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FISCAL IMPACT REPORT

SPONSOR Papen **ORIGINAL DATE** 01/25/14
LAST UPDATED 01/27/14 **HB** _____

SHORT TITLE Local Government Planning Fund **SB** 31

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	(\$2,000.0)	Nonrecurring	Public Project Revolving Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	\$2,000.0		Nonrecurring	Local Government Planning Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

Office of the State Engineer, Interstate Stream Commission (OSE/ISC)

SUMMARY

Synopsis of Bill

Senate Bill 31, for the New Mexico Finance Oversight Committee, appropriates \$2 million from the public project revolving fund to the local government planning fund for the purpose of funding local government planning for water infrastructure, for development of water conservation plans, for long-term master plans or energy audits, and for the administrative costs of the local government planning program. The effective date of the bill is July 1, 2014.

FISCAL IMPLICATIONS

The local government planning fund (LGPF) is capitalized by funds authorized by the Legislature from the public project revolving fund (PPRF). The \$2 million appropriation from PPRF to LGPF is for expenditure in fiscal year 2015 and subsequent fiscal years. Any unexpended funds do not revert to the PPRF.

The New Mexico Finance Authority (NMFA) administers the LGPF and may make grants to qualified entities for a maximum amount of \$50,000 for planning documents. Grants to qualified entities are determined on a sliding scale based on the entity's median household income and local burden ratio. Entities are allowed more than one planning grant, but cannot exceed more than \$100,000 in a 24-month period. According to NMFA policy, additional consideration may be given to severely disadvantaged entities seeking funds for environmental informational documents for drinking water as may be required for federal funding consideration.

The NMFA reimburses direct costs from the LGPF to the Construction Program Bureau of the New Mexico Environment Department for the technical review and the recommendations of approval of planning documents related to water and wastewater infrastructure.

SIGNIFICANT ISSUES

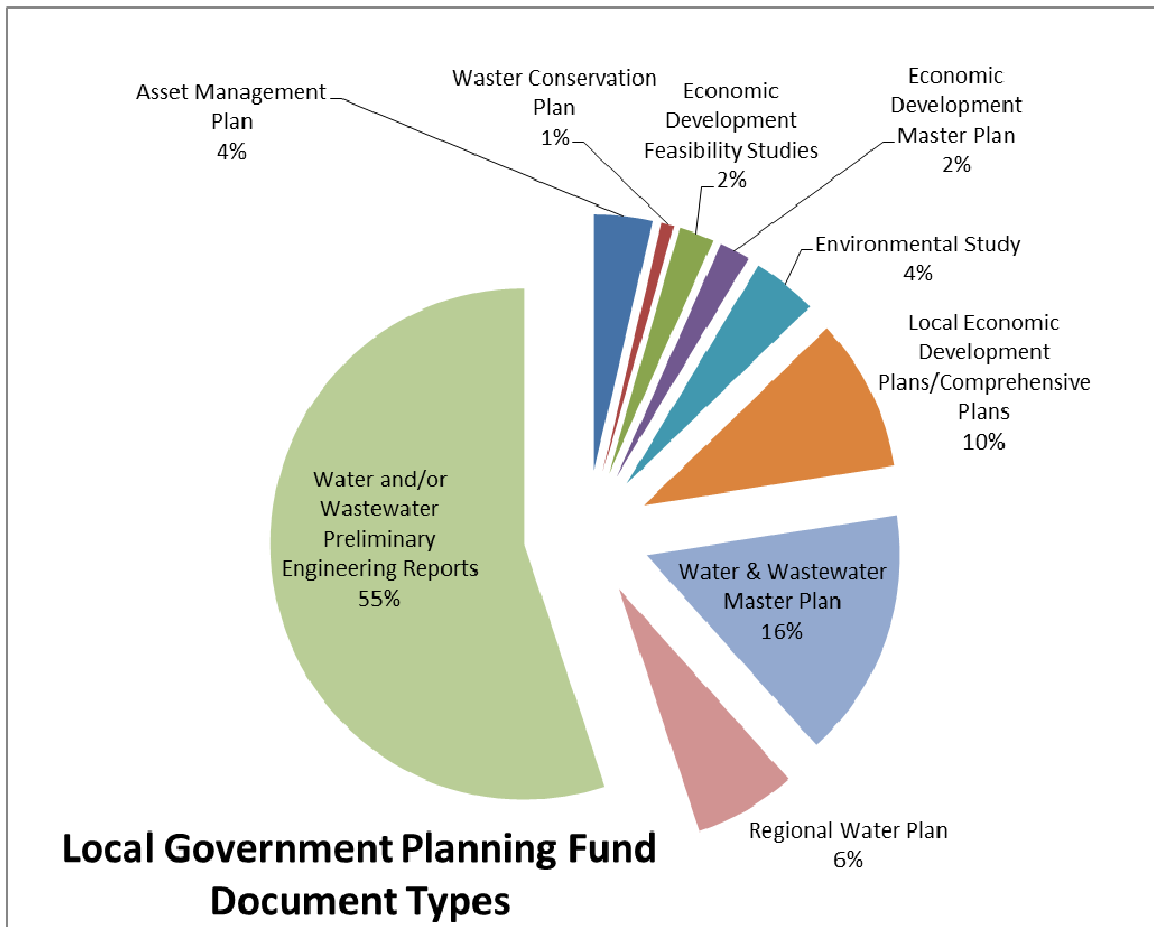
The Legislature in 2002 created the water and wastewater planning fund to provide grants to qualified entities to plan and estimate the costs of implementing the most cost effective means to meet water and wastewater public project needs and to assist in paying for the administrative costs of the program. In 2005, the Legislature changed the name to the local government planning fund and expanded the scope to allow planning grants for water conservation, long-term master plans, and economic development plans. In 2012, the Legislature amended the statute to include planning for infrastructure and energy audits and eliminated repayment requirements. Grants from the fund do not require legislative authorization.

Advancing funds to entities for the development of preliminary engineering reports provides for good planning, especially for water and wastewater infrastructure, and provides the necessary information for entities applying for federal funds.

As of December 2013, the NMFA has closed 102 project grants totaling approximately \$3.1 million from the LGPF. An additional \$1.7 million for 32 grants approved by the NMFA are in the process of completing planning documents before the grants can close.

PERFORMANCE IMPLICATIONS

According to the NMFA, the expansion of the program in 2012 has experienced a significant impact on the fund. As provided by the NMFA, the chart below illustrates the various plans and studies to date for water and wastewater infrastructure.



WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The NMFA indicates there is a high demand for planning funds to address critical needs to address federal violations relating to safe drinking water, waste water, and other water-related health issues. The LGPF currently has limited funds for planning purposes.

LMK/svb