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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/11

SPONSOR Munoz LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Economic Development Fund Project Funding SB 454

ANALYST Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NFI	NFI	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$4,000.0	\$4,000.0	Recurring	Economic Development Revolving Fund (See Fiscal Implications)

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Economic Development Department (EDD)  
 New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 454 proposes a two-year suspension of the required legislative authorization needed before qualified entities can be considered for financial assistance for “standard” projects from the economic development revolving fund and increases the reporting requirements by the New Mexico Finance Authority to the New Mexico Finance Authority Oversight Committee during the interim.

## **FISCAL IMPLICATIONS**

During the 2009 Special Legislative Session (Senate Bill 29), the Legislature passed a bill to exchange non-obligated Smart Money Program state general funds totaling \$5 million for severance tax bonds for use toward solvency. However, the governor line-item vetoed the \$5 million, thus leaving an approximate balance of \$1.8 million available for loan participations from the economic development revolving fund. The current balances are scheduled to revert to the general fund on June 30, 2011. To continue providing loans for “standard” projects from the economic development revolving fund, NMFA anticipates filing an application for federal funds from the State Small Business Credit Initiative within the Federal Small Business Jobs Act.

According to NMFA, if the federal application is approved, the state would receive and deposit into the economic development revolving fund approximately \$13 million in increments of \$4 million annually for continued implementation of the Statewide Economic Development Finance Act.

## **SIGNIFICANT ISSUES**

Senate Bill 454 proposes waiving legislative authorization for “standard” projects, but not “state” projects. As defined in the State Economic Development Act, ““standard project” means land, buildings, improvements, machinery and equipment, operating capital and other personal property for which financing assistance is provided for adequate consideration, taking into account the anticipated quantifiable benefits of the standard project, for use by an eligible entity as:

- (1) industrial or manufacturing facilities;
- (2) commercial facilities, including facilities for wholesale sales and services;
- (3) health care facilities, including hospitals, clinics, laboratory facilities and related office facilities;
- (4) educational facilities, including schools;
- (5) arts, entertainment or cultural facilities, including museums, theaters, arenas or assembly halls; and
- (6) recreational and tourism facilities, including parks, pools, trails, open space and equestrian facilities.”

According to Section 1 of the bill, entities seeking funds from the economic development revolving fund for “state” projects would continue to require legislative authorization prior to receiving financial assistance. As defined in Section 6-25-3 of the Statewide Economic Development Act, a “state project” means land, buildings or infrastructure for facilities to support new or expanding eligible entities for which financing assistance is provided pursuant to the economic development assistance provisions.

## **ADMINISTRATIVE IMPLICATIONS**

The NMFA and Economic Development Department partner in developing and administering funds in the economic development revolving fund and work together to identify all viable business expansion and relocation projects currently in need of financing assistance.

If this legislation is enacted, NMFA due diligence and loan approval process will remain the same, however, the Authority will have to develop and implement rules to meet the increased

reporting requirements specified in the bill—a more in-depth reporting process than currently required.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Bill 20, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to make loans for private projects from the economic development revolving fund.

**OTHER SUBSTANTIVE ISSUES**

Laws 2003, Chapter 349, enacted the Statewide Economic Development Finance Act authorizing creation of a Statewide Economic Development Finance Program (Smart Money), creation of the economic development revolving fund, and authorizing NMFA to issue certain Economic Development Bonds, and to make loan participation and loan guarantees on behalf of entities engaged in qualifying economic development projects. The loan participation program shares risk of the project with the bank. The projects financed must stimulate economic development and create jobs. The purpose of the program is to create a public/private partnership to finance projects through low-cost capital loans to stimulate the economy and create jobs in rural and underserved communities within the state.

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