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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/13

SPONSOR Lundstrom LAST UPDATED _____ HB 418

SHORT TITLE Navajo Nation Chapter Economic Study SB _____

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$200.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Indian Affairs Department (IAD)

SUMMARY

Synopsis of Bill

House Bill 418 appropriates \$200 thousand from the general fund to the Economic Development Department for the purpose of conducting economic development feasibility studies as related to the new century economic development initiatives for the Crystal, Sanostee, Red Lake, Mexican Springs, Twin Lakes, Rock Springs, and Tsa-Ya-Toh chapters of the Navajo Nation.

FISCAL IMPLICATIONS

The appropriation of \$200 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall revert to the general fund.

SIGNIFICANT ISSUES

The Indian Affairs Department (IAD) expresses concerns regarding the limited number of chapters of the Navajo Nation specified in the bill, and both the IAD and Economic

Development Department (EDD) analyses reveal that while the bill includes studies for seven chapters, 45 of the 52 Navajo Nation chapters in New Mexico were excluded from the feasibility studies.

The IAD provides the following analysis.

The Navajo Nation has 110 chapter houses located on the reservation, located in three states: New Mexico, Arizona, and Utah. Fifty-two chapter houses are located in New Mexico, and this bill focuses on Crystal, Sanostee, Red Lake, Mexican Springs, Twin Lakes, Rock Springs, and Tsa-Ya-Toh – 7 of the 52 New Mexico chapter houses.

In October 2012, the EDD held a “new century economy summit” to gather ideas and build consensus from business, community, and economic development leaders throughout the state on how to create an economy for New Mexico’s second century of statehood. The EDD’s new century jobs agenda evolved from the summit. The agenda reflects the needs of the entire state and are not solely focused on rural areas.

The seven initiative of the legislative package are:

- Single sales factor – this allows companies to pay tax only on income from sales within the state.
- Corporate income tax reduction – the new century jobs agenda supports reducing the rate to 4.9 percent over a four year period to mirror the personal income tax. New Mexico currently has the second highest corporate income tax, at 7.6 percent, in a nine-state region.
- Local Economic Development Act (LEDA) – serves as a closing fund in recruiting companies to the state by providing funding to local governments for infrastructure tied to direct job creation.
- Job Training Incentive Program (JTIP) – invests in local workers by offering financial support for hiring and training new employees.
- Capital outlay reform – is a mechanism by which the state invests in infrastructure projects instead of taking a piecemeal approach.
- Spaceport informed consent legislation – this will make Spaceport America more competitive with the other 12 states that have passed this type of expanded informed consent.
- MainStreet investment – this works throughout the state’s downtown communities to create an economically feasible business environment through the preservation of historical and cultural locations.

ADMINISTRATIVE IMPLICATIONS

The bill tasks the EDD with conducting the studies, but department analysis shows it does not have the staff necessary to perform the studies internally; thus, the studies would be performed under contract, with guidance and oversight from department personnel. The IAD reports it often works collaboratively with the EDD on economic development projects that take place on tribal lands, and offers assistance as a resource to the EDD in conducting this study.

ALTERNATIVES

The EDD notes the alternative to the proposed legislation would be to make the appropriation and assignment of oversight of the studies to the IAD. The IAD established an economic development division that assists Native American entities with economic development efforts. However, the EDD also reports it has a tribal liaison program that works with Native American entities and with the IAD.

JC/svb:blm