

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

| | | |
|--|---|---------------------------------------|
| SPONSOR <u>Senate Finance Committee</u> | LAST UPDATED <u>3/16/2025</u> | ORIGINAL DATE <u>1/25/2025</u> |
| SHORT TITLE <u>Public Project Revolving Fund Projects</u> | BILL NUMBER <u>CS/Senate Bill 115/ ec/SFCS/aHAFC</u> | ANALYST <u>Ortega</u> |

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

| Agency/Program | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|------------------|------------------|------------------|-------------------|---------------------------|---------------|
| | No fiscal impact | No fiscal impact | No fiscal impact | No fiscal impact | | |

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bill 41

Sources of Information

LFC Files

Agency Analysis Received From
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HAFC Amendment to Senate Bill 115

The House Appropriations and Finance Committee amendment to Senate Bill 115 (SB115) increases the number of entities eligible for public project revolving loan fund (PPRF) loans from 199 to 200, adding the board of regents for New Mexico State University and governing board of the Alamogordo branch community college district.

Synopsis of SFC Substitute for Senate Bill 115

The Senate Finance Committee substitute for Senate Bill 115 (SB115) authorizes the New Mexico Finance Authority (NMFA) to provide loans from the public project revolving loan fund (PPRF) to 199 state and local government entities based on terms and conditions established by NMFA. The bill voids legislative authorization if a qualified entity does not certify to NMFA by the end of FY28 its intent to pursue a loan from NMFA.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

SB115 does not make an appropriation. There is no fiscal impact to the state’s general fund.

The bill may reduce borrowing costs to qualified entities due to the competitive interest rates they receive on PPRF loans. Interest rates may be subsidized in instances where borrowers qualify for disadvantaged funding. Disadvantaged rates are determined by an entity's median household income (MHI) in relation to the state's MHI, with up to \$500 thousand in loans at either 0 percent or 2 percent interest rates per entity per fiscal year.

NMFA bonds are not obligations of the state and are not a factor in the state's bond ratings. NMFA and the PPRF increase the overall capacity of the state to support infrastructure financing, especially for economically challenged communities.

SIGNIFICANT ISSUES

Legislative authorization is required for NMFA to make loans from the PPRF in excess of \$1 million. Authorization does not guarantee projects will receive a PPRF loan. Loans will be made to those entities that can identify a sufficient repayment source and meet other financial criteria established by NMFA.

NMFA has made over 2,334 loans from the PPRF totaling more than \$4.97 billion. As of December 31, 2024, there are 1,149 PPRF loans outstanding totaling \$1.83 billion. The attached graph showcases the recent history of loans made from the PPRF.

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 is able to utilize financing mechanisms to leverage and maximize the state's capital investments in state and local projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB115 is related to House Bill 41, which appropriates \$13.25 million from the public project revolving loan fund (PPRF) for expenditure in FY26 and subsequent fiscal years. Appropriations are made to the following funds administered by NMFA: \$6.25 million to the drinking water state revolving loan fund (DWSRLF); \$2 million to the local government planning fund (LGPF); and \$5 million to the cultural affairs facilities infrastructure fund.

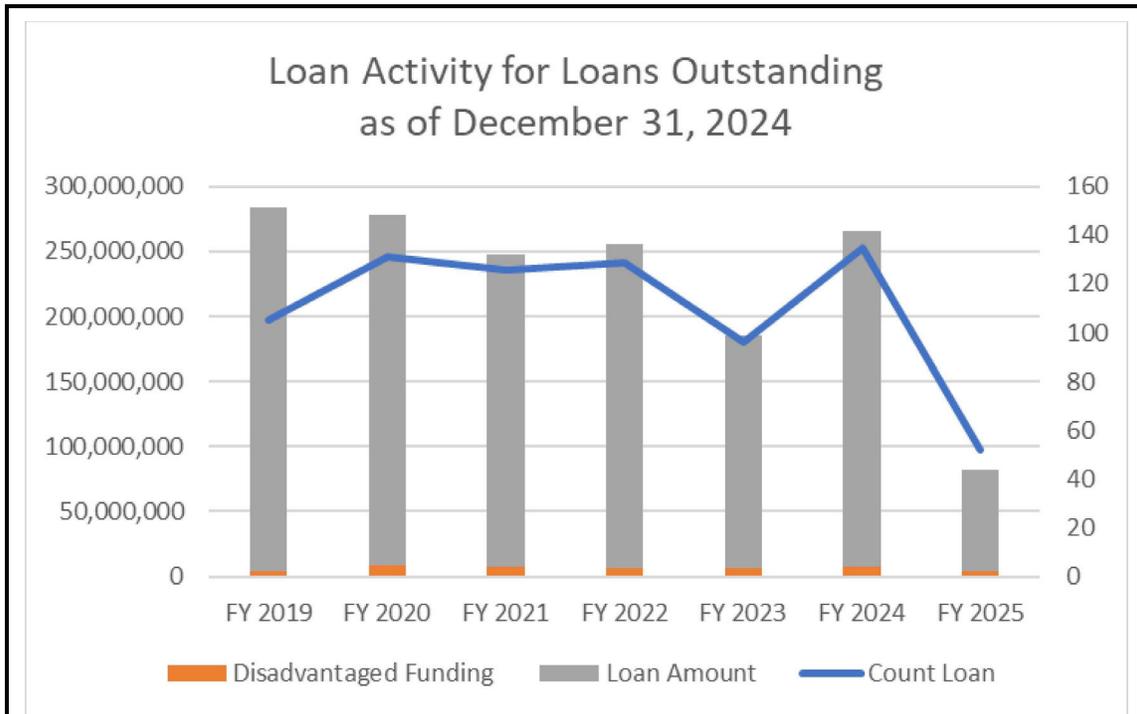
WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The entities named in SB115 would not be able to take PPRF loans greater than \$1 million. Those entities would have to seek alternative financing, which could increase borrowing costs and delay critical infrastructure projects.

Attachments

1. PPRF Loan Activity

PPRF Loan Activity



| | Count Loan | Disadvantaged Funding | Loan Amount |
|---------|------------|-----------------------|-------------|
| FY 2019 | 105 | 4,606,549 | 279,115,923 |
| FY 2020 | 131 | 8,638,404 | 269,810,023 |
| FY 2021 | 126 | 7,246,841 | 240,166,964 |
| FY 2022 | 129 | 6,477,969 | 248,557,992 |
| FY 2023 | 96 | 5,965,907 | 179,562,316 |
| FY 2024 | 135 | 7,780,773 | 258,455,406 |
| FY 2025 | 52 | 4,593,000 | 77,759,616 |