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FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/14

SPONSOR Martinez, RC **LAST UPDATED** _____ **HB** _____

SHORT TITLE Land Grants in Colonias Act **SB** 83

ANALYST Daly

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$108.0	\$108.0	\$216.0	Recurring	Colonias and Land Grants- Mercedes Infrastructure Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
 Department of Finance & Administration (DFA)
 Attorney General's Office (AGO)
 New Mexico Environment Department (NMED)

SUMMARY

Synopsis of Bill

Senate Bill 83, for the Land Grant Committee, adds land grants-mercedes as eligible entities to receive funding under the newly renamed Colonias and Land Grants-Mercedes Infrastructure Act. It also adds two additional non-voting advisory board members to the governing board (for a total of seven voting members and seven advisory members): the executive director (or designee) of the North Central New Mexico Economic Development District and the chair (or designee) of the Land Grant Council. That board and the fund created under the Act are also renamed to reflect the expanded nature of the projects that may be funded under the Act.

FISCAL IMPLICATIONS

NMFA estimates the fiscal impact of this bill is the amount shown in the table above, which in the FY 15 figure includes funding the amendment of all of the Colonias Infrastructure fund policies, by-laws, and rules, much of which will require multiple public hearings as part of that

process. Other recurring expenses include the cost of an additional staff member to NMFA to assist and train the additional eligible entities, travel for staff to additional hearings throughout the entire state, and per-diem and mileage for the two new board members.

The newly renamed fund would continue to be funded pursuant to the set-aside already in statute.

SIGNIFICANT ISSUES

A colonia is defined in the Act as a rural community with a population of 25,000 or less located within 150 miles of the United States-Mexico border that has been so designated by the municipality or county in which it is located because it lacks a potable water supply, adequate sewage systems or decent, safe and sanitary housing. See Section 3I(1)(a),(b) and (c). It should be noted that this bill does not require a land grant-mercedes seeking funding under this Act be lacking any of these basic infrastructure needs.

Additionally, as both NMFA and DFA point out, the inclusion of land-grants recedes as eligible entities will dilute the available funds to colonias by expanding a program that was originally intended to fund only qualified projects within designated colonias (i.e., within 150 miles of the United States-Mexico border), converting it to a statewide program available to land grant-mercedes, with no geographic restrictions. NMFA reports there are 155 designated colonias located within eleven southern counties and all within 150 miles of the Mexico-United States border. Currently, there are 25 land grants-mercedes that are political subdivisions of the state. DFA advises that five percent of the severance tax bonding capacity is allocated to the Colonias Infrastructure Act project fund. During the 2013 application cycle, \$16.6 million was available and awarded, out of \$45.2 million in capital requests received.

Similarly, NMED (whose secretary or designee is a voting member of the board) comments that adding to the number of eligible entities that could apply for these funds makes the funding process more competitive. Though the number of eligible entities will increase, without additional appropriations either the number of projects funded will remain constant or the amount distributed will decrease across a broader pool of applicants.

DFA notes a lack of knowledge as to how many land grant-mercedes operate as a political subdivision of the state, which is a requirement for funding under SB 83, as well as how many have the necessary systems in place to properly expend capital outlay funds. The Land Grant Council is directed under existing law (NMSA 1978, Section 49-11-3) to work with land grant-mercedes with technical support and capacity. However, it is not authorized to ensure that land grant-mercedes are correctly complying with state law governing political subdivisions.

MD/ds