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FISCAL IMPACT REPORT

SPONSOR Taylor DATE TYPED 3/04/05 HB _____
 SHORT TITLE Private Activity Bond Allocation and Fees SB 438/aSCORC
 ANALYST Hadwiger

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$30.0		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Board of Finance (BOF)

SUMMARY

Synopsis of SCORC Amendment

The amendment would allow the Board of Finance (BOF) to require two separate fees (an application fee, an extension fee) as well as an allocation deposit.

Synopsis of Original Bill

Senate Bill 438 would allow the BOF of the Department of Finance and Administration to require reasonable application, allocation and extension fees to be paid by an authority that proposes to issue private activity bonds. Application and extension fees would be deposited in the General Fund. Allocation fees would be held in a suspense account and, after the BOF determines that bonds were used for the intended purpose, may be refunded in whole or in part to the applicant at the BOF discretion. If not refunded, the allocation fees would be deposited in the general fund.

Significant Issues

The federal tax code allows privately-owned public purpose projects to take advantage of tax-exempt financing through private activity bonds (PAB's), which may be use for mortgage revenue bonds, qualified multifamily housing projects, small issue industrial development bonds, student loan bonds, and a variety of "exempt facilities" including sewage facilities, and solid waste and hazardous waste disposal facilities. The Tax Code imposes a volume ceiling on the aggregate principal amount of tax-exempt PAB's that may be issued within each state during any calendar year. The current PAB volume ceiling or bond cap for New Mexico is \$239,180,000. The Internal Revenue Code provides for each state to devise an allocation formula or process for allocating the state's ceiling. This provision has given each state the ability to allocate this limited resource in a manner consistent with the needs of the state.

The Laws of New Mexico mandates the PAB allocation process for the State of New Mexico (Sections 6-20-1 through 6-20-11 NMSA 1978). The State Board of Finance (SBOF) has been charged with the administration of the program and is responsible for allocating the volume cap, monitoring requests, and recording the use of PAB cap each year.

According to the BOF, the intent of SB438 is to use bond cap more effectively, efficiently and equitably for eligible projects and to make applicants more serious about submitting applications. At present, PAB volume can be tied up for several months by projects that get an allocation and then return it, leading to an inefficient use of the PAB cap.

FISCAL IMPLICATIONS

The new fees, if adopted by the BOF, would generate between \$10,000 and \$50,000 per year.

DH/njw:yr