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FISCAL IMPACT REPORT

SPONSOR Munoz ORIGINAL DATE 1/31/2020
LAST UPDATED 2/07/2020 HB _____
SHORT TITLE Local & Regional Econ Development Support SB 118/aSCORC/aSFC
ANALYST Martinez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From
Economic Development Department (EDD)

SUMMARY

Synopsis of SFC Amendment:

The Senate Finance Committee (SFC) amendment makes technical corrections and to clarify the intent and limit the scope of the bill and addresses concerns that prior language could have been used to privatize government public service systems, such as water systems.

The amendment also strikes one of the prior amendments that made a grammatical correction, because the word that was corrected is part of the language struck by this amendment. The amendment also strikes two prior amendments that contained language regarding cultural facilities but replaces the language. All references to cultural facilities are putting back in place language that currently exists in statute but was inadvertently removed in the original bill.

The Economic Development Department provided the following:

The SFC amendment removes potentially confusing language that had been added to the list of qualifying entities and changes the rural, "shovel-ready" infrastructure language to specify it must be extensions or improvements to infrastructure rather than new infrastructure. For example, this enables funding for road extensions and utility extensions without allowing entirely new, standalone systems. By only allowing extensions and improvements, the amended bill establishes clarity that the language cannot be associated with any possibility of privatization of municipal infrastructure systems.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendments add back the ability for LEDA funding to assist cultural facilities projects. Additionally, they correct a typo replacing connectively with connectivity.

Synopsis of Original Bill

Senate Bill 118 creates the Local and Regional Economic Development Support Fund, and provides procedures for using money in the fund to support local and regional economic development projects.

The Economic Development Department provided the following:

The original bill amends the Local Economic Development Act (LEDA) to clarify existing statute and define the state's role and the local government's role. The first two sections of the bill are new language, outlining the state's ability to participate in projects. The bill allows three types of projects in which the state may participate:

1. Traditional LEDA projects for economic base jobs (existing types of LEDA projects in which the state currently participates)
 - o To define an economic base job, the bill mirrors the same language found in the Tax Increment for Development Act, the only other statute that defines the term, thus creating consistency for the term across statutes
2. Retail projects for communities with less than 15 thousand in population (new flexibility for state projects)
 - o The Economic Development Department (EDD) must determine the project does not substantially compete with existing retail businesses
3. Rural site infrastructure to create “shovel-ready” locations for businesses (new flexibility for state projects)
 - o Roads, rail, water, wastewater, power, broadband, etc.
 - o This infrastructure must be located on property owned by a local government, such as a city industrial park

The bill also amends LEDA for local governments to allow retail projects for communities with up to 15 thousand in population instead of the current 10 thousand in population, matching the new state ability to invest in this type of project.

Finally, the bill establishes the LEDA fund in statute, whereas the current LEDA fund only exists as a necessary creation within the state's accounting system.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

Senate Bill 181 does not carry an appropriation and will not have an impact on the Economic Development Departments operating budget.

Senate Bill 181 broadens the types of projects that qualify for LEDA funds which will create a greater demand for the fund, and greater need to continue to increase the fund with general fund revenue. As of January 2020, EDD states that there is currently \$67 million remaining in the LEDA fund.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The Economic Development Department provided the following:

This bill has no fiscal impact as it does not contain any appropriations and does not directly impact revenues. However, by allowing more flexibility for rural projects, it could lead to improved local economies and tax revenues across rural communities in New Mexico.

SIGNIFICANT ISSUES

The Economic Development Department provided the following:

This bill would allow flexibility for investments into a wider array of business projects in rural areas and allow up-front investments into hard infrastructure in industrial parks, business parks, and other lands owned by rural communities on which businesses may be recruited or expanded.

New Mexico faces infrastructure challenges to a degree many states do not because of its history as an economy primarily based on agriculture and natural resources. Other states that had more of an economic base presence developed more infrastructure over time to meet those industries' needs: roads, water, sewer, electricity, rail spurs, etc. Rural New Mexico faces a greater challenge because the state is so geographically expansive with a large number of rural communities facing severe economic and fiscal situations.

Companies sometimes want existing buildings but other times are willing to consider build-to-suit options. However, in that case they often want shovel-ready sites that already have the infrastructure in place so that only the building is needed. Developing infrastructure at the site can take additional time and funding and creates a level of uncertainty that does not exist at a significant number of sites in many other states.

LEDA funding currently cannot be used to address many existing infrastructure issues because it must be tied to a specific project by a company to bring economic base jobs to the area, and that company is on the hook to repay LEDA funds if targets are not met. The LEDA program works to address building needs or more minor infrastructure issues

but does not work well to address broader infrastructure issues or create an environment in advance that welcomes businesses.

PERFORMANCE IMPLICATIONS

The Economic Development Department provided the following:

This bill would give EDD additional tools to assist economic development projects in rural communities, increasing the department’s ability to meet its rural jobs targets.

RELATIONSHIP

The Economic Development Department provided the following:

This bill relates to Executive and LFC recommendations for a special appropriation for LEDA to include funding for rural infrastructure projects.

JM/al/rl/sb