

LFC Requester:

Cally Carswell

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: January 30, 2025 Check all that apply:
Bill Number: SB 170 Original Correction
 Amendment Substitute

Sponsor: Sen. Padilla, Rep. Dixon, Rep. Hernandez **Agency Name and Code** NMFA (385)
Short Title: NMFA DEFINITIONS, FUNDS & RATES **Number:** _____
Person Writing Fernando Martinez
Phone: 505.629.8382 **Email** fmartinez@nmfa.net

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
None	None	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
None	None	None	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Relates to SB 169
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 170 revises definitions in the New Mexico Finance Authority Act; amends permitted uses for money in the Public Project Revolving Fund (PPRF); revises economic development rates for gas and electric utilities; and provides for expedited ratemaking orders.

SB 170 adds electric utilities to the definition of “public projects” and adds rural electric cooperatives to the definition of “qualified entity”. The bill also creates a ten-year sunset of the requirement for public projects pursuant to the PPRF to be authorized specifically by law.

SB 170 amends the Public Utilities Act (“Act”) to allow public utilities to recover prudent and reasonable costs incurred for gas and electric utilities deployed for economic development projects, as defined by the Act. Cost recovery will be by a rate rider when the equipment and facilities begin serving the new load associated with the economic development project. Public utilities will be able to treat costs incurred for economic development projects not included in rates as a regulatory asset so that those costs would not be required to be written off as an expense without recovery, subject to review and approval by the Public Regulation Commission (“PRC”) will review public utility applications and certification by the New Mexico Economic Development Department (NMEDD) as economic development projects.

FISCAL IMPLICATIONS

NMFA does not anticipate any negative fiscal or administrative impacts from the modest expansion of the PPRF contained in SB 170.

SIGNIFICANT ISSUES

Timely and predictable access to infrastructure is essential for businesses in New Mexico wishing to expand and for attracting new businesses to New Mexico to promote and increase economic development. Creating site ready projects with essential infrastructure is likely to result in significant capital investment, tax revenues and jobs.

SB 170 create a predictable process for utilities that are interested in pre-deploying infrastructure to a site that has been deemed an economic development project by NMEDD. The current process for a utility is to have a customer sign an agreement before developing the infrastructure to serve that client, which could take several years. The lengthy time involved for deployment of new infrastructure puts New Mexico at a competitive disadvantage with other States for economic development.

SB 170 creates a funding mechanism to help support utility pre-deployment through the NMFA’s PPRF. SB 170 significantly reduces the time it takes once a site is determined to be suitable for economic development to install infrastructure necessary to get the business in operation.

SB 170 supports access to low-cost financing for infrastructure through the PPRF by including rural electric cooperatives as an eligible entity and by explicitly including electric utilities in the definition of public project. SB 170 provides public utilities access to financing offered by the PPRF, which lends to public borrowers at ‘AAA’ interest rates. PPRF achieves its strong credit rating through underlying loan structuring (including conservative coverage requirements, borrower debt service reserves and state revenue intercepts); portfolio diversification (across

revenue pledges, borrower types and locations); and program credit enhancements including a dedication of governmental gross receipts tax pledged in bond indentures and debt service reserve funds. In 2024, NMFA significantly expanded PPRF capacity for public entities that historically have been unable to access the program due to credit considerations through the creation of a super subordinated or junior lien. Public utilities, which pledge net system revenues to service debt, would benefit from the newly created junior lien capacity and from significantly lower borrowing costs relative to interest rates they would pay if issuing their own bonds.

SB 170 suspends requirements for legislative authorization for public projects under the PPRF until June 30, 2035. The existing requirement to obtain legislative authorization for public projects creates significant administrative hurdles, and delays in approving funding for public projects from the PPRF. As a result of not being able to access to the PPRF, public projects are either financed elsewhere at higher costs of capital or they may be altogether unable to advance due to prohibitive costs. NMFA administers various economic development programs under the Statewide Economic Development Act (SWEDFA), where the requirement to obtain approval for each project through law has been lifted since 2011, most recently by Senate Bill 327 (2023 Regular Session). As a result of lifting this requirement for projects financed under SWEDFA, NMFA has seen a significant increase in applications and approved funding awards from programs operated under the economic development revolving fund. NMFA expects SB 170's suspension of requiring specific legislative authorization under the PPRF could similarly increase the number of public projects able to access the PPRF and proceed expeditiously.

NMFA has achieved the most success in approving greater volumes of funding awards where program application processes are as streamlined as possible. NMFA supports shortening time periods for review and approval where administratively possible to allow for a greater volume of applications.