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FISCAL IMPACT REPORT

SPONSOR	Madalena	ORIGINAL DATE	02/08/13	HB	284
SHORT TITLE	Promote Native American Sustainable Community	LAST UPDATED		SB	
				ANALYST	Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$2,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Indian Affairs Department (IAD)

Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

This bill appropriates \$2 million from the general fund to the Indian Affairs Department (IAD) in FY14 to a New Mexico-certified Native American community development financial institution (CDFI) with outreach to members of New Mexico Indian tribes, pueblos and nations. The fund would be used to develop financial tools that may be used to promote sustainable communities.

FISCAL IMPLICATIONS

House Bill 284 (HB 284) makes an appropriation of two million dollars (\$2,000,000) from the general fund to the IAD for expenditure in FY14 and subsequent fiscal years. This appropriation is not contained in the executive budget recommendation. Any unexpended balance remaining at the end of a fiscal year shall not revert to the general fund.

SIGNIFICANT ISSUES

The Mortgage Finance Authority (MFA) notes that HB 284 would provide additional financial capacity and financial tools to Native American communities beyond what currently exists. This would directly benefit New Mexico Indian tribes, pueblos and nations and their efforts to promote sustainable communities.

The IAD recognizes the importance of economic development and infrastructure development in relation to tribal self-determination. The IAD has goals in place to collaborate with appropriate state agencies, tribal governments, corporations and Native American organizations to enhance state government support for Native American economic development ventures and improve tribal governmental capacity to effectively compete for greater funding for and complete infrastructure projects. The IAD recognizes the importance of improving on the current state of economic activity in tribal communities in order to benefit our state as a whole.

The IAD has the capacity to administer the program identified in HB 284 with a New Mexico-certified Native American community development financial institution. The Tribal Infrastructure Fund (TIF), administratively attached to the IAD, has effectively risen to the status of a critically needed financial tool for New Mexico's Native American communities. However, by definition and necessity, TIF targets the tribal government sector exclusively—leaving the industrial and entrepreneurial sectors lacking access to capital. HB 284 would provide a funding mechanism to assist American Indian entrepreneurs.

It is thought that the bill would provide for a determination of the feasibility of, and could result in the creation of, a Native American Credit Union. Further, while the appropriation will not be used for the capitalization of a loan fund, the appropriation would be used toward seeking the appropriate resources to determine whether a revolving loan fund for economic development projects and housing projects would be feasible.

ADMINISTRATIVE IMPLICATIONS

The bill states that the appropriation is to be used to “enable a New Mexico-certified Native American Community Development Financial institution with outreach to members of New Mexico Indian tribes, pueblos and nations to fund the development of financial tools that may be used to promote sustainable communities.” The IAD would be required to develop a project with a CDFI with the stated qualities and qualifications.

OTHER SUBSTANTIVE ISSUES

The IAD provided background on CDFI's

A certified Community Development Financial Institution (CDFI) is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. CDFIs provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds. CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance from the CDFI Fund through the CDFI Program, Native American CDFI Assistance Program, and certain benefits under the BEA Program to support an organization's established community development financing programs. In 2001, the CDFI Fund published the Native American Lending Study, which identified 17 major barriers to investment in Native Communities and offered a variety of recommendations to address them. The Study affirmed the importance of developing Native CDFIs to play a key role in the broader effort to lead Native Communities into the nation's economic mainstream, and led to the creation of the CDFI Fund's Native Initiatives.

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Native Communities have some of the greatest barriers to accessing capital and basic financial services in the nation. As sovereign entities, Native Communities can also find it difficult to interact with, and benefit from, the private sector and even public programs. Specialized, mission-driven organizations called Native Community Development Financial Institutions—or Native CDFIs—help Native Communities to grow by increasing their access to credit, capital, and financial services.

The Native Initiatives generates economic opportunity for Native Communities by supporting the creation and expansion of these Native CDFIs, which in turn help to create jobs, establish or improve affordable housing, and provide appropriate financial services and counseling within their communities. The Native Initiatives provides support in two ways: through Financial Assistance and Technical Assistance awards provided by the Native American CDFI Assistance Program (NACA Program), and through trainings, technical assistance, and other resources provided by the Capacity Building Initiative.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The IAD notes that a new Mexico-certified Native American CDFI would likely lack sufficient funding for the development of financial tools to assist economic development and housing initiatives in tribal communities. The issue of lack of access to capital for tribal communities would remain unaddressed.

GG/svb