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FISCAL IMPACT REPORT

SPONSOR Cervantes DATE TYPED 3/3/05 HB 294/aHTRC/aHAFC

SHORT TITLE NMFA Water & Wastewater Project Grants SB _____

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI				N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

New Mexico Environment Department (NMED)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendments delete the \$25 million appropriation from the bill, authorize NMFA to make a grant from the Water and Wastewater Project Grant Fund to La Union mutual domestic water consumers association in Dona Ana County for a water project, and make a technical correction to the title of the bill.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendments to House Bill 294 authorize NMFA to make grants for an additional 16 projects from the Water & Wastewater Project Grant Fund.

Synopsis of Bill

House Bill 294 appropriates \$25 million from the general fund to the water and wastewater project grant fund (WWGF) for the purpose of making grants to 18 qualified entities for water and wastewater projects and requests legislative authorization to make the grants.

Significant Issues

The 1999 Legislature created the WWGF within NMFA for the purpose of awarding grants for water and wastewater projects to qualified entities. The authorization does not guarantee that projects will receive funding. Criteria and rules established by the NMFA governing board and approved by the NMFA Legislative Oversight Committee must be met to qualify for assistance from the WWGF. Current rules provide that grants be limited to \$150,000 for equipment and \$400,000 for capital projects, unless otherwise authorized by law. The funds for the program are derived from the net proceeds of the sale of bonds authorized by law and payable from governmental gross receipts tax. The grant fund is also authorized to receive money appropriated by the legislature as well as other public or private monies.

The WWGF is also used to combine NMFA's low-cost, low-interest rate loan financing with grants for water and wastewater projects. For example, if a qualifying entity is unable to finance a project fully with loan funds, the entity could apply for a partial grant from grant fund and a partial loan from the 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.

A provision of the bill states that if a qualified entity listed within the bill has not certified to NMFA the need for a grant from WWGF by the end of fiscal year 2008, the legislative authorization is void.

The bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$25 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2005 and subsequent fiscal years shall not revert to the general fund.

OTHER SUBSTANTIVE ISSUES

Another 136 entities were authorized for grants from WWGF during the 2004 Legislature. To date, \$61 million has been granted from WWGF for 163 projects statewide.

LMK/lg:yr