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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/07
 LAST UPDATED 2/13/07 HB 24/aHTRC/aHAFC

SPONSOR Varela

SHORT TITLE NMFA Public Project Revolving Fund Projects SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		Public Project Revolving Loan Fund (See narrative)

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
 Department of Finance and Administration (DFA)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HAFC amendment

House Appropriations & Finance Committee amendments provide as follows: 1) strikes the House Taxation & Revenue Committee amendments in their entirety; 2) authorizes NMFA to provide financial assistance to 115 eligible entities, including authorization to provide refinancing assistance to 32 governmental entities.

Synopsis of HTRC amendment

House Taxation and Revenue Committee amendment proposes the following: 1) to expand the purpose of projects for the Town of Carrizozo and Lincoln County to include “road” projects; 2) to expand the projects in Torrance County to include water, wastewater, land, and road project; 3) requests authorization for NMFA to provide refinancing assistance to Torrance County; and, 4) authorizes NMFA to make loans to an additional 108 qualified entities for public projects from the Public Project Revolving Fund.

Synopsis of Original Bill

House Bill 24 authorizes the New Mexico Finance Authority (NMFA) to make loans to qualified entities for public projects from the Public Project Revolving Fund (PPRF)

Section 1, describes the qualified entities and 32 projects (13 school projects and 19 local projects) requesting legislative authority to make loans from PPRF.

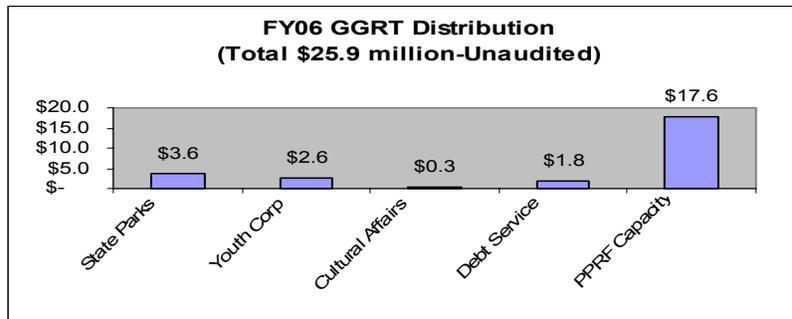
Section 2, voids legislative authorization if a qualified entity does not notify NMFA by the end of fiscal year 2009 of its desire to continue to pursue a loan from PPRF.

Section 3, contains an emergency clause.

FISCAL IMPLICATIONS

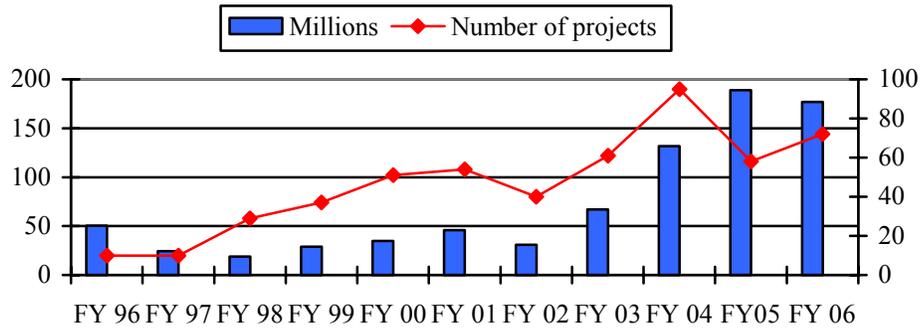
House Bill 24 does not appropriate funds; however, loans made in the interim as a result of passage of this bill would result in reducing the current loan capacity of PPRF. The authority issued five public project revolving fund bond issues totaling \$165.9 million in FY06. To date, PPRF has financed 451 projects statewide totaling \$628 million.

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. The following chart demonstrates the annual distribution of GGRT for FY06:



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



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.

LMK/mt