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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/05/12

SPONSOR Vigil, R. LAST UPDATED \_\_\_\_\_ HB 260

SHORT TITLE Colonias Infrastructure Definitions SB \_\_\_\_\_

ANALYST Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
NFI	NFI	N/A	Colonias Infrastructure Fund (See Fiscal Impact Narrative)

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Environment Department (NMED)

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 260 amends the Colonias Infrastructure Act to change the definition of a “colonia” by eliminating the requirement that a recognized colonia be located within one hundred fifty (150) miles of the United States-Mexico border.

### FISCAL IMPLICATIONS

Effective January 1, 2012, the colonias infrastructure fund is capitalized with 5 percent of severance tax bond capacity, approximately \$13.2 million in FY12, to make loans and grants to qualified entities. The purpose of the set-aside of STB for colonias funding is to address critical infrastructure improvements in the state’s most impoverished areas. The administrative costs for the new colonias program created effective July 1, 2011, are incorporated into the costs of the water project fund program. It is important to note NMFA recently faced a funding shortfall for administering the water project fund.

Passage of House Bill 260 would make all rural communities under a population of 25,000 designated by the county as a colonias eligible to apply for financial assistance from the colonias infrastructure fund. There are limited funds available for critical infrastructure improvements for colonias. It is important to note federal funding leveraged for colonias projects, as defined by federal regulations, will only be available for those communities meeting the federal standards of a colonias—those meeting the 150 mile United States –Mexico border requirement.

Between 2005 and 2010, the Legislature has appropriated \$25.5 million for the colonias initiative to support critical infrastructure projects. To date, over \$45 million has been leveraged from federal, state, and private funding.

## **SIGNIFICANT ISSUES**

The U.S Department of Housing and Urban Development (HUD) defines “colonias” as “rural communities located within 150 miles of the US-Mexican Border.” Colonias often lack basic necessities like running water, electricity, and paved roads. There are over 140 designated colonias in 12 counties within New Mexico. Dona Ana County alone currently has 35 designated colonias.

Currently, the Colonias Infrastructure Act, Section 6-30-3(C), designates colonias as those rural communities with a population of twenty-five thousand or less located within 150 miles of the United States-Mexico border that: 1) has been designated as a colonias by the municipality or county in which it is located because of a lack of decent, safe and sanitary housing; has been in existence as a colonia prior to November 1990; and has submitted appropriate documentation to the board to substantiate the conditions of this subsection, including documentation that supports the designation of the municipality or the county. Most of the colonias fall within the 11 most southern counties in New Mexico. New Mexico Counties containing designated colonias include: Catron, Chaves, Dona Ana, eddy, Grant, Hidalgo, Lea, Lincoln, Luna, Otero, Sierra, and Socorro.

General characteristics of New Mexico colonias include:

- Lack of basic infrastructure and substandard housing;
- Family incomes between \$7,000 and \$19,000 annually;
- Water systems out of compliance and in violation of current laws and regulations (92 percent have potable water systems); and
- Many water systems lack the ability to supply enough water pressure for fire protection or suppression.

## **ADMINISTRATIVE IMPLICATIONS**

The Colonias program is administered by the New Mexico Finance Authority. According to NMFA, they do not have adequate staff to implement a statewide program for all entities of the state that would be eligible to apply for financial assistance from the colonias infrastructure fund. The NMFA estimates the volume of applications could range in the hundreds. The Authority issued a Request for Proposal in June 2011, for professional services to provide technical, managerial, and financial assistance to recognize colonias requiring infrastructure funding based on standards established by the federal government.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Bill 50 would reduce capacity for senior severance tax bonds from 50 percent to 45 percent for the purpose of depositing additional funds in the severance tax permanent fund. The bill further reduces the deposit of severance tax bond capacity for both the colonias infrastructure and tribal infrastructure funds from 5 percent to 2.5 percent. If the bill passes, approximately \$5.5 million would be available for each of the funds.

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