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FISCAL IMPACT REPORT

ORIGINAL DATE 2/23/19

SPONSOR HAFC LAST UPDATED _____ HB 241/HAFCS/ec

SHORT TITLE Public Project Revolving Fund Projects SB _____

ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	See Fiscal Implications		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

The House Appropriations and Finance Committee Substitute for House Bill 241 adds 30 entities that have requested to be included in the legislation. The bill authorizes NMFA to provide loans from the public project revolving fund (PPRF) to 222 separate state and local government entities based on terms and conditions established by NMFA. This bill contains an emergency clause. The bill voids legislative authorization if a qualified entity does not notify NMFA by the end of FY2022 of its intent to pursue a loan from the NMFA.

FISCAL IMPLICATIONS

The bill does not appropriate funds, but may reduce borrowing costs to qualified entities as they will receive below market interest rates through the PPRF program. Additionally, interest rates may be subsidized further in instances where borrowers qualify for disadvantaged funding. The disadvantaged rates are determined based on an entity's median household income (MHI) in relation to the state's MHI and provides 0 percent or 2 percent interest rates.

SIGNIFICANT ISSUES

The authorization provided in HB241/HAFCS does not guarantee that these projects will receive a PPRF loan, as PPRF loans will only be made to those entities that can identify a sufficient repayment source and meet other financial criteria established by the NMFA.

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 NMFA partners with local government entities, state agencies, Tribes and Pueblos, legislators, repeat borrowers and financial advisors to carry out their missions while simultaneously sustaining the capacity of loan programs the NMFA administers.

NMFA Bonds are not obligations of the state and are not a factor in state bond ratings. The separate, stand-alone, existence of NMFA increases the overall capacity of the state to support infrastructure financing, especially for economically challenged communities.

NMFA has made over 1,597 loans from the PPRF totaling more than \$3.59 billion. Currently, 841 PPRF loans totaling approximately \$1.55 billion are still outstanding. The following graph showcases the recent history of loans made from the PPRF:

