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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/16

SPONSOR Powdrell-Culbert LAST UPDATED _____ HB 218

SHORT TITLE Economic Development Grant Fund SB _____

ANALYST Clark

APPROPRIATION (dollars in thousands)

| Appropriation | | | | | Recurring or Nonrecurring | Fund Affected |
|---------------|-----------|------|------|------|---------------------------------|------------------|
| FY16 | FY17 | FY18 | FY19 | FY20 | | |
| | \$2,250.0 | | | | Recurring | General Fund |

Parenthesis () indicate expenditure decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY16 | FY17 | FY18 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|--------------|--------------|----------------------|------------------------------|------------------|
| Total | | Up to \$10.0 | Up to \$10.0 | Up to \$20.0 | Recurring | General Fund |

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 218 appropriates \$2.25 million from the general fund to the economic development grant fund for expenditure in fiscal year 2017 and subsequent fiscal years.

FISCAL IMPLICATIONS

The appropriation of \$2.25 million contained in this bill is a recurring 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.

There would be a small administrative cost to the Economic Development Department (EDD), primarily per diem and mileage costs for employees and members of the Economic Development Commission.

SIGNIFICANT ISSUES

The Economic Development Grant Act was signed into law in 2014 but without an appropriation to the newly created grant fund. The act created the economic development grant program within EDD to be overseen by the Economic Development Commission. The purpose of the act is to provide matching grants to local and regional economic development agencies to hire economic development professionals to enhance local economic development and job creation. The act requires the commission to:

1. establish and publish deadlines and guidelines for the submission of grant applications;
2. develop procedures for receipt, review, and approval of grant applications;
3. receive, review, and approve grant applications;
4. award grants to local and regional economic development agencies for up to 50 percent of the cost to the agencies to hire economic development professionals; and
5. monitor local and regional economic development agencies' use of grant money by reviewing annual reports submitted by those agencies to the commission.

The act also established basic requirements for applications for funding through the grant program and reporting requirements for local or regional economic development agencies that receive funding.

Many communities throughout New Mexico, particularly rural communities, do not employ someone tasked with promoting economic development by assisting new businesses, working to retain and grow existing businesses, or recruiting new businesses. EDD has a community, business, and rural development team that provides assistance to and coordination of many of these communities. The appropriation contained in this bill could provide substantial, direct assistance for communities; however, the Economic Development Commission would need to maintain significant oversight and develop additional guidelines for funding applications and reporting requirements if any statewide coordination of effort were to be possible for the positions funded by grants made possible by this appropriation.

PERFORMANCE IMPLICATIONS

The Economic Development Grant Act mandates the following performance reporting requirements. During the time that one or more economic development professionals are employed by a local or regional economic development agency using grant money, the agency shall report annually to the commission. A report shall include:

1. the name, dates of employment, and professional credentials of each economic development professional employed by the local or regional economic development agency using grant money; and
2. detailed information about each economic development professional's role and contributions to the local or regional economic development agency, including:
 - a. new jobs in the agency's local area or region or in the state that are attributable to the professional's efforts;
 - b. the number of cases that the professional completed;

- c. the number of cases that the professional managed;
- d. the number of job-creation leads generated by the professional; and
- e. the number of job-creation projects sourced through the professional's marketing efforts.

ADMINISTRATIVE IMPLICATIONS

There would be a minimal administrative impact to EDD as it assists the commission in administering the grant program.

OTHER SUBSTANTIVE ISSUES

EDD provided the following analysis and breakdown of how it would spend funds over multiple years.

EDD conducted a survey in November 2015 to determine how many, if any, economic development organizations have the matching funds required to apply for said funds. The agency determined there is a need and there would be a potential use by approximately 25 entities, which would fund 31 new positions. The agency worked with the Jobs Council to pare down the appropriation request from last year's \$4 million request to the request of \$2.25 million contained in this bill. The agency will administer \$750 thousand per year for three years in order to maintain continuity of the individuals hired by the economic development organizations.

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