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FISCAL IMPACT REPORT

ORIGINAL DATE 2-24-07
 SPONSOR Lujan, B. LAST UPDATED 3-08-07 HB 1179/aHENRC
 SHORT TITLE Rural Infrastructure Loan Cap & Scope SB _____
 ANALYST Aubel

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|----------------|-------------------------|---------------------------------------------|
| FY07 | FY08 | | |
| \$0.01* | *See narrative | Recurring | Rural Infrastructure Revolving Loan Fund |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Non-Rec | Fund Affected |
|-------------------|---------|---------|-------------------------|---------------------------|
| FY07 | FY08 | FY09 | | |
| | \$0.01* | \$0.01* | Recurring | Administrative Account |

Duplicates Senate Bill 1058/aSJC

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department (NMED)
 Energy, Minerals and Natural Resources (EMNRD)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HENRC Amendment

The House Energy and Natural Resources Committee Amendment makes three changes to HB 1179:

1. It strikes the “phrase “but not limited to” for definitions relating to “operate and

maintain”, “solid waste facility”, “wastewater facility”, and “water supply facility,” effectively limiting the scope of the definitions to that which is specifically listed.

2. In specifying remedies for NMED in response to a loan default, the Amendment strikes the specified means of remedy and reference to loan default, creating a broader authority for the department to “enforce its rights as provided by law.”
3. The payment options are expanded from annual to include monthly and quarterly schedules.

NMED concludes that these changes do not significantly affect the purpose or intent of the bill.

Synopsis of Original Bill

House Bill 1179 amends the Rural Infrastructure Act (Act) to allow the New Mexico Environment Department (NMED) to expand the scope of eligible communities, makes solid waste disposal projects eligible for funding, increases NMED’s authority to ensure project sustainability, and allows for administrative costs. HB 1179 also increases the grant portion funding from \$200 thousand to \$500 thousand, while increasing the maximum assistance for both loans and grants from \$500 thousand to \$2 million.

FISCAL IMPLICATIONS

The bill specifies that money in the fund is appropriated to the department to carry out the provisions of the Act, not to exceed 10 percent of the available uncommitted balance in the fund. Money allocated for administrative expenses will be placed in a separate administrative account and any unexpended or unencumbered balance remaining in this administrative account at the end of the fiscal year shall not revert to the rural infrastructure revolving loan fund.

SIGNIFICANT ISSUES

NMED lists the significant issues as follows:

- The definition of eligible entities is revised, raising the population limit from 10,000 to 20,000 and breaking out counties with populations less than 200,000. This is necessary to accommodate the addition of solid waste facilities as eligible projects because most are operated by counties with populations greater than 10,000.
- Solid waste facilities, in addition to water and wastewater facilities, would be eligible for loans. Few funding sources exist for solid waste projects and this would help fill that gap.
- Up to 10 percent of rural infrastructure revolving loan fund could be used to pay for administrative expenses necessary to carry out the provisions of the Act. NMED would need to project the administrative cost and place that amount in a separate account to be used solely for administration. This would help make this program self-sufficient and ensure adequate administration for the life of the 20-year loans.
- The annual cap on loans to an eligible entity would be raised from \$500,000 to \$2 million. That would bring the program in line with current construction costs and provide money for larger projects, such as solid waste projects. The current limit dates from the inception of the

Act in 1988. The limit for grants, as provided for in the Act, would also be updated from \$200,000 to \$500,000. Note that currently no funds are available for grants.

- NMED’s authority to manage the loans would be expanded to allow periodic reviews of operation, request financial statements and review the rate-setting analysis that supports the loan payments. Those changes provide more tools should the borrower become delinquent in his loan.

NMFA notes that with the increase of available funding for municipalities and counties with HB 1179, the RIP Loan would be in direct competition with NMFA’s Public Project Revolving Fund loan.

PERFORMANCE IMPLICATIONS

NMED maintains the agency would benefit from the proposed changes by providing greater ability to initiate projects that preserve surface- and groundwater quality. Potential borrowers would also benefit by having access to larger loans to completely fund projects that would protect human health and the environment.

ADMINISTRATIVE IMPLICATIONS

NMED states that it be better suited to manage and administer the loans with the increase in authority and the addition of revenue to support those tasks.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates Senate Bill 1058.

OTHER SUBSTANTIVE ISSUES

EMNRD suggests that this bill may increase the number of solid waste facilities. Although projected savings cannot be determined, solid waste management is a substantial operational and financial issue for the State Parks Division (SPD), which serves over 4 million people annually at parks located throughout the state. By increasing the number of communities eligible for these loans, as well as making solid waste handling facilities eligible for this loan program, it may result in increased access to solid waste facilities for agencies such as SPD, which operate in many rural areas. Having more, and hopefully closer, solid waste handling facilities may help limit increases or reduce hauling costs and solid waste management contract costs incurred by SPD to the extent increased availability of loans and grants to local entities may limit or reduce price increases to their customers, as well as allow them to offer more services to SPD.

NMED states that the New Mexico Municipal League, New Mexico Association of Counties, New Mexico Rural Water Association and the Solid Waste Association of North America endorsed this bill.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 1179 is not enacted, solid waste projects will not have an additional funding source and communities will continue to be restricted in the amount of the loan they can obtain from this program.