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FISCAL IMPACT REPORT

SPONSOR Varela **DATE TYPED** 03/14/05 **HB** 95/aHTRC/aHAFC/aSFI#1/aSFI#2/aSFI#3
SHORT TITLE Public Project Revolving Fund Authorizations **SB** _____
ANALYST Kehoe

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|-----------------------------------------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | | | NFI | | Public Project Revolving Fund (See narrative) |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SFI #3 Amendment

The Senate Floor amendment #3 authorizes the NMFA to make loans from the public project revolving fund to the Angel Fire Public Improvement District for equipment, buildings, infrastructure and refinancing projects; to the Department of Health for a building and associated equipment in Albuquerque; to La Union for infrastructure and water projects; to the Las Vegas Public Housing Authority and/or Las Vegas for equipment, buildings, infrastructure and refinancing projects; to the Monticello Mutual Domestic Water Consumers Association for building, infrastructure and water projects and to Tierra y Montes for building projects. Loans requested and authorized will be according to terms and conditions established by the NMFA.

Synopsis of SFI #2 Amendment

The Senate Floor amendment #2 authorizes the NMFA to make a loan from the public project revolving fund to the Board of Regents of the University of New Mexico (UNM) for the purpose of designing, constructing, equipping and furnishing additions and improvements to UNM Hospital and the Cancer Research and Treatment Center at the UNM Health Sciences Center on terms and conditions established by the NMFA.

Synopsis of SFI #1 Amendment

The Senate Floor amendment #1 authorizes the NMFA to make a loan from the public project revolving fund for a solid waste project in Ruidoso on terms and conditions established by the NMFA.

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendments provide for an additional 99 entities and projects to be considered for legislative authority to make loans from the Public Project Revolving Fund.

Synopsis of HTRC Amendment

The House Taxation & Revenue Committee amendment provides for punctuation corrections throughout the bill; and adds 43 entities and projects with an approximate value of \$60 million within the bill to be considered for legislative authority to make loans from the Public Project Revolving Fund.

Synopsis of Original Bill

House Bill 95 authorizes NMFA to provide loans from the Public Project Revolving Fund (PPRF) to 108 statewide qualified entities for public infrastructure projects under the conditions established by NMFA.

Significant Issues

Section 1, describes the 108 projects and identifies the state and local entities requesting legislative authority to make loans from PPRF. According to NMFA, the approximate value of all the projects contained in this section totals approximately \$216 million in statewide needs.

Loans from PPRF benefit eligible entities by allowing them to borrow for infrastructure projects at below market costs, based on terms and conditions established by NMFA. The authorization provided in the bill does not guarantee that those projects will receive an NMFA loan. Loans will be made to entities that can identify a sufficient revenue source for repayment of a loan and are able to meet other financial criteria established by the Authority.

Section 2, voids legislative authorization if a qualified entity does not notify the Authority by the end of fiscal year 2008 of its desire to continue to pursue a loan from NMFA.

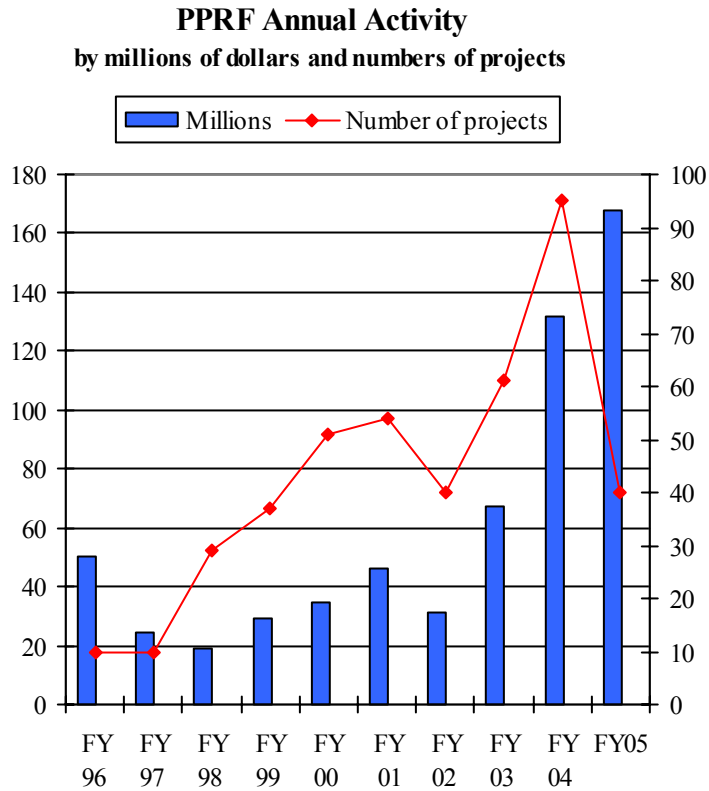
Section 3, contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 95 does not appropriate funds. However, loans made in the interim as a result of passage of this bill would result in reducing the loan capacity of the Public Project Revolving Fund. PPRF capacity for direct cash loans as of December 2004 was approximately \$15 million.

A significant source of capital for infrastructure projects administered by NMFA, approximately

\$18 million per year, is derived from an annual distribution of 75% of the state’s Governmental Gross Receipts Tax (GGRT). In addition to GGRT, NMFA raises capital through the issuance of tax-exempt pooled bonds and direct loan repayments. To date, PPRF has financed 420 loans statewide totaling \$599 million. Demand for PPRF funding has increased significantly from fiscal year to fiscal year. The graph below provided by NMFA depicts the growth of senior lien lending activity and shows the demand trend for PPRF funding.



LMK/yr:lg