F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	03/15/09		
SPONSOR	SFC	**LAST UPDATED**	03/19/09	**HB**	
SHORT TITLE	Public Project Revolving Fund Projects			**SB**	584/SFCS/aHTRC
				ANALYST	White

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	**FY10**	**FY11**		
	NFI			

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB 76

SOURCES OF INFORMATION
LFC Files

Responses Received From
Higher Education Department (HED)
New Mexico Finance Authority (NMFA)
Public Education Department (PED)
Department of Finance and Administration (DFA)
Higher Education Department (HED)
Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee Amendment to the SFC substitute for Senate Bill 584 inserts “metropolitan redevelopment projects” as public projects under the Public Project Revolving Fund (PPRF). Metropolitan redevelopment projects are currently defined in the Metropolitan Redevelopment Code as “an activity, undertaking or series of activities or undertakings designed to eliminate slums or blighted areas in areas designated as metropolitan redevelopment areas and that conform to an approved plan for the area for slum clearance and redevelopment, rehabilitation and conservation.” Some examples of Metropolitan Redevelopment Areas (MRA) include the Downtown and Sawmill districts in Albuquerque, the Rail Yard area in Santa Fe, and a portion of downtown Las Cruces. The types of projects which could be financed through the PPRF pursuant to the amended language would be extremely varied.

The amendment also clarifies language in the SFC substitute referring to special water or conservancy districts. The substitute originally included any "other special district created pursuant to law" as a qualified entity under the PPRF. The words "other special district" have been stricken by the HTRC amendment in order to make clear that the proposed legislation pertains only to special water or conservancy districts as opposed to all special districts created by the legislature.

Synopsis of SFC Substitute

Senate Finance Committee Substitute for Senate Bill 584 makes amendments to the New Mexico Finance Authority (NMFA) Act expanding the definition of a "qualified entity" under the act in order to allow the following entities to be eligible for Public Project Revolving Fund (PPRF) loans.

- Charter Schools
- University Research Park Corporations
- A consortium of any two or more qualified entities created pursuant to law

The substitute also clarifies language regarding the inclusion of "special water, drainage, irrigation or conservancy districts or other special districts created pursuant to law," as qualified entities under the PPRF program. Additionally the substitute adds language to the definition of a "public project" to include public recreational facilities, and public transportation systems.

FISCAL IMPLICATIONS

This bill should have no direct fiscal impact on the general fund. However, the PPRF program's loan capacity is limited by the amount of governmental gross receipts taxes it receives from the state and the capital funds it generates as a result. Therefore allowing more entities to apply for the same amount of loans could result in already qualified entities having a lower likelihood of receiving below-market financing. This means that existing qualified entities such as local governments, municipalities, school districts, and higher education entities may at times need to seek additional funding elsewhere.

New Mexico Finance Authority (NMFA):

> The PPRF is administered by the NMFA and receives an annual distribution of the state's Governmental Gross Receipts Tax (GGRT), which is approximately $30 million in FY09. The NMFA also generates capital funds through the issuance of tax-exempt bonds through pooled-bonding and repayment of loans. Although projects may be authorized, it does not guarantee a project will receive a loan. Loans or bonds are only structured upon an identified source of revenue sufficient to repay the loan.

SIGNIFICANT ISSUES

Public School Facilities Authority (PSFA):

> The NMFA has reported that they need specific legislative authorization to be able to make loans to charter schools. This bill specifically adds "charter schools" to the list of public project types that are eligible. House Bill 76 authorizes the NMFA to make loans to a number of entities including numerous public school districts and charter schools. PED reports that of the 67 charter schools in New Mexico, only 27 are partially or fully in public buildings. The lease purchase option is viewed as the primary vehicle that will

be used by charter schools to meet the provisions in 22-8B-4.2, which require approval of any new or renewal of existing charters after July 1, 2010 to be in public buildings or meet one of the other exceptions, which includes a facility under a lease purchase agreement that will meet adequacy standards. The Public School Capital Outlay Omnibus bill, Senate Bill 378 (Nava) proposes extending the deadline to 2015.

SB378 also proposes to extend the maximum term of lease purchase arrangements for schools from 20 to 30 years which may be necessary in order to make the financial terms feasible which are based on the annual lease payments required for these types of agreements, and the $700/MEM maximum reimbursement available through the PSCOC Lease Assistance Program. As most charters lack access to other sources of capital outlay, the funds required over this reimbursement would come from their operational budgets.

To date there has not been a lease purchase agreement entered into for a school facility under the Public School Lease Purchase Act, but there are a number of potentially forthcoming agreements in various stages of development. The PSFA will be required to assist PED in review and approval of these agreements.

The Standards-based Capital Outlay process for funding public school construction relies on supplemental severance tax bonds which flow to the public school capital outlay fund. Approximately 15% of the funds currently go to other uses including $7.3 million for lease assistance for school districts and charter schools. There is concern that the increased use of lease purchase arrangements will compete with other prioritized school needs in the NMCI ranked list.

RELATIONSHIP

SB 584 relates to HB 76 which authorizes various projects to be eligible for loans from the Public Project Revolving Fund (PPRF) Program. Included in this authorization bill are a number of different charter schools including:

- The Southwest Secondary Learning Centers in Bernalillo county for building, land and facilities acquisition and equipment projects;
- The East Mountain High Charter School in Bernalillo County for building, land and facilities acquisition and equipment projects;
- The Cottonwood Valley Charter School in Socorro County for building, land and facilities acquisition and equipment projects;
- The Twenty-first Century Public Academy in Bernalillo County for building, land and facilities acquisition and equipment projects;
- The South Valley Academy in Bernalillo County for building, land and facilities acquisitions and equipment projects;
- The Monte del Sol Charter School in Santa Fe County for building, land and facilities acquisition and equipment projects;
- The Robert F. Kennedy Charter School in Bernalillo county for building, land and facilities acquisition and equipment projects; and
- The New Mexico School for the arts in Santa Fe County for land acquisition and equipment, building, infrastructure and purchase projects.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this legislation is not enacted various governmental entities would not be explicitly defined as "qualified entities" and thus not be eligible for below-market rate loans from the PPRF Program. Additionally NMFA would not be allowed to issue bonds on behalf of the Renewable Energy Transmission Authority (RETA).

DMW/mt