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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/06

SPONSOR Garcia LAST UPDATED _____ HB _____

SHORT TITLE Grants to Rural Communities SB 99

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to:
HB 146, SB 98, HB 110

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Department of Agriculture (NMDA)

Department of Finance and Administration (DFA), Local Government Division (LGD)

SUMMARY

Synopsis of Bill

Senate Bill 99, "An Act Making an Appropriation to Assist Rural Communities in Creating Economic Development Projects," appropriates \$500 thousand (\$500,000) from the general fund to the Department of Finance and Administration, Local Government Division for the New Mexico Rural Development Response Council to make grants to rural communities and match federal funding and foundation grants.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand (\$500,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of shall revert to the general fund.

SIGNIFICANT ISSUES

The appropriation would support the New Mexico Rural Development Response Council's rural readiness program.

Since their inception, rural response councils across the nation have been funded primarily through federal programs. EDD indicates that federal funding for Rural Development Response Councils has declined in recent years due to federal cut backs. All federal funding will end this year.

According to the NM Department of Agriculture, the Rural Readiness program has been a highly successful activity of the New Mexico Rural Development Response Council. This program is viewed as a national example for rural development efforts and works with communities in New Mexico with a population fewer than 15,000 residents to provide technical assistance to implement economic development projects. It is a self-help economic development program for these communities, which often lack the personnel or expertise to implement economic development activities. NMDA has been a member of the New Mexico Rural Development Response Council for many years.

PERFORMANCE IMPLICATIONS

DFA would not have oversight or responsibility for the performance of the funded programs.

According to DFA, the local government division (LGD) does not administer a program directly related to providing grants for matching funds for economic development programs and is unrelated to LGD/DFA programmatic goals. The effectiveness of this program/funding can not be determined at this time; however, this program addresses programmatic goals at the New Mexico Economic Development Department.

ADMINISTRATIVE IMPLICATIONS

DFA indicates that it cannot administer the appropriation as proposed and does not possess the staff required to provide the oversight for such an activity or program. The NMEDD currently oversees matching fund programs and activities and could provide the oversight required for a program or activity of this nature.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- HB 146 would appropriate \$1 million to Economic Development Department for the same purpose.
- SB 98 would appropriate \$500 thousand to the Department of Finance and Administration for the same purpose.
- HB 110 would appropriate \$1 million to DFA for the same purpose.

OTHER SUBSTANTIVE ISSUES

NMDA indicates appropriating these funds to EDD would be a more logical fit.

ALTERNATIVES

NMDA indicates that an alternative would be to have the New Mexico Economic Development Department undertake these activities, but staffing limitations would pose an issue for that department.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD indicates that there are no other statewide programs capable of filling this gap if the Rural Development Response Council does not have funding.

According to NMDA, there will be fewer opportunities for New Mexico rural communities to enact viable economic development projects; studies indicate that New Mexico communities with populations under 5,000 residents continue to lose population at an alarming rate. This decline in population and in maintaining a viable rural New Mexico would likely accelerate.

BE/nt