FISCAL IMPACT REPORT

SPONSOR	Lundstrom/Powdrell-Culbert	**ORIGINAL DATE** / **LAST UPDATED**	1/31/07 / 2/27/17	**HB**	268/aHAFC/ec
SHORT TITLE	Public Projects Revolving Fund Projects			**SB**	
				ANALYST	Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
			See Fiscal Implications

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment reduces the number of projects from 128 to 106 of which this legislation authorizes the New Mexico Finance Authority to provide loans from the public project revolving loan fund to these qualified state, local and political subdivision entities statewide for infrastructure projects.

Synopsis of Original Bill

House Bill 268 authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving loan fund (PPRF) to 128 qualified state, local and political subdivision entities statewide for infrastructure projects. This bill is endorsed by the New Mexico Finance Authority Oversight Committee. HB 268 includes an emergency clause. The bill voids authorization if a qualified entity does not certify to the NMFA by the end of fiscal year 2020 its desire to continue to pursue a loan from the PPRF.

FISCAL IMPLICATIONS

House Bill 268 as amended provides legislative authorization, without an appropriation, for 106 entities to seek financial assistance for infrastructure projects from the PPRF. Financial assistance is provided at below market interest rates. Additionally, interest rates may be further subsidized for qualifying borrowers for disadvantaged funding.

NMFA, through its policies and rules, provide a greater benefit for disadvantaged entities by lowering the interest rate and increasing the maximum funding amounts. Disadvantaged interest rates are based on an entity's Median Household Income (MHI) in relation to the state's MHI. A disadvantaged entity may qualify for a zero up to two percent interest rate per fiscal year based on the MHI relative to the state's MHI. The rates have a maximum funding amount of $150,000 per equipment loan and $500,000 per infrastructure loan per fiscal year.

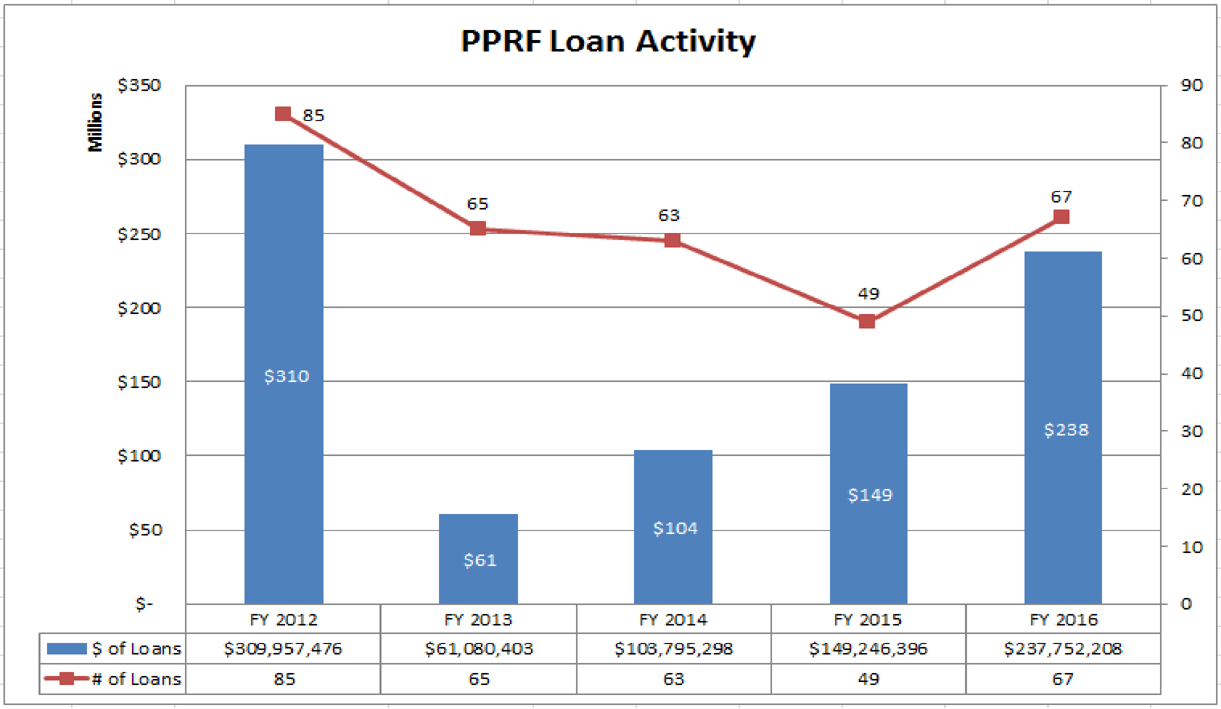
The below market interest rates are supported by a diverse portfolio of projects funded through the PPRF coupled with an annual distribution of 75 percent of the state's governmental gross receipts tax (GGRT), approximately $28.1 million for fiscal year 2016. This combination has helped the PPRF attain higher bond ratings which result in lower costs of issuance to all borrowers, and the subsidized interest rates on PPRF loans for disadvantaged entities. The funds from loan repayments and the GGRT distributions are not needed to pay debt service on bonds. These funds are placed in interest-bearing reserve accounts, a contingent liquidity account and a common debt service reserve fund, for only the senior lien PPRF loan portfolio.

NMFA Bonds are not obligations of the State and are not a factor in State bond ratings. The separate, stand-alone, existence of the NMFA increases the overall capacity of the State to support infrastructure financing, especially for economically challenged communities.

SIGNIFICANT ISSUES

This bill outlines an authorization that requires an application and an identified repayment source sufficient to meet the loan repayment and other financial qualifications established by the NMFA. The authorization is void if a qualified entity does not notify the NMFA by the end of a fiscal year 2020.

To date NMFA has made over 1,357 loans from PPRF totaling more than $2.97 billion, of which 695 loans received more than $104 million in disadvantaged funding. Currently, 675 PPRF loans totaling approximately $1.2 billion are still outstanding. The following graph, provided by the NMFA, showcases the recent history of loans made from the PPRF:



OTHER SUBSTANTIVE ISSUES

In 1992, the NMFA was created as a governmental instrumentality to coordinate and facilitate the planning and financing of state and local capital projects. As a non-governmental entity, NMFA utilizes financing mechanisms to leverage and maximize the state's capital investments in projects statewide. The NMFA partners with local government entities, state agencies, Tribes and Pueblos, legislators, borrowers and financial advisors in carrying out their mission while simultaneously sustaining the capacity of the loan programs administered by the NMFA.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Entities requesting financial assistance through the PPRF would then be required to seek alternative financing that may increase their borrowing costs and potentially delay infrastructure projects.

JMA/jle/al