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FISCAL IMPACT REPORT

SPONSOR Rubio ORIGINAL DATE 2/11/19
LAST UPDATED _____ HB 459

SHORT TITLE Local Government Loans to Businesses SB _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
See Fiscal Impact	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department

SUMMARY

Synopsis of Bill

HB459 amends the Local Economic Development Act to authorize municipalities and counties to make direct forgivable loans to businesses.

HB459 also includes opening, expanding, renovating or purchasing grocery stores or small food retailers to grocery stores or small food retail businesses under the definition of an economic development project.

HB459 also allows multiple grocery stores to be created within the same municipality or county under the retail business definition.

FISCAL IMPLICATIONS

HB459 amends the Local Economic Development Act to authorize municipalities and counties to make direct forgivable loans to businesses.

The Economic Development Department Submitted the Following:

HB459 allows municipalities and counties to support qualified projects with significant local

funding resources even if the projects do not demonstrate a financial need. There are more than 23 cities in New Mexico with companies in the Chain Supermarkets category alone and approximately 1,400 businesses in New Mexico overall that would qualify for assistance under this bill.

SIGNIFICANT ISSUES

The Economic Development Department Submitted the following:

Established economic development theory suggests that providing public support through the direct provision of funding assistance to retail enterprises does not significantly add new dollars to the overall economic ecosystem because those enterprises do not expand the economic base or add additional value to goods. However, access to retail enterprises, especially food enterprises, has been a recognized challenge for rural communities. To address that need, the LEDA act was amended in 2013 to allow for such assistance in small rural communities. HB459 goes beyond that amendment and allows for such public support for all retail food enterprises. This could be a significant financial burden to municipalities and counties if all qualified entities request public assistance under this Bill.

Section B (8) allows loans to “expand or renovate grocery stores or small retailers”, which may lead competing enterprises to request loans when they see that their competitors have received such loans for expansions and renovations. This “funding race” will be borne and subsidized by taxpayers of the municipalities and counties, not the establishments themselves, and may not yield any new economic benefits to the community.

By providing for “direct forgivable loans for opening, expanding, renovating or purchasing grocery stores or small food retailers,” HB459 expands the LEDA Act to allow for public funding for equipment and rolling stock, which is not allowable for other qualified entities within the Act.

TECHNICAL ISSUES

The Economic Development Department Submitted the following:

- This bill provides for direct forgivable loans but fails to define the conditions under which loans may be forgiven.
- Most municipalities or counties do not have the ability to determine underwriting criteria for establishing asset value, debt coverage or loan to value and are not set up to review, approve and service loans.
- HB459 defines a small food retailer as “a grocery store containing less than two thousand five hundred square feet and includes a small-scale store, corner store, convenience store, neighborhood store, small grocery, farm stand, mobile market, food hub or bodega”. Convenience stores are known profit centers anchoring fueling stations and are sometimes located in low income communities and have been shown to provide goods at significantly higher costs.
- HB459 does not define or limit the size of “grocery store” making the provision of public assistance to large national chains, such as Whole Foods, Albertsons, and Market Street allowable. Moreover, large national enterprises have greater access to these public loans because they have significant advantages in legal and financial professional resources

over the smaller “mom and pop” operations.

OTHER SUBSTANTIVE ISSUES

The Economic Development Department submitted the following:

Establishing a precedent for providing public funding for retail enterprises by municipalities and counties may lead to consideration of such expansion for State funds for the same entities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Economic Development Department submitted the following:

Failure to enact HB459 will mean that the Local Economic Development Act will continue to provide public assistance for capital improvements areas of land, building and infrastructure to entities that will be involved in expansions and relocations that will add new dollars and directly provide for new job creation into the existing local economic ecosystem.

JM/sb/gb