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FISCAL IMPACT REPORT

ORIGINAL DATE 1/13/2016

SPONSOR Rodella LAST UPDATED _____ HB 19

SHORT TITLE Drinking Water System Financing SB _____

ANALYST Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	(\$1,800.00)	Nonrecurring	Public Project Revolving Loan Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	\$1,800.00		Nonrecurring	Drinking Water State Revolving Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

NM Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 19 appropriates \$1.8 million from the public project revolving loan fund to the drinking water state revolving loan fund providing matching funds for the federal Safe Drinking Water Act and for the purposes of the Drinking Water State Revolving Loan Fund Act. This bill is effective July 1, 2016. The bill is endorsed by the New Mexico Finance Authority Oversight Committee.

FISCAL IMPLICATIONS

This appropriation of \$1.8 million satisfies the 20 percent federal match requirement for the annual capitalization grant from the Environmental Protection Agency, which is estimated at \$8.8 million for state fiscal year 2017. The appropriation contained in this bill is for expenditure in fiscal year 2017 and subsequent years. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert. It is a non recurring expense to the public project revolving loan fund at the New Mexico Finance Authority (NMFA).

The funding will capitalize the low-interest loan program, with a base rate of two percent, for drinking water systems through the drinking water revolving loan fund (DWRLF). The NMFA reports the DWRLF has been capitalized by:

- \$181.3 million in federal awards;
- \$33.3 million in state match; and
- \$39.8 million in interests and loan repayments.

To date, NMFA has made 93 loans totaling \$168.6 million and has approved another eight loans totaling \$12.9 million.

SIGNIFICANT ISSUES

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in support of the 1996 amendments to the federal Safe Drinking Water Act. The purpose of this action was to provide local entities low-cost financial assistance for drinking water systems construction, rehabilitation, and compliance of drinking water regulations to protect drinking water quality and public health.

ADMINISTRATIVE IMPLICATIONS

The NMFA and the New Mexico Environment Department (NMED) share the responsibilities of administering the drinking water revolving loan fund. The capitalization grants allow for set-asides to be used in administering the technical aspects by NMED (up to 27percent) and the financial aspects by the NMFA (up to 4 percent). The maximum set-aside of 31percent is permitted per the terms of the federal capitalization grant.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this appropriation of \$1.8 million is not secured, thereby not meeting the 20% match requirement, an approximate \$8.8 million in federal funding to support drinking water systems statewide, will not be received by the state. There is then a potential impact to drinking water system's compliance with the federal Safe Drinking Water Act intended to ensure public health.