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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/07

SPONSOR Lujan, B LAST UPDATED _____ HB 923

SHORT TITLE Tribal Infrastructure Appropriations SB _____

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$3,400.0	Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Indian Affairs Department

Department of finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 923 appropriates \$3.4 million from the general fund to the Indian Affairs Department to develop tribal infrastructure plans and to secure additional state and federal resources for basic infrastructure needs for tribal communities.

FISCAL IMPLICATIONS

The appropriation of \$3.4 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2008 shall revert to the general fund.

The appropriation appears to be non-recurring since “planning” implies a master plan development concept that would only need to be done once every few years. However, if the planning is on a project by project basis this could be and is construed as recurring. This cannot be definitely determined from the bill as written.

SIGNIFICANT ISSUES

Indian Affairs notes that the bill is supported by the New Mexico Tribal Infrastructure Board (“TIF Board”). The TIF Board is comprised of state, tribal, and federal representatives. In FY07, the TIF Board established the criteria for the selection of tribal infrastructure projects across the state, pursuant to NMSA §9-21-17 through 9-21-24, the Tribal Infrastructure Act, and discovered an enormous need on the tribal level for in-depth community planning and development of tribal infrastructure plans.

The probable intent of the bill is to ensure adequate financial resources for infrastructure planning and development for tribal communities; to provide for the planning and development of infrastructure in an efficient and cost effective manner; and to develop infrastructure in tribal communities to improve the quality of life and encourage economic development.

A U.S. Department of Energy (“DOE”) Navajo Nation study revealed that nearly 40% of homes on the Navajo Reservation are without basic utilities (18,000 homes) – many of these homes are located in NM. Based on the DOE study, Congress authorized \$15 million to be spent over 5 years which would have been used to provide utility service to nearly three quarters of Navajo homes. Unfortunately, the authorization for this federal appropriation expired and only \$6 million was federally appropriated, leaving a large majority of homes without utility service. Similar infrastructure challenges remain for other New Mexico tribal communities.

DFA offers the following background and comment regarding the bill.

Historically, Indian tribes have relied primarily on federal funding for a majority of the infrastructure development. However, federal funding for essential sanitation facilities, such as safe drinking water and adequate sewage systems has been diminishing. In fact, the Indian Health Service, the primary provider of these services, has a backlog of 275,000 Indian homes nationally and would require approximately \$1.9 billion to serve existing homes in 10 years. Many of these homes are located in tribal communities throughout New Mexico. With inflation, new environmental requirements and population growth in Indian communities, the current federal appropriations for infrastructure cannot address the immediate infrastructure needs of tribal communities.

Another barrier to infrastructure development is that Indian tribes have difficulty leveraging funds outside of the capital outlay process. There is a perceived higher risk of private lending to tribal governments because of their sovereignty status and due to jurisdictional and financial issues.

One of the primary purposes of the Tribal Infrastructure Act as described in Section 9-21-17 NMSA 1978 is to provide for the planning and development of tribal infrastructure in an efficient and cost-effective manner. Tribal infrastructure includes water and wastewater systems, major water systems, electrical power lines, communications, roads, health and emergency response facilities and infrastructure needed for economic development.

Significantly, HB-923 appropriates \$3.4 million to the Indian Affairs Department not for "brick and mortar" projects but for expenditure on planning activities related to infrastructure projects as well as assistance with the identification and acquisition of additional state and federal resources that could be used for basic infrastructure improvements. According to the Indian

Affairs Department, many tribes currently do not possess sufficient internal expertise and/or the resources needed to develop high quality infrastructure improvement proposals. HB-923 attempts to remedy this situation by providing funds for infrastructure planning and technical assistance. The comprehensive plans that are developed out of this process would then serve as a kind of "Master Plan" for future infrastructure improvement project.

MW/mt