F I S C A L   I M P A C T   R E P O R T

SPONSOR	Lundstrom/Stapleton/ Gonzales	**ORIGINAL DATE** **LAST UPDATED**	2/04/2020 2/10/2020	**HB**	27/aHAFC/ec
SHORT TITLE	Public Project Revolving Fund Projects			**SB**	
				ANALYST	Kehoe

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
See Fiscal Implications			

(Parenthesis ( ) Indicate Expenditure Decreases

HAFC/HB 27 relates to

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Finance Authority (NMFA)
Energy, Minerals and Natural Resources Department (EMNRD)
Higher Education Department (HED)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 27 provides legislative authorization for an additional six (6) entities to pursue loans from the public project revolving fund (PPRF) based on terms and conditions established by the New Mexico Finance Authority (NMFA). The entities include the following for infrastructure projects: Aggie Development Incorporated, Catron County, El Camino Real Academy Charter School, Logan Municipal School District, Board of Regents of the University of New Mexico, and the Board of Regents of the University of New Mexico for the New Mexico Health Sciences Center.

Synopsis of Original Bill

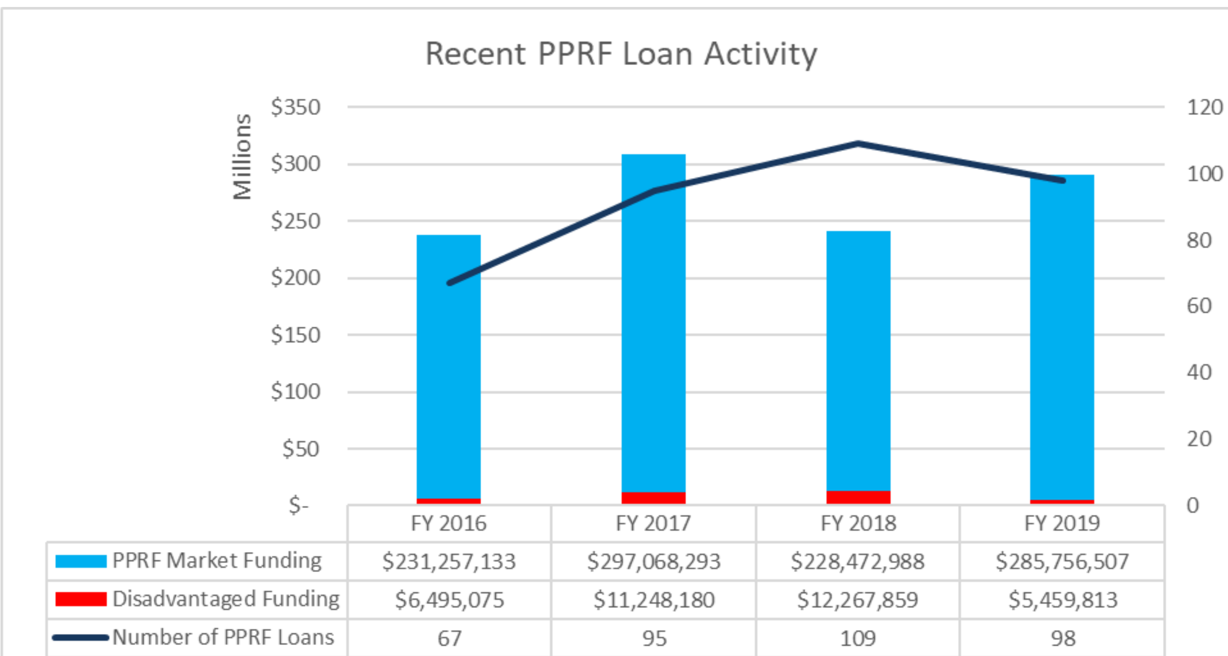
House Bill 27, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving fund (PPRF) to 12 separate state and local government entities based on terms and conditions established by NMFA. The bill voids legislative authorization if a qualified entity does not notify NMFA by the end of FY23 of its intent to pursue a loan from the NMFA. This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

The bill does not appropriate funds but may reduce borrowing costs to qualified entities because they would receive competitive market-driven interest rates through the PPRF program. Additionally, interest rates may be subsidized further in instances where borrowers qualify for "disadvantaged" funding. The disadvantaged rates are determined based on an entity's median household income (MHI) in relation to the state's MHI and provides 0 percent or 2 percent interest rates per entity per fiscal year. The authorization provided by the bill does not guarantee the projects will receive a PPRF loan, because PPRF loans will only be made to those entities that can identify a sufficient repayment source and meet other financial criteria established by the NMFA.

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

NMFA has made over 1,656 loans from the PPRF totaling more than $3.9 billion. Currently, 904 PPRF loans totaling approximately $1.58 billion are outstanding. The following graph demonstrates the recent history of loans made from the PPRF:



	FY 2016	FY 2017	FY 2018	FY 2019
PPRF Market Funding	$231,257,133	$297,068,293	$228,472,988	$285,756,507
Disadvantaged Funding	$6,495,075	$11,248,180	$12,267,859	$5,459,813
Number of PPRF Loans	67	95	109	98

Source: New Mexico Finance Authority

Five other bills listed below relate to this bill. Three of the bills are standard, and the other two create new funds with appropriations from the PPRF. The NMFA does not believe there is a material impact to the PPRF from the two new appropriations this year and believe the two new bills create a framework for the appropriations rather than an outright appropriation for solvency. NMFA believes the approach sends a much different message to rating agencies and bondholders about the nature of the appropriations. Also, because the annual appropriations are small, it provides NMFA the ability to mitigate future or long-term issues with the contemplated appropriations, such as funding some of these purposes through other sources, or even from bond proceeds.

SIGNIFICANT ISSUES

NMFA was created as a governmental instrumentality in 1992 to coordinate and facilitate the planning and financing of state and local capital projects in New Mexico. As a nongovernmental entity, NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. NMFA partners with local government entities, state agencies, tribes and pueblos, legislators, repeat borrowers and financial advisors to carry out their missions while simultaneously sustaining the capacity of loan programs the NMFA administers.

Pursuant to Section 6-21-6 NMSA 1978, loans of $1 million or less do not require specific authorization by the Legislature.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 47 contains a $2 million appropriation from the PPRF to the Local Government Planning Fund at the NMFA for the purposes of making grants to public bodies for planning and feasibility studies.

House Bill 163 creates the Community Supplement Support Fund and amends 6-21-6.1 to make it eligible to receive an appropriation from the PPRF. The bill contains a $5 million appropriation from the PPRF.

House Bill 167 contains a $1.8 million appropriation from the PPRF to the Wastewater Facility Construction Loan Fund at the New Mexico Environment Department to serve as a state match for a federal Clean Water EPA capitalization grant.

Senate Bill 69 contains a $2.5 million appropriation from the PPRF to the drinking water state revolving loan fund at the NMFA to serve as a state match for a federal Drinking Water EPA capitalization grant.

Senate Bill 103 creates the Cultural Affairs Facilities Infrastructure fund and amends 6-21-6.1 to make it eligible to receive an appropriation from the PPRF. The bill appropriates $5 million from the PPRF.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The entities authorized in this bill would be required to seek alternative financing at increased borrowing costs and may delay critical infrastructure projects.

LMK/sb/al/rl