees or less, and others to help cover unexpected costs and losses created by catastrophic events. It may also provide a long-lasting micro-lending bridge tool to businesses with the twenty-five-thousand-dollar loan ceiling, and can help increase entrepreneurship and small business, if small businesses are educated on how to use options like loans and debt-instruments to grow and operate their businesses responsibly.

SIGNIFICANT ISSUES

A diverse range of loan products currently exists across private and public lending institutions, and they are often widely underutilized. Businesses affected by catastrophic events are typically searching for grant products and funding that does not have repayment attached to them and are avoiding adding more debt to their portfolios; as was seen by the department through various disaster recovery programs, and existing incentive programs. Additionally, the fund may be difficult to administer with the twenty-five-thousand-dollar cap.

Government lending programs should attempt to be provided as gap funding instruments where

private and alternative lending through traditional financial institutions is not available, as to not create competition or repetitive programming in the financial product market. With other federal, state, and private disaster programs already available, it poses the chance that the program may be duplicative in its efforts.

The one-half percent of total loan amount for service providers providing technical assistance poses a potential financial conflict with some organizations. Small business development centers in New Mexico are funded by the Higher Education Department and are required to provide services at no cost to businesses. Other organizations funded through the federal Small Business Administration are also required to offer technical assistance at no cost, and offering payment to these institutions may be a conflict, and unallowable in some circumstances.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS