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FISCAL IMPACT REPORT

SPONSOR Adkins **ORIGINAL DATE** 01/15/16
LAST UPDATED _____ **HB** 33
SHORT TITLE Approval of Certain Project by Law **SB** _____
ANALYST Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
None	None		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

NM Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 33 ensures the state can maintain compliance with the Federal Small Business Jobs Act of 2010. It provides a three year suspension by repealing and reenacting a section of law requiring legislative authorization on “standard” projects funded from the Economic Development Revolving Fund (EDRF) by the New Mexico Finance Authority (NMFA). Additional requirements outlined in HB 33 include additional legislative oversight. The NMFA will provide to the NMFA Legislative Oversight Committee biannual reports on the expenditures from the EDRF, the purposes for which expenditures were made, an analysis of the projects’ progress, and proposals for legislative action. House Bill 33 has an effective date of July 1, 2016.

FISCAL IMPLICATIONS

The NMFA partners with the New Mexico Economic Development Department (EDD) to fulfill the purpose of the Statewide Economic Development Act. This act created the framework supporting two private lending financial assistance programs (the smart money program and the support participation program) designed to stimulate economic growth statewide. The fiscal impact of HB 33 on both programs results in maintaining accessibility to funding, faster loan processing, and timely distributions throughout the year for projects statewide. How often applications are accepted, processed and awarded results in a greater utilization of funds.

The greater fiscal impact of HB 33 is on federal dollars the state has been awarded through the Federal Small Business Jobs Act of 2010, which created the State Small Business Credit Initiative. In 2012, the state received \$13,168,350 in federal funds to increase the flow of capital in small businesses which the NMFA administers through the collateral support participation program. This program relies on the partnership between EDD, the NMFA, and bank participation. The NMFA administers the program providing capital through short term participation for working capital lines of credit, construction loans, and equipment projects, as well as, small subordinated interests in long-term mortgages.

The NMFA anticipates leveraging at least \$132 million in private investment through December 2016, through the collateral support participation program. The passage of HB 33 ensures the federal guidelines leveraging each federal dollar with 10 private dollars over an allocation period outlined by the U.S. Treasury Department are satisfied.

SIGNIFICANT ISSUES

House Bill 33 does not change the legislative authorization for “state projects”. HB 33 requires greater legislative oversight on “standard projects” in lieu of authorization; thereby, ensuring accessibility to funding, faster loan processing, and timely distributions throughout the year. This ensures the state’s compliance with federal guidelines and targets inefficient loan processing, quick fund distribution, and an increase in loan repayment activity developing a revolving loan fund.

The Statewide Economic Development Finance Act defines a “standard project” as land, buildings, improvements, machinery and equipment, operating capital and other personal property. HB 33 requires greater oversight on “standard projects” through the NMFA Legislative Oversight Committee.

With the passage of HB 33, NMFA will report to the committee on a biannual basis on the expenditures from the EDRF, the purposes for which expenditures were made, an analysis of the projects’ progress, and proposals for legislative action. The committee currently approves the rules that establish application procedures, credit qualifications, and economic development goals for the projects, in addition to other responsibilities as outlined in the act.

ADMINISTRATIVE IMPLICATIONS

The passage of HB 33 will allow for an immediate response to applications in the collateral support participation program and the smart money program by the NMFA. According to the NMFA, the three tiered loan approval process, policies and procedures in place ensure a high level of quality loans meeting businesses’ needs more efficiently and timely. HB 33 outlines additional reporting and oversight requirements that will not impact the application cycle. The projects are brought forward during normal business cycles and access to NMFA’s lower cost of capital is not impaired by a once year authorization.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The state may not be able to meet the leverage requirements due to a decline in timely distributions thereby causing non-compliance with the federal program. There is a possibility of endangering future federal funding impacting small business lending across the state.