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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/07

SPONSOR Rep. Varela LAST UPDATED _____ HB 26

SHORT TITLE Making an Appropriation for Community Development Equity Capital SB _____

ANALYST Wayne Propst

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$350.0	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From:

Department of Finance and Administration. (DFA)

SUMMARY

Synopsis of Bill

House Bill 26 makes an appropriation of \$350,000 from the general fund to the Department of Finance and Administration for expenditure in FY08. The appropriation is for the purpose of providing community development equity capital for underserved sectors and communities through a social and financial bottom-line equity organization that will invest in and provide capacity building services to small businesses throughout the state, focusing on rural communities.

FISCAL IMPLICATIONS

\$350,000 in general fund monies would be appropriated to DFA in FY08 to provide community development equity capital through an organization that would invest in and provide capacity building to small businesses throughout the state, focusing particular attention on rural areas.

Any unexpended or unencumbered balance at the end of FY08 would revert to the general fund.

SIGNIFICANT ISSUES

The Department of Finance and Administration reports that New Mexico Community Capital, or NMCC, was incorporated in 2004 as three separate entities, including a not-for-profit 501(c)(3) entity. The funding pursuant to HB-26 will be used by the not-for-profit entity. State funds will not be used by the for-profit entity nor will they be used to fund an investment portfolio.

NMCC provides capacity building services to assist small local business grow smartly, upgrade or install updated technology, and become “lender-ready” for financing by the private banking industry. NMCC also connects seasoned business owners who have years of experience with smaller, less experienced businesses in order to mentor the small business as it grows and expands.

HB-26 funds will provide funds to enable NMCC to hire more staff to go out in the field and work one-on-one with local businesses as well as provide workshops around the state. This appropriation will enable NMCC to expand their existing program and serve more small businesses throughout the State.

NMCC received a legislative appropriation in 2006 of \$150,000. A balance of approximately \$32,500 remains to be disbursed but will be spent prior to the end of FY07 as required by the legislation. The DFA contract administrator states that NMCC is in good standing and has successfully met its contract obligations during the past year.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

\$350,000 would not be available to provide community development equity to small business throughout the state and fewer small businesses around the state will benefit from the knowledge and expertise of NMCC due to fiscal restraints in its capacity building program.

WEP/mt