FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Pinto	**ORIGINAL DATE**	3/07/2025
SHORT TITLE	Film Loans to Certain Projects	**BILL NUMBER**	Senate Bill 460
		ANALYST	Rodriguez

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Loans/ Investment	$0.0	Indeterminate but likely a loss	Indeterminate but likely a loss	Indeterminate but likely a loss	Indeterminate but likely a loss	Recurring	Severance Tax Permanent Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
State Investment Council (SIC)
Economic Development Department (EDD)

SUMMARY

Synopsis of Senate Bill 460

SB460 (SB460) amends the existing statute that allows the State Investment Council (SIC) to make loans and investments to film production companies from the severance tax permanent fund. The bill broadens the statute to allow the agency to make loans at zero percent interest or investments up to 80 percent of the expected film production tax credit available to that company. The bill also allows SIC to make those investments in independent film projects. The language in the bill is permissive, meaning that SIC would not have to make these investments if the commission did not find it prudent. This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

As noted in “Significant Issues,” previous loans prudent to the existing film loan program were not successful in terms of return on investment. Therefore, this program is expected to have a negative impact on the severance tax permanent fund.

SIGNIFICANT ISSUES

SB460 defines independent New Mexico film projects as projects filmed wholly in New Mexico whose majority of production crew are residents and that are being produced and distributed by production companies that are not major motion picture film studios, a network or cable television
Company, or a multinational internet streaming service.

Previous Loans. SIC has not made any investments related to this provision in law since 2008. Between 2001 and 2008, SIC made interest-free loans of more than $300 million to 25 film projects in exchange for a negotiated percentage of profit sharing on a production's post-break-even-revenues. SIC notes that only one of the 25 loans made positive returns. The other 24 projects only paid back the principal investment amount. SIC notes the opportunity costs of the money in those loans not being investment elsewhere was conservatively estimated to be approximately $31 million. The program was not considered a success in terms of investment, although SIC notes one project, *The Book of Eli*, grossed $157 million and the state continues to collect small residual payments totaling approximately $2 million through the end of 2023.

Additionally, SIC also made two separate film production tax credit advance loans, as proposed in SB460, to two reputable filmmakers. The first loan was paid back completely and early. The second loan went into default because the film project claimed there were insufficient funds to pay back the loan. SIC made threats of litigation, and the loan was eventually repaid months after the fact.

Changes to the Program. As a result of the low returns, SIC changed its loan policy from "interest-free in lieu of participation" to a required "market-rate" interest, which the agency explains made the program less attractive to film and television producers. The commission argues that the lack of loans did not affect the state's momentum as a top location for film and television production, which greatly benefits from the state's film tax production credits, existing infrastructure, and production support resources.

SIC notes it is unclear whether the commission would make these types of loans again, given the program's history.

PERFORMANCE IMPLICATIONS

SIC indicates that the proposed changes and loans would negatively impact severance tax permanent fund returns. The commission notes that economically targeted investments, such as the ones proposed in SB460, have historically been a noted factor in the underperformance of the severance tax permanent fund relative to the land grant permanent fund.

ADMINISTRATIVE IMPLICATIONS

SIC notes the commission has already flagged to the Legislature that it needs additional staffing resources to handle its existing funds, clients, assets, and investments.

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