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FISCAL IMPACT REPORT

SPONSOR Garcia DATE TYPED 3/5/05 HB _____

SHORT TITLE Historic Preservation Loan Fund SB 760

ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$500.0			Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Cultural Affairs Department (DCA)

SUMMARY

Synopsis of Bill

Senate Bill 760 would appropriate \$500,000 from the general fund to the Cultural Affairs Department (DCA) for the Historic Preservation Loan Fund to carry out the provisions of Section 18-6-23 NMSA 1978.

Significant Issues

DCA noted that the Historic Preservation Loan Fund was established in 1987 by the State Legislature as a self-sustaining revolving loan program to provide low interest loan assistance for restoration, rehabilitation and repair of properties listed on the State Register of Cultural Properties.

According to DCA, since 1989, a total of \$3,659,718 in rehabilitation funds has been loaned by the Historic Preservation Division (HPD) in concert with participating lending partners for rehabilitation of ten properties in eight counties. By statute the state funds are loaned out for five years and typically at the end of that loan period, the loan is either paid off by the borrower or the participating lending partner buys out the remaining portion of the state loan. The lending partner usually combines the remainder of both loans into a traditional mortgage for the bor-

rower. Because this is a self-sustaining revolving loan fund, the \$300.0 in state funds deposited into the loan fund in the past have been loaned out several times and the HPD funds in the ten loans totaled \$635,152. For every dollar of state funds loaned out, five dollars of commercial funds are loaned to the participating borrowers. Currently \$280.0 is loaned out on three properties in Socorro, Union and Santa Fe counties.

FISCAL IMPLICATIONS

The appropriation of \$500,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 would revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

Since HPD has been running the loan fund for 16 years, the division has the technical and financial staff to administer any additions to the Historic Preservation Loan Fund.

TECHNICAL ISSUES

It is not clear how would an appropriation to a loan fund revert at the end of a fiscal year. As loans are repaid, would these revenues revert to the General Fund? If money is not loaned out in FY06, would the balance revert? DCA noted the purpose of the Historic Preservation Loan Fund is described in Sections 18-6-18 through 23, NMSA 1978 as a self sustaining revolving loan fund. The principal and interest repaid from each loan go back into the Fund and therefore the balance of the fund grows and enables more preservation loans to be made in the future. A reversion of unencumbered balance would be contrary to the intent of the statute. DCA recommended that any unencumbered balance should stay in the fund for preservation of the state's cultural properties.

DH/lg