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## FISCAL IMPACT REPORT

SPONSOR Padilla ORIGINAL DATE \_\_\_\_\_  
LAST UPDATED 01/21/15 HB \_\_\_\_\_

SHORT TITLE Local Economic Development Act Entities SB 32

ANALYST Sanogo

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	NFI	NFI	NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)

NM Department of Agriculture (NMDA)

### SUMMARY

The proposed legislation would remove language restricting Local Economic Development Act (LEDA)- funded retail development projects to municipalities with a population of ten thousand or less.

### FISCAL IMPLICATIONS

No fiscal impact.

### SIGNIFICANT ISSUES

The LEDA was amended in 2013 to permit the use of funds for retail development projects in rural areas (defined as municipalities with a population of ten thousand or less). The NMDA states that the proposed legislation will allow more business entities to qualify and take advantage of economic opportunities under LEDA.

However, the Economic Development Department (EDD) contends that retail projects do not exhibit the same return on investment as other economic development, and inefficiently employ the opportunities that NMDA describes. In defense of the 2013 amendment, EDD states retail

development is often the only economic development in rural areas. However, the agency asserts that using funds for unrestricted retail projects will dilute the economic multiplier effect that prior LEDA projects have generated.

Furthermore, the EDD states that any existing retail operations will be put at a substantial competitive disadvantage by incentivizing new businesses, an impact that will be greater in the rural community.

### **PERFORMANCE IMPLICATIONS**

Funding retail projects would significantly reduce the performance measures for funds appropriated for LEDA projects.

### **ADMINISTRATIVE IMPLICATIONS**

The prospective increase in demand for funds would place additional administrative burden on the program.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The LEDA program will continue to operate as an effective and valuable tool for recruiting businesses to New Mexico.

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