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

		ORIGINAL DATE	02/18/13		
SPONSOR	HBIC	**LAST UPDATED**	03/05/13	**HB**	581/HBICS
SHORT TITLE	Local Economic Development Project Entities			**SB**	
				ANALYST	Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	**FY14**		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 581 amends Section 5-10-3 NMSA 1978 to expand the definitions in the Local Economic Development Act (LEDA) to include any business that is primarily engaged in the sale of goods or commodities at retail and is located in a municipality with a population of 10 thousand or less. The bill also amends Section 5-10-4 NMSA 1978 to add matching language allowing public expenditures or pledges of credit for retail business projects.

FISCAL IMPLICATIONS

There is no fiscal impact.

SIGNIFICANT ISSUES

This bill grants more flexibility to the EDD, counties, and municipalities by extending the definition of a "qualifying entity" to include retail operations in rural communities. The ability to use LEDA funds to promote retail development could result in reducing the leakage of gross receipts taxes from many counties and municipalities to neighboring larger municipalities, including those located outside New Mexico. Rural communities could benefit from increased gross receipts tax revenues, giving the county or municipality the ability to provide increased services to its citizens. In many cases retail development is the only type of development that can reasonably occur in certain locations.

The existing LEDA statute does not prevent or limit a political subdivision from recruitment of retail operations, it just does not allow for an incentive to be given or credited to that type of operation. By allowing retail operations to qualify for LEDA funds, requests to the EDD for funding assistance would probably increase significantly, particularly from businesses located in communities that do not have their own funding mechanism for LEDA projects.

The EDD analysis provides the following information.

> Appropriations to the EDD for LEDA projects have not been approved since 2008. Without additional funding, the EDD does not have the ability to provide grants to political subdivisions of the state to achieve job growth by attracting new companies or expanding existing businesses pursuant to the Local Economic Development Act, as currently written. (See RELATIONSHIP.)
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> Not all funding must come directly from the state, as there is a local funding option for LEDA projects. All political subdivisions of the state have the option to enact the local options gross receipts tax or set aside no more than 10 percent of their general fund expenditures for economic development purposes. However, to date, only eight political subdivisions statewide have opted for that provision to provide local funds to a project. To amend a state statute simply to expand the definition of “qualified entity” doesn’t necessarily mean that economic development goals and growth can be met if funds are unavailable.

RELATIONSHIP

This bill relates to the General Appropriation Act; the EDD requested $10 million for LEDA funding for FY14.

TECHNICAL ISSUES

The EDD analysis expresses concern regarding the lack of a comprehensive definition for retail businesses, and analysis advises that the bill limit the type of retail operations to only those types that do not currently exist in the relevant community and that “sin type” businesses be excluded from qualification.

OTHER SUBSTANTIVE ISSUES

The EDD analysis provides the following information.

> The relevance to the LEDA in a governance role means that a community has developed and adopted some form of economic development plan. This bill should require, if adopted, that use of this expanded language for retail be tied to an adopted and enacted economic development plan, CCI certification, state MainStreet designation, adopted Arts & Cultural District plan, a Metropolitan Redevelopment District per MRA Statute, and/or a downtown master plan. This is to ensure that best practices in economic development and long term strategic plans are being implemented by political

subdivisions. By doing so, communities would expand their capacity to attract new capital investment.

This bill could have an unintended adverse impact to existing retail businesses, and the focus on retention and expansion of current retail operations might suffer. The bill does not include any limits to type, residency of ownership, etc. – long-term commitments to the community do not exist in retail operations.

JC/blm:svb