

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 FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Snyder **DATE TYPED** 03/03/05 **HB** _____

SHORT TITLE Drinking Water System Financing **SB** 140/aSFC

ANALYST Kehoe

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|-------------------------------|
| FY05 | FY06 | FY05 | FY06 | | |
| \$2,000.0 | | | | Non-recurring | Public Project Revolving Fund |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|------|-------------------------|----------------------|------------------------------------|
| FY05 | FY06 | | | |
| \$2,000.0 | | | Non-recurring | Drinking Water Revolving Loan Fund |
| | | | | |

(Parenthesis () Indicate Revenue Decreases)

Duplicates House Bill 123, as amended.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment reduces the appropriation amount from \$4 million to \$2 million and appropriates the funds from the public project revolving fund rather than the general fund.

Synopsis of Bill

Senate Bill 140 appropriates \$4 million from the general fund to the drinking water state revolving loan fund to provide state match funds for carrying out the purposes of the federal Safe Drinking Water Act.

Significant Issues

The appropriation contained in this bill will provide a 20 percent state match toward federal allocations in federal fiscal years 2004 and 2005 totaling \$16.6 million for loans from the drinking water state revolving loan fund (DWRLF).

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in response to the re-authorization of the federal Safe Drinking Water Act (SDWA). The re-authorization required the Environmental Protection Agency (EPA) to make capitalization grants to states over the next seven years to further the health objectives of SDWA. The state act charged NMFA 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 to improve water quality in New Mexico. The Act created the drinking water state revolving loan fund administered by NMFA.

If statutorily authorized by the Legislature, loans from the Public Project Revolving Fund can be combined with loans from DWRLF to maximize dollars in the fund. As of June 30, 2004, NMFA has made 17 loans totaling \$21.1 million and committed an additional seven loans totaling \$33.5 million from the fund. Entities with binding commitments for loans totaling \$33.5 million include: Roosevelt County Water Cooperation, City of Santa Fe, City of Hobbs, City of Alamogordo, City of Aztec, City of Espanola, and Albuquerque/Bernalillo Water Utility Association.

Section 2 of the bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$4 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year will not revert to the general fund, but would remain in the drinking water state revolving loan fund.

ADMINISTRATIVE IMPLICATIONS

The SDWA allows a 31 percent set-aside of the annual federal allocation to be used for administrative activities of both the Drinking Water Bureau (DWB) of the state Environment Department (ED) and NMFA. NMFA utilizes 4 percent of the set-aside to administer the financial aspects of the program including legal support, construction oversight, and technical review. DWB utilizes the funds to provide technical support and capacity development to public water systems.

DUPLICATION

Senate Bill 140 duplicates House Bill 123, as amended, in its entirety.