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

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR	Smith	ORIGINAL DATE LAST UPDATED		HB	141/aHGEIC
SHORT TITL	E Inventory Incompl	ete Water Projects		SB	
			ANALY	ST	Armstrong

APPROPRIATION (dollars in thousands)

Appropr	iation	Recurring	Fund Affected	
FY16	FY17	or Nonrecurring		
	\$500.0	Nonrecurring	General Fund	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION LFC Files

Response Received From New Mexico Environment Department (NMED) Department of Finance and Administration (DFA)

SUMMARY

Synopsis of House Government, Elections and Indian Affairs Committee Substitute

The HGEIC amendment requires the Environment Department (NMED) to report its findings and recommendations to the New Mexico Finance Authority as well as the Department of Finance and Administration (DFA) and the Legislative Finance Committee (LFC).

Synopsis of Bill

House Bill 141 appropriates \$500 thousand from the general fund to NMED to inventory unexpended water wastewater project capital outlay appropriations and report findings and recommendations to DFA and LFC. The bill asks NMED to identify each project's: legislative districts; intent, scope, and status; and existing barriers to completion.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2017 shall revert to the general fund.

House Bill 141/aHGEIC – Page 2

SIGNIFICANT ISSUES

According to DFA analysis, there are 347 active water and wastewater projects appropriated from 2012 to 2015 and totalling approximately \$97 million. Approximately \$25 million has been expended, leaving a balance of \$71.2 million. Considering which year the funds were appropriated, 78 percent of 2012 appropriations have been expended; 48 percent of 2013 appropriations; 14 percent of 2014 appropriations; and 10 percent of 2015 appropriations. These types of projects are authorized for four years, and the 2012 appropriations will expire at the end of FY16 unless they are reauthorized.

In addition to direct capital outlay appropriations, projects funded by the Water Trust Board with earmarked severance tax bond revenues had a balance of \$79.5 million as of December 2015. Combined with the outstanding capital outlay appropriations, there is \$207.3 million in appropriated but unspent funding for water projects.

Much of the information needed to address the purpose of the appropriation in this bill is available. For example, LFC staff uses data from DFA's Capital Projects Monitoring System to provide quarterly updates on the progress of capital outlay projects, including a summary of the 2014 water initiative.

ADMINISTRATIVE IMPLICATIONS

According to NMED, HB 141 would require additional staff time to investigate and produce the final study, whether completed entirely with in house staff or contracted to an outside consultant. NMED also noted this diversion of staff time could negatively impact agency performance.

TECHNICAL ISSUES

HB 141 states the study may be contracted out, but does not specifically allow the appropriated funds to be used to fund current NMED staff positions to complete the work. HB 141 also does not clearly state if the study would only pertain to water and wastewater projects administered out of NMED or would include those projects that are funded wholly or in part through capital outlay administered through other agencies as well. Additionally, HB 141 does not specify a time frame or deadlines for completion and reporting of the proposed study.

JA/jo/jle/al