F I S C A L   I M P A C T   R E P O R T

SPONSOR Lundstrom
ORIGINAL DATE 01/22/10
LAST UPDATED 02/16/10
HB 38/aSCORC/aSFC

SHORT TITLE Public Project Revolving Loan Fund Projects
SB

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
NFI	NFI	N/A	Public Project Revolving Loan Fund (see Fiscal Impact)

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Finance Authority (NMFA)
New Mexico Environment Department (NMED)
Department of Finance and Administration (DFA)
New Mexico Higher Education Department (NMHED)
Public Education Department (PED)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment strikes NMFA authority to make loans from the public project revolving fund (PPRF) to all entities and projects authorized in the Senate Corporations Transportation Committee amendment, then reinstates the authorization for all the same entities and projects. However, the amendment authorizes NMFA to make loans from PPRF to one additional entity, specifically, the New Mexico National Guard in Santa Fe County for building, equipment, infrastructure, and debt refinancing and land acquisition projects.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment provides for grammatical changes to the bill and authorizes NMFA to make loans from the public project revolving fund (PPRF) for an additional 61 qualified entities statewide, including one qualified charter school.

Synopsis of Original Bill

House Bill 38 authorizes the New Mexico Finance Authority (NMFA) to make loans to qualified state, local and political subdivision entities for 53 public projects statewide from the Public Project Revolving Fund (PPRF).

Section 1, subsection 1 thru 53 describes projects and qualified 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 2013 of its desire to continue to pursue a loan from PPRF.

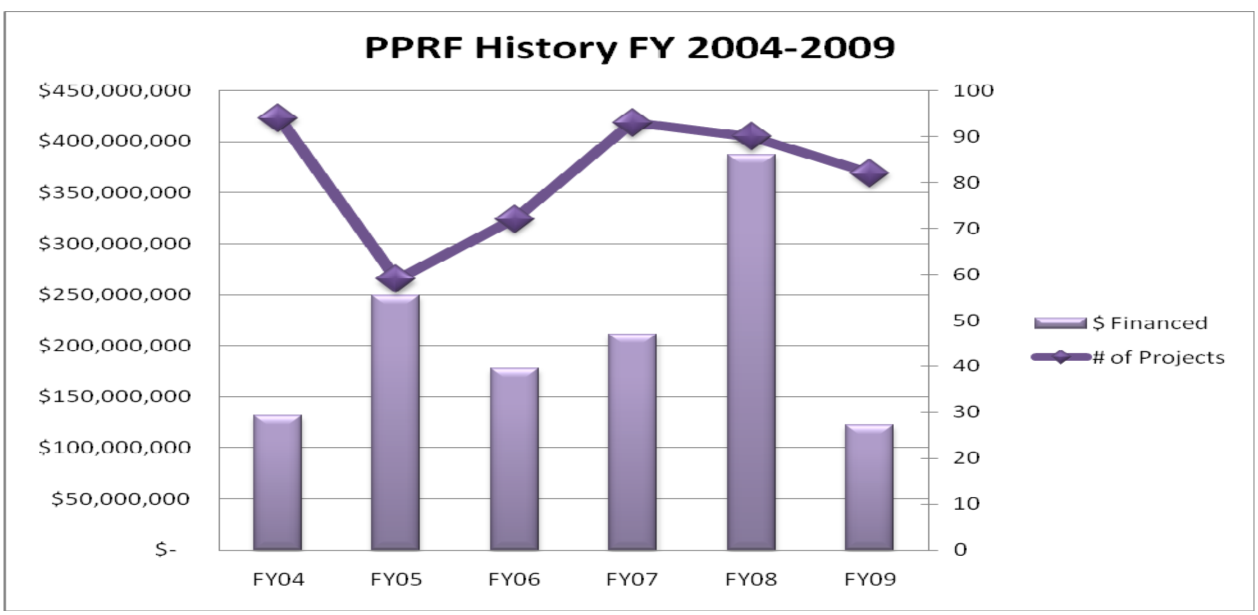
Section 3, contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 38 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. A significant source of capital for infrastructure loans administered by NMFA is derived from an annual distribution of 75% of the state's Governmental Gross Receipts Tax (GGRT), approximately $22.3 million for FY10. In addition to GGRT, NMFA raises capital through the issuance of tax-exempt pooled bonds, direct loan repayments, and other fees. As of June 30, 2009, NMFA has made 850 loans totaling nearly $1.6 billion from PPRF. Loans have increased over the last several years due to the strength of the GGRT, strong credit rating of PPRF bonds (AA+ and Aa2, and the ability to raise capital through the issuance of the bonds.

Legislative authorization provided by House Bill 38 does not guarantee the projects will receive a loan. Loans are only made to those entities with a sufficient source of revenue for repayment of the loan and other financial criteria established by NMFA.

The following graph developed by NMFA demonstrates the lending trend and demand for loans from PPRF:



According to NMFA, the passage of HB 38 may reduce borrowing costs to qualified entities due to fixed interest rates for loans from the Authority. Additionally, interest rates may be subsidized further if borrowers qualify for disadvantaged funding. The disadvantaged rates are determined based on an entity's Median Household Income (MHI) in relation to the state's MHI and provides 0% or 3% interest rates per entity per fiscal year. The rates for disadvantage funding are based on a maximum funding level of $75,000 for each equipment loan and $200,000 for each infrastructure loan per fiscal year.

SIGNIFICANT ISSUES

The New Mexico Finance Authority (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 non-governmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The Authority partners with local government entities, state agencies, legislators, legislators, repeat borrowers and financial advisors to carry out their mission while at the same time sustaining the capacity of loan programs NMFA administers.

OTHER SUBSTANTIVE ISSUES

NMHED indicates four projects within the bill will benefit New Mexico State University, New Mexico Institute of Mining and Technology, Santa Fe Community College, and the University of New Mexico.

PED indicates public schools statewide have a great need to update their facilities, but have limited resources. The Authority's ability to make loans from PPRF at below-market rates maximizes public resources to benefit public schools.

ALTERNATIVES

According to NMED, the Uniform Funding Application may be used as a means to identify other funding sources for the water and wastewater projects listed in the bill.

LMK/mt:mew