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FISCAL IMPACT REPORT

SPONSOR Candelaria ORIGINAL DATE 01/25/21
 LAST UPDATED 02/25/21 HB _____

SHORT TITLE Public Project Revolving Fund Projects SB 88/aSf1#1/ec

ANALYST Olson/Kehoe

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY21 | FY22 | FY23 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-------------------------|------|------|----------------------|------------------------------|------------------|
| Total | See Fiscal Implications | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

- New Mexico Finance Authority (NMFA)
- Energy, Minerals and Natural Resources Department (EMNRD)
- Higher Education Department (HED)
- General Services Department (GSD)
- Economic Development Department (EDD)
- Office of the State Engineer (OSE)
- New Mexico Environment Department (NMED)
- New Mexico Spaceport Authority (NMSA)

SUMMARY

Synopsis of the SF1#1 Amendment

The Senate Floor #1 amendment to Senate Bill 88 provides legislative authorization for an additional 14 entities to pursue loans from the public project revolving fund (PPRF) based on terms and conditions established by the New Mexico Finance Authority (NMFA).

Synopsis of Original Bill

Senate Bill 88, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving fund (PPRF) to 146 separate state and local government entities based on terms and conditions established by NMFA.

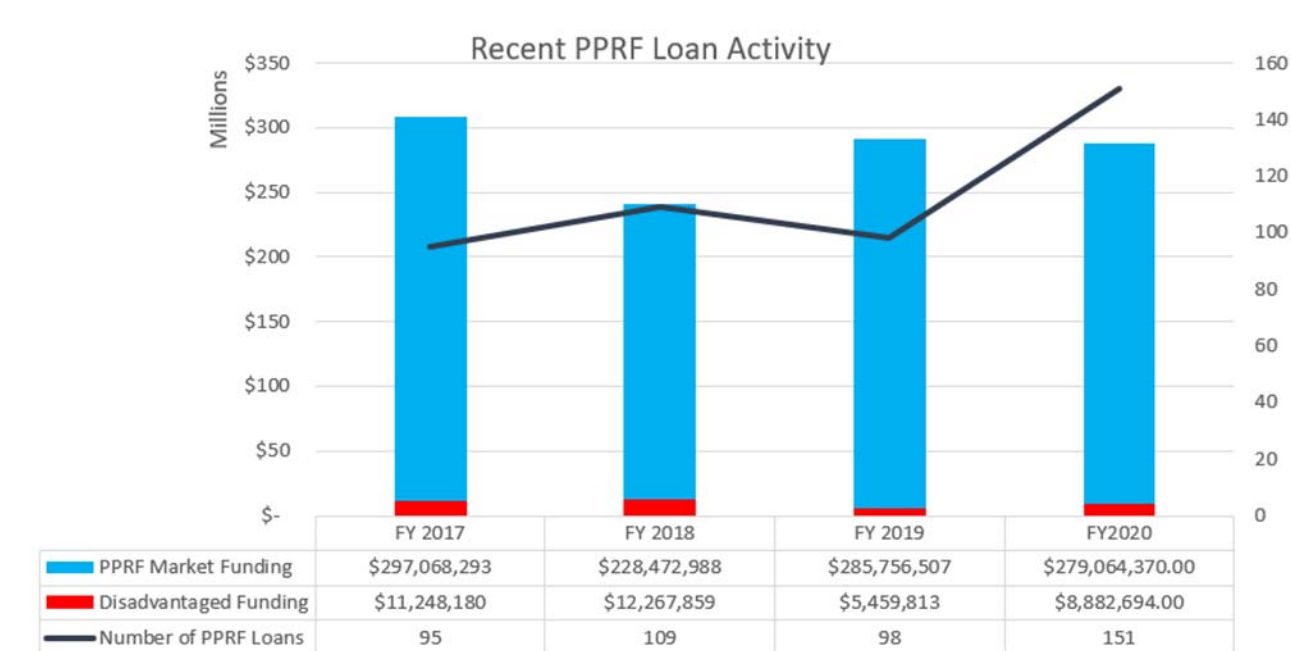
The bill voids legislative authorization if a qualified entity does not notify NMFA by the end of the fiscal year 2024 of its intent to pursue a loan from the NMFA. This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

The bill does not appropriate funds but may reduce borrowing costs to qualified entities because they would receive competitive market-driven 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 provide 0 percent or 2 percent interest rates per entity per fiscal year. The authorization provided by the bill does not guarantee the projects will receive a PPRF loan because 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 issued 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 1,879 loans from the PPRF totaling more than \$4.1 billion. Currently, 966 PPRF loans totaling approximately \$1.706 billion are outstanding. The following graph demonstrates the recent history of loans made from the PPRF:



Source: New Mexico Finance Authority

SIGNIFICANT ISSUES

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 can use financing mechanisms to leverage and maximize the state’s capital investments in state and local projects. 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.

Pursuant to Section 6-21-6 NMSA 1978, loans of \$1 million or less do not require specific authorization by the Legislature.

In past years, multiple bills making appropriations from the PPRF for individual funds have been introduced. This legislative year, the NMFA Oversight Committee endorsed an omnibus bill that includes appropriations to the drinking water state revolving loan fund, the local government planning fund, the wastewater facility construction loan fund, and the Cultural Affairs facility infrastructure fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 70 contains the following appropriations from the PPRF: \$2.5 million to the drinking water state revolving loan fund for a state match for a federal Drinking Water EPA capitalization grant; \$2 million appropriation to the local government planning fund for the purpose of making grants to public bodies for planning and feasibility studies; \$1.8 million appropriation to the wastewater facility construction loan fund as a state match for federal Clean Water EPA capitalization grants; \$5 million to the Cultural Affairs facilities infrastructure fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The entities authorized in this bill would be required to seek alternative financing at increased borrowing costs and may delay critical infrastructure projects.

SO/LK/rl/al