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FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/12

SPONSOR Garcia, M.J. **LAST UPDATED** _____ **HB** _____

SHORT TITLE NMFA Community Financial Institution **SB** 139

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
NFI	NFI	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 69

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

New Mexico Finance Authority (NMFA)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

Senate Bill 139 authorizes the New Mexico Finance Authority to seek certification to be a community development financial institution and further authorizes the Authority to determine eligibility for certain economic development funding.

SIGNIFICANT ISSUES

Senate Bill 139 amends the Statewide Economic Development Finance Act (SWEDA) to allow the New Mexico Finance Authority (NMFA) (Authority) to establish one or more for-profit or non-profit entities, not controlled by a government entity, to participate in the federal Community Development Financial Institution Program (CDFI). The bill further amends SWEDA to authorize NMFA, a quasi-governmental entity, rather than the Economic Development Department to determine eligible entities for economic development funding.

The CDFI) program was established by the Riegle Community Development and Regulatory Improvement Act of 1994 for the purpose of promoting economic revitalization in low-income communities, especially those communities lacking access to affordable financial products and services.

The NMFA indicates creating a CDFI provides NMFA, a quasi-governmental entity, with access to private funding for use towards the state’s goal to increase economic development, gross receipts tax generation, and increased employment. With limited state funding available, the creation of a CDFI provides an alternative source of capital for funding to businesses in rural and under-served parts of the state. The Authority indicates one of the initial CDFI targets will be toward infrastructure projects on Native American lands and indicates.

There are currently 12 certified CDFI entities in New Mexico. According to NMFA, “eight of the 12 CDFI operate loan funds, with more than half of them dedicated to housing and/or personal finance, and many serve a limited geographical market, such as the Navajo Partnership for Housing, Inc. Approximately 40 percent of CDFI nationally are operated as for-profit entities.”

ADMINISTRATIVE IMPLICATIONS

The NMFA indicates there would be limited fiscal impact on the Authority. Administrative resources would increase as funding from private sources is secured and the operating budget would cover CDFI activities. The EDD indicates the coordination with NMFA for outreach services and other responsibilities of EDD for implementation of CDIF activities may require additional resources to effectively perform the duties outlined within the bill.

OTHER SUBSTANTIVE ISSUES

The CDFI concept is similar to the New Market Tax Credit program authorized by the Legislature in 2006. The Authority created Finance New Mexico, a subsidiary limited liability company, for the purpose of receiving and distributing New Markets Tax Credit (NMTC) funds. The program is an economic development tax incentive administered by the United States Department of the Treasury’s Community Development Financial Institutions (CDFI) fund. The purchase of NMTC by investors provides private businesses equity capital to further commercial economic development activities in rural and underserved areas of the state. The tax credit allows investors to offset their federal income tax liability equal to 39 percent of every dollar invested in a low income community enterprise over a seven-year period.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 69, endorsed by the New Mexico Finance Authority Oversight Committee, duplicates Senate Bill 139 in its entirety.

TECHNICAL ISSUES

The Office of Attorney General expresses the following concern: “Section 4 amends NMSA 1978, Section 6-25-27 “Information obtained by the department or the authority that is Of a business enterprise applying for eligible entity status shall be confidential and not subject to inspection pursuant to the Inspection of Public Records Act (IPRA)”. It is unclear what type of business information this provision contemplates excluding from IPRA inspections.”