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FISCAL IMPACT REPORT

SPONSOR Garcia , H. ORIGINAL DATE 1/25/2019
LAST UPDATED _____ HB 123

SHORT TITLE Economic Development Corporation Act Funds SB _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$2,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

HB123 appropriates \$2 million from the general fund to the Economic Development Department (EDD) for expenditure in fiscal year 2020 for the corporation created by the Economic Development Corporation Act.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

This bill provides for continuing appropriations to the Economic Development Department for the corporation created by the Economic Development Act. The LFC has concerns with including continuing appropriation language in the statutory provisions, as earmarking reduces the ability of the legislature to establish spending priorities.

The Economic Development Department submitted the following:

EDD received an appropriation of \$1 million in FY19 to carry out the purposes of the Economic Development Corporation Act (§§53-7A-1 to 53-7A-6 NMSA 1978). The Agency contracts the appropriated funds to the NM Partnership, which is a non-profit established and formed under the provisions of the Nonprofit Corporation Act [§53-8-1 NMSA 1978] and the Economic Development Corporation Act. The Corporation is doing business as the New Mexico Economic Development Partnership. Its purpose is to promote, stimulate, develop and advance business, prosperity, employment and economic welfare, and assist the location of new business and industry in the state as well as assisting expansion of existing business and industry.

SIGNIFICANT ISSUES

The Economic Development Department submitted the following:

The NM Partnership contracts with EDD annually for marketing and recruitment services. The NM Partnership brought 1,415 jobs to the state, an increase of 1,130 percent over the FY17 performance metric. The organization performed at a higher level in the latter half of FY18 in terms of job creation. It also solicited 52 quality potential recruitment opportunities (PROs) and conducted 17 site visits in the latter half of FY18.

PERFORMANCE IMPLICATIONS

The Economic Development Department submitted the following:

Contained in the FY19 professional services contract between EDD and the NM Partnership are performance measures, which include: completing a sales/marketing plan, generating 84 potential recruitment opportunities, arranging and conducting at least 36 new site visits by prospect companies with qualified projects, announcing at least 12 new project locations in the state; all of which will result in at least 2,250 economic based jobs.

The NM Partnership's job creation of 2,250 jobs is included in EDD's job creation mandate of 4,500 for FY19.

ADMINISTRATIVE IMPLICATIONS

EDD has the administrative capacity to administer and oversee the contract for the NM Partnership as it has since the inception of the Economic Development Corporation Act. There is no additional administrative implication to the Agency.

OTHER SUBSTANTIVE ISSUES

The New Mexico Partnership utilizes the \$1 million appropriation to cover all its expenses including overhead, travel, personnel salaries, vehicles, insurance, research, website, subscriptions, professional training, etc., leaving a negligible amount for actual marketing and promotion of New Mexico for business relocations or expansion projects. The NM Partnership is strategic in its utilization of limited funds but increasing the appropriation to \$2 million could increase the amounts spent for advertising and promotion. In FY16, the appropriation for the NM Partnership was \$1.18 million and was then reduced to \$1 million. Therefore, additional funding would get the organization to the FY16 funding level and provide additional resources for advertising and promotion.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The appropriation of \$1 million for the New Mexico Partnership is currently in both the Executive and the LFC budget recommendations for EDD. If HB123 is not enacted, EDD will still have \$1 million for the New Mexico Partnership within their operating budget for expenditure in FY20.

JM/gb/al