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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/07

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Economic Development Revolving Fund SB 520

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$30,000.0		Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 252; relates to HB 253.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
\$30,000.0			Non-Recurring	Economic Development Revolving Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
 Economic Development Department (EDD)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 520 appropriates \$30 million from the general fund to the economic development

revolving fund to make loans to qualified businesses in New Mexico pursuant to the Statewide Economic Development Finance Act.

FISCAL IMPLICATIONS

Laws 2003, Chapter 349, enacted the Statewide Economic Development Finance Act authorizing creation of a Statewide Economic Development Finance Program (Smart Money), creation of the economic development revolving fund, and authorizing NMFA to issue certain Economic Development Bonds and make loan participation and loan guarantees on behalf of entities engaged in qualifying economic development projects. The fund was not initially capitalized. However, Laws of 2005, Chapter 347, appropriated \$10 million for the “Smart Money” loan participation program to capitalize the economic development revolving fund. The 2006 Legislature authorized 48 projects to potentially receive financial assistance from the economic development revolving fund. To date, NMFA has obligated \$4.3 million for business attraction, retention and expansion projects in Alamogordo, Albuquerque and Raton. The NMFA indicates it has ten additional projects in line for the remaining funds totaling \$5.7 million.

House Bill 253, introduced for the New Mexico Finance Authority Oversight Committee, requests legislative authorization for the New Mexico Finance Authority to provide financial assistance for 69 private projects in 25 counties from the economic development revolving fund in the form of loan participations with private lenders not to exceed five million dollars (\$5,000,000) per project subject to certain terms and conditions as set forth by NMFA

Senate Bill 520 would provide the necessary funding for NMFA to provide financial assistance for the projects authorized within House Bill 253 from the economic development revolving fund. The executive capital outlay recommendation supports the \$30 million to fund the Smart Money program.

The appropriation of \$30 million contained in this bill for expenditure in 2007 and subsequent years is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining shall not revert to the general fund.

SIGNIFICANT ISSUES

The NMFA will leverage the capital by partnering with private banks and institutions so that loans from the fund finance no more than 49 percent of a total project. The program is designed to match the risk-need with appropriate financing arrangements. In a rural area, for example, local lenders may be constrained by legal lending limits and out-of-area lenders may be uncomfortable with the location. Regardless of the reason, the program will bridge the gap and give businesses in all areas of the state access to affordable capital. Some projects may only need introductions to lenders while others may need direct guarantees.

The NMFA will estimate the overall economic impact of each project by analyzing the long-term economic diversification, the increase in revenue to the state, job creation, and geographical location to determine priority of funded projects. EDD expects the economic impact of the original \$10 million appropriation to create one thousand jobs, \$75 million in new plant and equipment, \$420 million in new wages and salaries over the next decade, and \$50 million in added state income and gross receipts taxes

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 253, introduced for the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority to provide financial assistance for 69 private projects in 25 counties from the economic development revolving fund in the form of loan participations with private lenders not to exceed five million dollars (\$5,000,000) per project subject to certain terms and conditions as set forth by NMFA.

House Bill 252 duplicates Senate Bill 520 in its entirety.

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