

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Lundstrom **ORIGINAL DATE** 01/12/15
LAST UPDATED 02/27/15 **HB** 63/aHWMC

SHORT TITLE NMFA Public Project Revolving Fund Projects **SB** _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
			See Fiscal Implications

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance & Administration (DFA)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HWMC Amendment

The House Ways & Means Committee amendment authorizes the NMFA to make grants or loans from the water project fund to four additional eligible entities: 1) to the Anthony Water and Sanitation District in Dona Ana County for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects; 2) to the City of Las Cruces in Dona Ana County for the same purposes as above; 3) to the North Central New Mexico Economic Development District in Colfax, Los Alamos, Mora, Rio Arriba, San Miguel, Santa Fe and Taos Counties for building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights, solid waste and special assessment district projects; and 4) to the Estancia Valley Classical Academy in Torrance County for building, equipment, infrastructure, debt refinance, road, land acquisition, facilities acquisition, water, wastewater, water rights and solid waste projects.

Synopsis of Original Bill

House Bill 63, for the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to make loans from the public project revolving fund

(PPRF) for qualified state, local, and political subdivision entities statewide for 90 infrastructure projects. This bill contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 63 does not appropriate funds. The bill provides legislative authorization for NMFA to make loans in the interim from current PPRF capacity. A significant source of capital for infrastructure loans administered by NMFA is derived from an annual distribution of 75 percent of the state's Governmental Gross Receipts Tax (GGRT), approximately \$28.5 million for FY15. The cash balance for loans from PPRF as of October 15, 2014, was \$24.3 million.

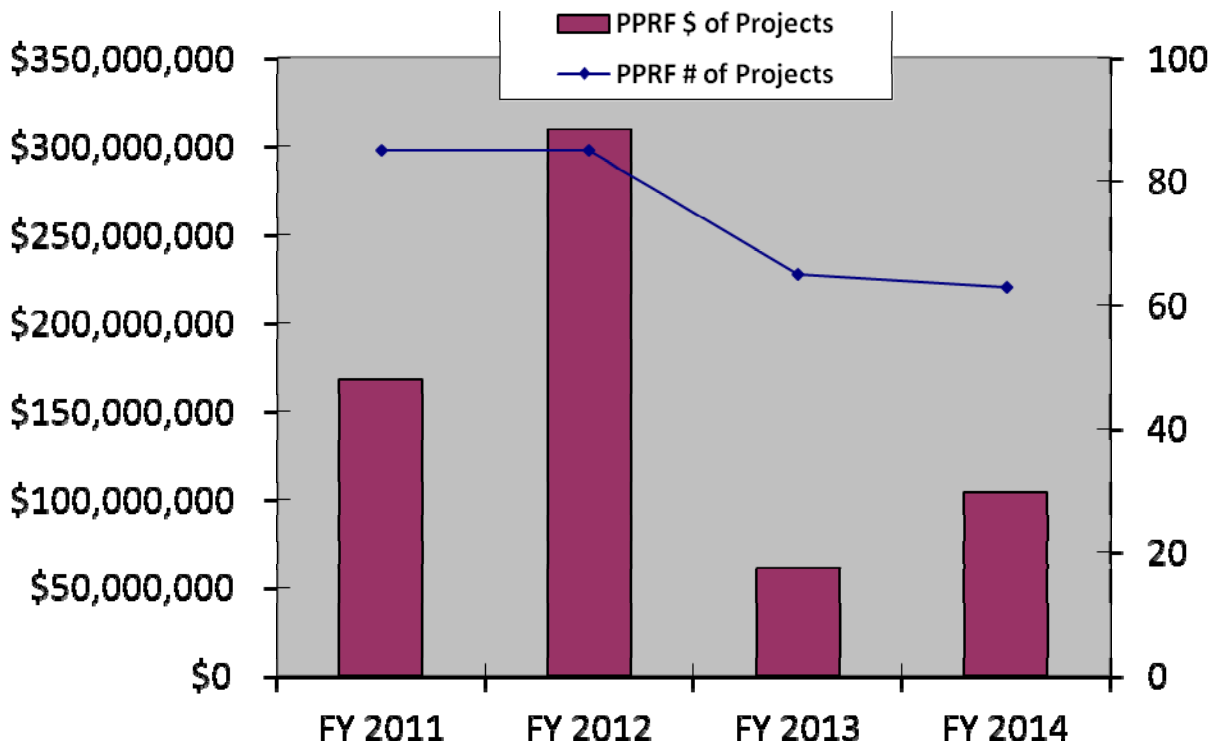
The authority leverages GGRT capital in the PPRF makes loans, and replenishes the PPRF by issuing bonds. Loans from PPRF are based on terms and conditions established by the NMFA.

The funds accrued from GGRT collections and loan repayments to PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts - \$26.5 million in a contingent liquidity account fund and \$30.2 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio.

The passage of this bill may reduce borrowing costs to qualified entities due to fixed interest rates for loans from the Authority. Additionally, interest rates may be subsidized further if borrowers qualify for disadvantaged funding provided by NMFA. The disadvantaged rates are determined based on an entity's Median Household Income (MHI) in relation to the state's MHI and provides 0% or 3% interest rates per entity per fiscal year. The rates for disadvantage funding are based on a maximum funding level of \$75,000 for each equipment loan and \$200,000 for each infrastructure loan per fiscal year.

SIGNIFICANT ISSUES

Section 2 of the bill voids legislative authorization to the NMFA to make a loan from the PPRF if a qualified entity does not notify the NMFA by fiscal year 2018 of its intent to pursue a loan. Legislative authorization provided by this bill does not guarantee the projects will receive a loan. Loans are only made to those entities with a sufficient source of revenue for repayment of the loan and other financial criteria established by NMFA. To date, the NMFA has made 1,200 loans from the PPRF totaling nearly \$2.5 billion. Of the loans, 629 loans totaling \$70.2 million were made to entities eligible for disadvantaged funding. Currently, \$1.75 billion for 788 loans from the PPRF remain outstanding. As provided by NMFA, the following graph demonstrates a history of loans made from PPRF:



OTHER SUBSTANTIVE ISSUES

The New Mexico Finance Authority (NMFA) was created as a governmental instrumentality in 1992 to coordinate and facilitate the planning and financing of state and local capital projects in New Mexico. As a non-governmental entity, NMFA is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The Authority partners with local government entities, state agencies, legislators, repeat borrowers, and financial advisors to carry out their mission while at the same time sustaining the capacity of loan programs administered by the NMFA.

LMK/jle/aml