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FISCAL IMPACT REPORT

SPONSOR Padilla LAST UPDATED _____
ORIGINAL DATE 2/21/2023
SHORT TITLE Approval of Economic Development BILL _____
Projects NUMBER Senate Bill 327
ANALYST Dick-Peddie

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)
Economic Development Department (EDD)
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Senate Bill 327

Senate Bill 327 extends the sunset date (currently July 1, 2023) by which the New Mexico Finance Authority (NMFA) may approve standard projects under the Statewide Economic Development Finance Act without first seeking approval for each project through law.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

The Economic Development Department (EDD) and NMFA report no fiscal impact if the legislation is enacted, as it allows NMFA to continue to administer these programs it has been for the last four years.

However, NMFA notes that if the legislation is not enacted the agency and EDD may face administrative delays and, as a result, difficulty distributing funds. NMFA operates throughout the standard business cycle and many requests for financing under the Statewide Economic Development Act are immediate. Relying on legislative approval for projects during limited

legislative sessions significantly limits the types of projects the program can fund. When legislative authorization was first put in place for the act from 2006 to 2011, NMFA submitted 185 projects for authorization, 11 of which were approved, totaling just over \$11 million. Since the authorization was lifted, NMFA has approved 43 projects and awarded over \$19 million.

According to NMFA, the Legislature first chose to lift the legislative approval requirement because NMFA had received an influx of federal funds, including State Small Business Credit Initiative (SSBIC) funds. This year, NMFA has received an additional \$74 million in SSBIC allocations. Both EDD and NMFA emphasize that extending the sunset will greatly improve the agencies ability to collaborate and allocate funds to small businesses.

The sunset date has been extended three times since the Legislature first approved the provision in 2011.

SIGNIFICANT ISSUES

NMFA provided the following context on the various programs it administers under the Act:

NMFA first began to administer a program under the Act in 2006: the Smart Money Loan Participation Program allows NMFA to purchase a portion of a loan originated by local banks financing projects that create jobs and stimulate economic development in New Mexico. From 2006 through 2011 the Legislature authorized 185 projects through five authorization bills. In 2007, the Legislature did not pass an authorization bill and the 169 projects presented on that bill were unable to submit applications for funding. As a result of the failure to pass a legislative authorization bill, banks and businesses lost confidence in the ability of NMFA to provide financing assistance.

In 2011, in anticipation of receiving \$13.2 million in federal funds from the State Small Business Credit Initiative, the Legislature approved a temporary provision suspending the legislative authorization requirement.

NMFA also notes that the legislative authorization required if the sunset is not extended is a “third level of approval” for eligible entities seeking assistance. The Economic Development Finance Act already has strict definitions for eligible entities, which are then vetted and approved by EDD before being referred to the NMFA oversight committee for approval. NMFA staff also does a final vetting of projects to ensure they meet NMFA internal policies and requirements.

ALTERNATIVES

NMFA notes that it is still restricted by legislative approval for other types of financing, including approving projects for the economic development revolving fund, as existing statute differentiates “state projects” and “standard projects.” NMFA suggests the following alternative to provide the agency additional flexibility:

Eliminate the requirement for “standard projects” be authorized by the legislature prior to financial assistance is considered by NMFA by striking from 6-25-6 C “Beginning July 1, 2023, standard projects shall first be approved by law.”