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FISCAL IMPACT REPORT

SPONSOR: Taylor, J. G. DATE TYPED: 03/21/03 HB 835/aHAFC

SHORT TITLE: NMFA Water & Wastewater Project Grants SB _____

ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See narrative		
			See narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates Senate Bill 292, Senate Bill 273 and House Bill 90
 Duplicates Senate Bill 294

SOURCES OF INFORMATION

New Mexico Finance Authority (NMFA)
 Legislative Finance Committee Files (LFC)

SUMMARY

Synopsis of HAFC Amendment

House Appropriations and Finance Committee amendment to House Bill 835 deletes the \$150 million appropriation and makes several non-substantive corrections to the original bill.

Additionally HB 835/aHAFC adds new qualified entities whereby the New Mexico Finance Authority may make project grants from the water and wastewater project fund as outlined below:

- 116. to the village of Willard for a wastewater project in Torrance county;
- 117. to the Rowe mutual domestic water consumers association for a water project in San Miguel county;
- 118. to Cordova for a wastewater project in Rio Arriba county;
- 119. to Agua Fria for a water project in Santa Fe county;
- 120. to the city of Hobbs for water and wastewater projects in Lea county;
- 121. to the town of Silver City for a wastewater project in Grant county;
- 122. to the La Loma mutual domestic water consumers association for a water

- project in Guadalupe county;
123. to Grant county for a wastewater project in Grant county;
 124. to Shiprock for a wastewater project in San Juan county;
 125. to the city of Deming for water and wastewater projects in Luna county;
 126. to the village of Corona for water projects in Lincoln county;
 127. to the Vadito mutual domestic water consumers association in Taos county for a water project;
 128. to the Arroyo Hondo domestic water consumers association in Taos county for a water project;
 129. to El Salto domestic water consumers association in Taos county for a water project;
 130. to the Jemez Springs domestic cooperative in Sandoval county for a water project;
 131. to Gallup in McKinley county for water and wastewater projects; and
 132. to the Sile mutual domestic water consumers association in Sandoval county for water projects.

Synopsis of Original Bill

House Bill 835 appropriates \$150 million from the general fund to the Water & Wastewater Project Grant Fund for the purpose of granting funds for water & wastewater projects to qualified entities statewide; authorizes NMFA to provide grants to eligible entities for 116 projects statewide; voids authorization unless entities notify NMFA by the end of fiscal year 2005 of their desire to pursue a grant; and contains an emergency clause.

Significant Issues

The Water and Wastewater Facility Grant Fund Program (WWGF) administered by NMFA was created by the 1999 Legislature for the purpose of awarding grants for water and wastewater projects to qualified entities. The authorization provided in House Bill 835 does not guarantee that the entities or projects will be awarded a grant by NMFA. Applicants are screened by NMFA based on rules approved by the NMFA governing board and NMFA Legislative Oversight Committee. An entity's financial capability, the average water or wastewater rates charged and the entity's median household income could affect the amount of grant funding eligibility for each project. Under current law, NMFA is allowed to make a limited number of emergency water and wastewater project grants for up to \$3 million per fiscal year from WWGF without legislative authority.

The WWGF may also be used to combine NMFA's low-cost, low-interest rate loan financing with grants for water and wastewater projects. If a qualifying entity is unable to finance a project fully with loan funds, the entity could apply for a partial grant from grant funds and a partial loan from the Public Project Revolving Loan Fund (PPRF). A local match could be determined by a sliding scale based on the applicant's financial capability to repay a portion of the project from local resources. Laws 2002, Chapter 23, broadened the terms and condition for determining local match requirements for grants made from the WWGF. Provisions allow a qualified entity to receive a grant on behalf of another entity or other water systems based on the financial capacity of the residents of that geographic area benefiting from proposed improvements. The new definition allows the consolidating of small water and wastewater systems, discourages proliferation of multiple systems, and allows small entities to hook up to larger neighboring systems rather

than creating and maintaining their own system.

FISCAL IMPLICATIONS

House Bill 835 appropriates \$150,000.0 from the general fund to the Water and Wastewater Grant Fund. Projects contained in House Bill 835 indicate that \$350 million is needed to fund water and wastewater projects statewide.

The 2002 Legislature appropriated \$15 million to the Water & Wastewater Grant Fund. However, the bill providing legislative authority for awarding grants failed to pass the Senate. To date, approximately \$6 million of the funds have been expended for emergency projects in fiscal years 2002 and 2003. A balance of \$9 million remains in the fund.

RELATIONSHIP

Senate Bill 292 authorizes NMFA to make loans for certain statewide infrastructure projects from the Public Project Revolving Fund. If entities seeking financial assistance from NMFA do not qualify for a grant, it is possible the same entity is listed within Senate Bill 292 seeking legislative authorization for a loan.

Senate Bill 273 proposes to temporarily increase from \$3 million to \$5 million the amount NMFA may disburse per fiscal year for emergency projects without legislative authority. If approved, the increase would be in effect for fiscal years 2003 through 2006.

Senate Bill 294 duplicates House Bill 835.

House Bill 90 bill appropriates \$1 million from the general fund to NMFA's planning fund for feasibility studies for water and wastewater planning.

LMK/njw