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FISCAL IMPACT REPORT

SPONSOR Crowder/Sen. Martinez **ORIGINAL DATE** 1/27/17
LAST UPDATED _____ **HB** 64
SHORT TITLE Wastewater System Financing **SB** _____
ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	\$1,300.0	Nonrecurring	Public Project Revolving Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
	\$1,300.0		Nonrecurring (state contribution from PPRF)	Wastewater Facility Construction Loan Fund
	\$6,500.0		Nonrecurring (federal match)	Wastewater Facility Construction Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Environment (NMED)

SUMMARY

Synopsis of Bill

House Bill 64 is an appropriation of \$1.3 million from the public project revolving loan fund (PPRF) to the wastewater facility construction loan fund for expenditure in fiscal year 2018, and subsequent fiscal years, providing state matching funds for the federal Clean Water State Revolving Loan Fund distributions and to carry out the purposes of the wastewater facility construction loan act. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the public project revolving loan fund.

FISCAL IMPLICATIONS

HB 64 appropriates \$1.3 million from the PPRF to the wastewater facility construction loan fund. This state match will leverage \$6.5 million of federal funding to be added to the fund's balance and be available for loans for eligible projects. NMED's Construction Programs Bureau administers the wastewater facility construction loan fund, issues loans and oversees projects. The matching funds are requested annually for the capitalization grants from the U.S. Environmental Protection Agency (EPA) to carry out the purposes of the Clean Water Act. The appropriation is an eligible appropriation from the PPRF as administered by the New Mexico finance authority.

SIGNIFICANT ISSUES

The wastewater facility construction loan fund was created and capitalized by the United States Congress in 1987. Since its inception Congress has provided EPA with annual appropriations for the fund that EPA then allocates to each state. These allocations are in the form of an annual capitalization grant to NMED. Each annual federal grant requires a 20 percent state match. The CWSRF provides low interest loans and grant/loan funding to communities, both large and small, across the state for wastewater and storm water projects. Total historical assistance from the CWSRF to New Mexico communities to date is \$400.2 million. The fund has revolved over one and one-half times during the 30-year life of the program.

In FY18, the state can leverage a federal appropriation of \$6.5 million with the \$1.3 million state match. Of this amount, the state will be allowed to utilize up to \$1.9 million for grant subsidies to eligible entities for combination grant/loan funding packages.

According to NMED data, the wastewater facility construction loan fund had a balance of \$150 million, including an unobligated balance of \$88.9 million, in January 2017. NMED reports continued difficulty in attracting communities to its loan programs due to the preference for, and availability of, grant funding, and despite offers of interest-free loans mixed with grants in some instances. The agency is requesting approval for lowering the maximum interest rate in an effort to loan more funds to communities.

JA/sb