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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/14

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Local Economic Development Projects SB 299

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$10,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	Unknown	Unknown		

(Parenthesis () Indicate Revenue Decreases)

Duplicates Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 299 appropriates \$10 million from the general fund to the Economic Development Department (EDD) for expenditure in fiscal year 2015 and subsequent years to support local economic development projects.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund. This appropriation duplicates an appropriation in the House Appropriations and Finance committee substitute to House Bill 2, which also provides \$10 million for local economic development projects.

There is no direct impact on revenues; however, enactment of the bill would assist state and local economic development efforts, which in turn could result in increased job creation and business investment. This potential economic growth would presumably result in a larger tax base.

SIGNIFICANT ISSUES

The appropriation of \$10 million for local economic development projects provides EDD flexibility to use the dollars as a closing fund to win business relocation projects. The Local Economic Development Act (LEDA), Section 5-10-1 through 5-10-13 NMSA 1978, allows funding for economic development projects, but the funding can only be used for land, buildings, and infrastructure (with limited exceptions). EDD has discretion to use LEDA funds to upgrade existing infrastructure for startups or existing companies already located in New Mexico or to use the funds to win relocation projects.

Legislation enacted in 2013 requires EDD to place clawback provisions into contracts for LEDA funds, requiring proportional payback of funds when companies fail to deliver the contractually-promised economic benefits, such as jobs or payroll. For FY15, the agency requested \$10 million for LEDA. None of the \$3.3 million FY14 appropriation has been expended yet, although EDD reports it has dedicated much of the funding to projects.

EDD reports LEDA funds are critical to the department's ability to recruit and retain businesses, because New Mexico is surrounded by states with sizeable closing funds used to recruit companies. For FY15, the department has a performance measure target requiring a five-to-one leverage ratio for private to public investment for LEDA projects. Therefore, if EDD receives the appropriation of \$10 million, this will be matched by an estimated \$50 million in private investment into these same projects. This will give the state a projected \$60 million of economic activity.

PERFORMANCE IMPLICATIONS

The appropriation contained in this bill and in HB 2 will improve EDD's ability to meet or exceed performance measure targets for job creation and business relocations and expansions.

ADMINISTRATIVE IMPLICATIONS

There is no significant administrative impact as EDD currently reviews local economic development projects to determine potential for funding through LEDA.

DUPLICATION

The appropriation contained in this bill duplicates an appropriation of \$10 million contained in HB 2.

JC/jl