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FISCAL IMPACT REPORT

SPONSOR Neville ORIGINAL DATE 02/26/21
LAST UPDATED _____ HB _____
SHORT TITLE Contract Renegotiations For Some Businesses SB 281
ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 281 (SB281) allows that a company who has entered into a project participation agreement for a Local Economic Development Act project be given until December 31, 2021, to renegotiate the terms of its agreement provided the contract was entered into between the dates of January 1, 2016, and December 31, 2021, the company fully met its obligations prior to March 1, 2020, or it was forced to modify employment levels due to the effects of Covid-19.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

SB281 does not carry an appropriation and will not have a fiscal impact on the Economic Development Department's operating budget.

SIGNIFICANT ISSUES

Economic Development Department provided the following:

While the Local Economic Development Act (LEDA) does provide for local

governments to engage with a private entity through a Project Participation Agreement (PPA), the majority of LEDA project transactions involve the state's Economic Development Department and a local fiscal agent (either the municipality or county involved in the project).

To that point:

The majority of all PPA's entered into provide language to address such activities as Covid-19 and other situations that are beyond the control of the Qualified Entity. This is typically referred to as Business Climate Changes and typically reads as such:

The parties hereto recognize certain economic factors generally described as "Business Climate Changes," are beyond the control of any of the parties and may affect the ability of the Project Party to strictly adhere to the job creation numbers and schedule set forth herein. The Project Party may request specific modifications to the Job Target. If the County and EDD agree that Business Climate Changes have affected the Project Party's ability to perform, the Clawback Penalty described above may be modified. Such modification must be requested in writing by the Project Party and approved in writing by the County and EDD.

The New Mexico Economic Development Department has already used this existing authority to discuss changes to the PPA's with multiple projects across the state including Sunland Park, Farmington, Silver City, Santa Clara, Los Alamos, Albuquerque and Santa Fe. All of these projects have been or are in process of amending or extending existing agreements under the business climate changes language of the PPA.

This bill provides direction and puts in law activities that have already been in place and actively engaged in by current policy.

ADMINISTRATIVE IMPLICATIONS

SB281 will not cause any additional administrative implications for the Economic Development Department.

JM/al