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## FISCAL IMPACT REPORT

**SPONSOR** Cervantes **ORIGINAL DATE** 2/4/15  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_

**SHORT TITLE** Water Trust Fund Engineering Services **SB** 333

**ANALYST** Armstrong

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Environment Department (NMED)

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 333 appropriates \$200 thousand from the general fund to NMED to support two full-time equivalent positions to provide engineering services for NMFA's Water Trust Fund Program.

### FISCAL IMPLICATIONS

The appropriation of \$200 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY16 shall revert to the general fund.

NMED currently provides engineering services to the Water Project Fund Program under an agreement with NMFA, the cost of these services is paid out of the Water Project Fund. SB 333 provides general fund revenue to cover this cost. For FY15, NMFA estimates the cost of these services will total \$200 thousand – \$80 thousand for the Local Government Planning Fund and \$120 thousand for the Water Trust Board. Based on NMFA's cost projections, SB 333 overfunds NMED for oversight of Water Project Fund Program projects by \$80 thousand.

## **SIGNIFICANT ISSUES**

NMFA operates three state-funded programs that provide grants for infrastructure projects, namely the Water Project Fund, the Local Government Planning Fund, and the Colonias Infrastructure Project Fund. For the Water Project Fund and the Local Government Planning Fund, NMFA contracts for engineering and construction oversight with NMED's Construction Programs Bureau ("CPB"). NMED invoices NMFA quarterly for hours spent overseeing projects, and expenses are paid from the respective funds. NMFA analysis notes this decreases the amount of funds available for project grants.

SB 333 proposes to fund services for only one of NMFA's three programs that make grants to communities for infrastructure projects that could benefit from NMED's technical expertise. Although NMED provides oversight for grants from the Water Project Fund and the Local Government Planning Fund, Colonias Fund projects do not receive engineering and construction oversight because, according to NMFA, there are no funds to pay for such services. NMFA recommends amending SB 333 to include projects funded by the Colonias Infrastructure Project Fund and the Local Government Planning Fund.

## **ADMINISTRATIVE IMPLICATIONS**

SB 333 would simplify the budgeting and billing process at NMED for the Water program because it takes considerable time for engineering and financial staff to track billable hours and prepare the proper financial documents. However, the bill does not change the process regarding NMED oversight of projects under NMFA's Drinking Water State Revolving Loan Program and Local Government Planning Fund Program. This will require NMED to operate under a new process for Water Project Fund grants while continuing the technical reviews for the other two programs. By creating a new process without entirely doing away with the current process may require NMED to perform more administrative and financial tasks associated with oversight of NMFA grants.

## **TECHNICAL ISSUES**

According to NMFA, SB 333 requires an amendment by replacing the words "Trust" with "Project" on lines 12 and 19 to properly identify the program to which the appropriation is intended. Projects funded from the Water Project Fund are overseen by the WTB; the Water Trust Fund is a constitutionally created fund overseen by the New Mexico State Investment Council and provides a recurring annual appropriation to the Water Project Fund.

JA/je