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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/06
 SPONSOR Varela LAST UPDATED 2/15/06 HB 233/aHBIC/aSFC
 SHORT TITLE NMFA Public Project Revolving Fund Projects SB _____
 ANALYST Kehoe/Earp

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		Public Project Revolving Fund (see narrative)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 New Mexico Finance Authority (NMFA)
 Public Education Department (PED)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment authorizes NMFA to make loans to qualified entities for 17 additional projects.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment provides as follows:

Item 1 and Item 4 expand the authorization for financial assistance to include “land purchase” to the City of Bayard and the New Mexico Border Authority.

Item 2 makes a technical correction to reflect the proper name of a county.

Item 3 expands the purpose of the project to include the Navajo Nation.

Item 4 expands the purpose of the project to include teacherages.

Item 6 and Item 7 make technical corrections

Item 8 authorizes NMFA to make loans to qualified entities for an additional 17 projects.

Synopsis of Original Bill

House Bill 233 authorizes the New Mexico Finance Authority (NMFA) to make loans for public projects from the Public Project Revolving Fund (PPRF)

Section 1, describes the 110 projects and identifies the state and local entities requesting legislative authority to make loans from PPRF.

Section 2, voids legislative authorization if a qualified entity does not notify NMFA by the end of fiscal year 2009 of its desire to continue to pursue a loan from NMFA.

Section 3, contains an emergency clause.

SIGNIFICANT ISSUES

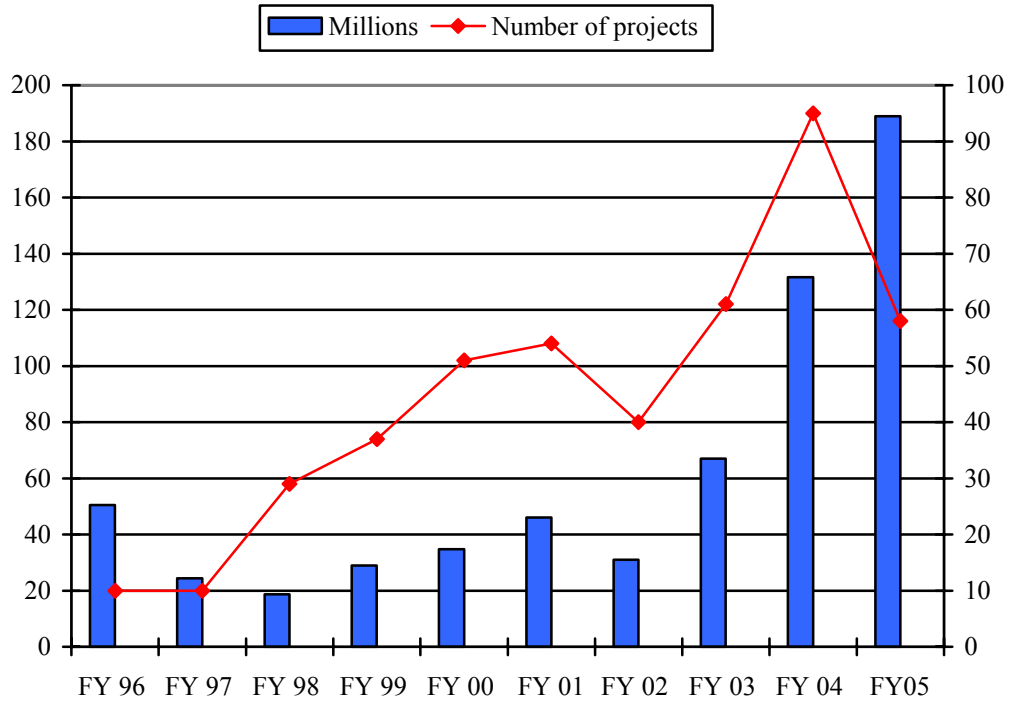
Loans from PPRF benefit eligible entities by allowing them to borrow for infrastructure projects at below market costs, based on terms and conditions established by NMFA. The authorization provided in the bill does not guarantee that those projects will receive an NMFA loan. Loans will be made to entities that can identify a sufficient revenue source for repayment of a loan and are able to meet other financial criteria established by the Authority.

FISCAL IMPLICATIONS

House Bill 233 does not appropriate funds. Loans made in the interim as a result of passage of this bill would result in reducing the current loan capacity of PPRF.

A significant source of capital for infrastructure projects administered by NMFA, approximately \$18 million per year, is derived from an annual distribution of 75% of the state's Governmental Gross Receipts Tax (GGRT). In addition to GGRT, NMFA raises capital through the issuance of tax-exempt pooled bonds and direct loan repayments. To date, PPRF has financed 451 projects statewide totaling \$628 million. According to the Public Education Department, in FY05 NMFA issued bonds totaling \$10.4 million for eight school districts. Demand for PPRF funding has increased significantly from fiscal year to fiscal year. The graph below provided by NMFA depicts the growth of senior lien lending activity and shows the demand trend for PPRF funding.

PPRF Annual Activity
by millions of dollars and numbers of projects



LMK/mt:yr