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FISCAL IMPACT REPORT

SPONSOR <u>Rep. Garratt/Sen. Rodriguez</u>	LAST UPDATED <u>02/05/2024</u>
SHORT TITLE <u>Public Project Revolving Fund Projects</u>	ORIGINAL DATE <u>01/23/2024</u>
	BILL NUMBER <u>House Bill 28/ec/aHAFC</u>
	ANALYST <u>Ortega/Kehoe</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 29

Sources of Information

LFC Files

Agency Analysis Received From
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HAFC amendment to House Bill 28

The House Appropriations and Finance Committee amendment to House Bill 28 adds authorization for certain public schools and charter schools to pursue loans from the public project revolving loan fund.

Synopsis of Original House Bill 28

House Bill 28, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving loan fund (PPRF) to 100 state and local government entities based on terms and conditions established by NMFA. The bill voids legislative authorization if a qualified entity does not certify to NMFA by the end of FY27 its intent to pursue a loan from NMFA.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

House Bill 28 does not make an appropriation. There is no fiscal impact to the state’s general fund.

The bill may reduce borrowing costs to qualified entities due to the competitive interest rates they receive on PPRF loans. Interest rates may be subsidized in instances where borrowers qualify for disadvantaged funding. Disadvantaged rates are determined by an entity’s median household income (MHI) in relation to the state’s MHI, with up to \$500 thousand in loans at either 0 percent or 2 percent interest rates per entity per fiscal year.

NMFA bonds are not obligations of the state and are not a factor in the state’s bond ratings. NMFA and the PPRF increase the overall capacity of the state to support infrastructure financing, especially for economically challenged communities.

SIGNIFICANT ISSUES

Legislative authorization is required for NMFA to make loans from the PPRF in excess of \$1 million. Authorization does not guarantee projects will receive a PPRF loan. Loans will be made to those entities that can identify a sufficient repayment source and meet other financial criteria established by NMFA.

NMFA has made over 2,250 loans from the PPRF totaling more than \$4.75 billion. As of December 31, 2023, there are 1,102 PPRF loans outstanding totaling \$1.86 billion. The attached graph showcases the recent history of loans made from the PPRF.

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 nongovernmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state’s capital investments in state and local projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Related to House Bill 29 which appropriates \$13 million from the public project revolving loan fund (PPRF) for expenditure in FY25 and subsequent fiscal years. Appropriations are made to the following funds administered by NMFA: \$6 million to the drinking water state revolving loan fund (DWSRLF); \$2 million to the local government planning fund (LGPF); and \$5 million to the cultural affairs facilities infrastructure fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The entities named in House Bill 28 would not be able to take PPRF loans greater than \$1 million. Those entities would have to seek alternative financing, which could increase borrowing costs and delay critical infrastructure projects.

Attachment

1. PPRF Loan Activity

PPRF Loan Activity

