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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/09
 LAST UPDATED 3/03/09 HB 77/aHAFC

SPONSOR Varela

SHORT TITLE Drinking Water System Financing SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
\$2,000.0		Non-Recurring	Public Project Revolving Loan Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
\$2,000.0			Non-Recurring	Drinking Water State Revolving Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department

New Mexico Finance Authority

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 77 authorizes the state matching fund from the public project revolving loan fund instead of the general fund.

Synopsis of Original Bill

House Bill 77 appropriates \$2 million from the general fund to the drinking water state revolving loan fund to provide state matching funds for the federal Safe Drinking Water Act of 1974 to carry out the purposes of the Drinking Water State Revolving Loan Fund Act.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a non-recurring expense to the public project revolving (PPRF) loan fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the fund.

The \$2 million is expected to generate an additional \$10 million in federal funds. To date, the state has been awarded approximately \$75.5 million in capitalization grants from the United States Environmental Protection Agency. Approximately \$67.2 million of the funds is dedicated to the drinking water revolving loan fund and NMFA has provided an additional state match totaling \$15.1 million. As of June 30, 2007, NMFA funded 23 loans totaling approximately \$43.9 million. There are currently binding commitments to fund six additional loans totaling approximately \$35.6 million.

This bill contains an emergency clause.

SIGNIFICANT ISSUES

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted in 1997 in response to the re-authorization of the federal Safe Drinking Water Act (SDWA). The SDWA required the Environmental Protection Agency (EPA) to make capitalization grants to states over several years to further the health objectives of SDWA. The state Act created the drinking water state revolving loan fund and charged the New Mexico Finance Authority with establishing, in cooperation with the Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities. Laws of 2001 amended the Act to allow private community water systems to qualify for funding under the act and eliminate certain restrictions for refinancing existing water system debt in order to make state law consistent with federal law.

ADMINISTRATIVE IMPLICATIONS

A set-aside of approximately 31 percent, four percent for the New Mexico Finance Authority and the remainder for the Drinking Water Bureau of the New Mexico Environment Department provide operational costs for administration of the drinking water state revolving loan fund. According to NMFA, the set-asides are used as follows:

- a) develop technical, managerial, and financial capacity for local water systems;
- b) assist entities in qualifying for loans;
- c) provide technical assistance targeted to systems serving 10,000 persons or less;
and
- d) provide loans to community water systems that assist water systems to improve infrastructure and meet SDWA requirements

The Authority uses its portion of the set-aside to administer the fund for such expenditures as legal counsel, construction oversight, and technical review related to project completion.