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### FISCAL IMPACT REPORT

SPONSOR:	Taylor, J.G.	DATE TYPED:	02/09/00	HB	139/aHTRC
SHORT TITLE:	Drinking Water System Financing			SB	
				ANALYST:	Kehoe

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
\$ 1,540.0				Recurring	PPRF

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

### SOURCES OF INFORMATION

New Mexico Finance Authority (NMFA)

LFC Files

## **SUMMARY**

### Synopsis of HTRC Amendment

House Taxation and Revenue Committee amendments to House Bill 139 amends the bill to include the statutory citation of the Drinking Water State Revolving Loan Fund Act; and changes the appropriation to come from the public project revolving fund instead of the general fund.

### Synopsis of Original Bill

House Bill 139 appropriates \$1,540.0 from the general fund to the Drinking Water State Revolving Loan Fund to carry out the purposes of the Drinking Water State Revolving Loan Fund Act.

### Significant Issues

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in response to the reauthorization of the federal Safe Drinking Water Act (SDWA). The re-authorization requires the Environmental Protection Agency (EPA) to make capitalization grants to states over the next six years to further the health objectives of SDWA. The NMFA, in cooperation with the Environment Department, established a loan program from the fund to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

The appropriation in House Bill 139 would provide the 20% state match for a future Safe Drinking Water Act grant from EPA. The appropriation will match a federal grant of approximately \$7.7 million.

## **FISCAL IMPLICATIONS**

The bill appropriates \$1,540.0 from the general fund. Any unexpended or unencumbered balances remaining at the end of a fiscal year shall not revert to the general fund. If matching funds continue to be required, the appropriation will be recurring.

### **ADMINISTRATIVE IMPLICATIONS**

The Environment Department is responsible for assessing and certifying projects for program eligibility and the NMFA will have oversight in determining criteria and approval for the loan process.

### **OTHER SUBSTANTIVE ISSUES**

As of the end of calendar 1999, the NMFA has made five loans totaling \$2.2 million since December 1998, and expects to make another eight loans for nearly \$7.8 million from the Drinking Water Revolving Loan Fund during FY2000. In addition to the DWSRLF has a lending capacity of \$1.4 million. The NMFA received and deposited into the DWSRLF a \$13 million capitalization grant from the EPA for the second and third years of the program at the end of 1999.

### **POSSIBLE QUESTIONS**

- What are some of the reasons preventing eligible entities from proceeding with their projects?
- If a qualifying entity does not have the revenue stream to qualify for a loan from the fund, what other resources are available for their safe drinking water project?
- Does NMFA have a listing of the communities eligible for a loan from the fund?

LMK/gm