

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

ORIGINAL DATE 2-24-07
 SPONSOR Rodriguez LAST UPDATED 3-13-07 HB _____
 SHORT TITLE Wastewater Facility Construction Loan Fund SB 1060/aSFC
 ANALYST Aubel

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	.01*	*See narrative	Recurring	Clean Water Administrative Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 781.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department (NMED) – Construction Programs Bureau (CPB)
 Energy, Minerals and natural Resources Department (EMNRD)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment puts a cap on the administrative fee allowed from each local authority of 5 percent of the total loan amount. The amendment also clarifies that the fee shall be deposited in the clean water administrative fund.

Synopsis of Original Bill

Senate Bill 1060 creates a dedicated “clean water administrative fund” in the state treasury to be used by the New Mexico Environment Department for administering the “wastewater facility construction loan fund.” The clean water administrative fund allows monies, including accrued interest, to remain in a dedicated fund for administrative purposes.

SB1060 also amends Section 74-6A-3 NMSA 1978 (being Laws 1986, Chapter 72, Section 3, as amended) by adding a definition of and process for applying an “administrative fee” to be

collected by NMED on loans it administers pursuant to the Wastewater Facility Construction Loan Act (Act). Any administrative fees collected would be deposited in the clean water administrative fund. The amount of the “administrative fee” is to be set by regulation and approved by the Water Quality Control Commission.

FISCAL IMPLICATIONS

NMED specifies that creating the administrative fee would not increase the cost to the borrower to obtain a loan because the fee would be taken out of the interest payment on the loan and would be transparent to the borrowers.

The department would be able to use the fee for administrative purposes such as salaries, maintenance of the loan or other activities that is allowed under the Act. These expenses are currently paid by the administrative portion of the grant that is received from the U.S. Environmental Protection Agency (EPA).

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

Established in 1986, the wastewater facility revolving loan fund is more commonly referenced as the clean water state revolving fund (CWSRF). Through this program, NMED maintains a revolving loan fund to provide a source of low-cost financing, ranging from 3% - 0% up to 20 years, for a wide range of wastewater or storm drainage projects that protect surface- and groundwater. Repayments are recycled back into the fund to provide loans for additional water projects into perpetuity. NMED provides both the technical and financial expertise for these loans.

SB 1060 would establish an administrative fee that could be collected on each loan repayment to be used to pay for administrative expenses necessary to carry out the provisions of the Act. NMED believes that establishing a dedicated fund for administering the revolving loan fund would help make this program self-sufficient and ensure adequate administration for the life of the 20 year loans.

NMFA also points out that if the EPA were to stop providing funding for the wastewater facility construction loan fund, NMED would not have any funding to administer the fund. This administrative fee would be able to supplement the loss of any grant funding from EPA.

NMED states that the New Mexico Municipal League, New Mexico Association of Counties and the New Mexico Rural Water Association endorse this bill.

PERFORMANCE IMPLICATIONS

NMED claims it would be better suited to manage and administer the loans with the addition of

revenue to support these tasks.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to HB 781, which would transfer the CPB to an Office of Water Infrastructure.

OTHER SUBSTANTIVE ISSUES

NMED currently has 31 project loans that are being serviced and in the repayment process, with a combined outstanding balance of \$89.8 million. As of December 31, 2006, NMED is performing oversight of nine CWSRF construction loans, with an outstanding balance of about \$53 million.

NMED sends a public notice to communities once a year, usually in the spring, that applications for placement on the priority list are being accepted.

A project status report detailing the several programs administered by the CPB (including the CWSRF) is published semi-annually, as of December and June.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMED will not have access to a dedicated fund to cover its increasing administrative costs associated with its management of the wastewater facility construction loan fund.

MA/mt