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## FISCAL IMPACT REPORT

SPONSOR: Campos DATE TYPED: 03/19/03 HB \_\_\_\_\_  
 SHORT TITLE: NMFA Water & Wastewater Projects SB 294/aSCONC/aSFC  
 ANALYST: Kehoe

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates Senate Bill 292, Senate Bill 273 and House Bill 90

### SOURCES OF INFORMATION

New Mexico Finance Authority (NMFA)  
 Legislative Finance Committee Files (LFC)

### SUMMARY

#### Synopsis of SFC Amendments

Senate Finance Committee amendments to SB 294/aSCONC deletes the \$150 million appropriation from the title and contents of the bill and provides legislative authorization to NMFA to make grants for 7 more projects to eligible entities from the Water & Wastewater Project Grant Fund.

#### Synopsis of SCORC Amendment

Senate Conservation Committee amendments to Senate Bill 294, Items 1 through 6, are technical corrections; Item 7 provides legislative authorization to NMFA to make grants to 10 eligible entities for 11 projects totaling approximately \$39 million.

#### Synopsis of Original Bill

Senate Bill 294 appropriates \$150 million from the general fund to the Water & Wastewater Project Grant Fund for the purpose of granting funds for water & wastewater projects to qualified entities statewide; authorizes NMFA to provide grants to 115 entities for 175 projects statewide; voids authorization unless entities notify NMFA by the end of fiscal year 2005 of their desire to

pursue a grant; and contains an emergency clause.

### Significant Issues

The Water and Wastewater Facility Grant Fund Program (WWGF) administered by NMFA was created by the 1999 Legislature for the purpose of awarding grants for water and wastewater projects to qualified entities. The authorization provided in Senate Bill 294 does not guarantee that the entities or projects will be awarded a grant by NMFA. Applicants are screened by NMFA based on rules approved by the NMFA governing board and NMFA Legislative Oversight Committee. An entity's financial capability, the average water or wastewater rates charged and the entity's median household income could affect the amount of grant funding eligibility for each project.

The WWGF may also be used to combine NMFA's low-cost, low-interest rate loan financing with grants for water and wastewater projects. If a qualifying entity is unable to finance a project fully with loan funds, the entity could apply for a partial grant from grant funds and a partial loan from the Public Project Revolving Loan Fund (PPRF). A local match could be determined by a sliding scale based on the applicant's financial capability to repay a portion of the project from local resources.

Laws 2002, Chapter 23, broadened the terms and condition for determining local match requirements for grants made from the WWGF. Provisions allow a qualified entity to receive a grant on behalf of another entity or other water systems based on the financial capacity of the residents of that geographic area benefiting from proposed improvements. The new definition allows the consolidating of small water and wastewater systems, discourages proliferation of multiple systems, and allows small entities to hook up to larger neighboring systems rather than creating and maintaining their own system.

### **FISCAL IMPLICATIONS**

The 2002 Legislature appropriated \$15 million to the Water & Wastewater Grant Fund. However, the bill providing legislative authority for awarding grants failed to pass the Senate. To date, approximately \$6 million of the funds have been expended for emergency projects in fiscal years 2002 and 2003. A balance of \$9 million remains in the fund.

### **RELATIONSHIP**

Senate Bill 292 authorizes NMFA to make loans for certain statewide infrastructure projects from the Public Project Revolving Fund. If entities seeking financial assistance from NMFA do not qualify for a grant, it is possible the same entity is listed within Senate Bill 292 seeking legislative authorization for a loan.

Senate Bill 273 proposes to temporarily increase from \$3 million to \$5 million the amount NMFA may disburse per fiscal year for emergency projects without legislative authority. If approved, the increase would be in effect for fiscal years 2003 through 2006.

House Bill 90 bill appropriates \$1 million from the general fund to NMFA's planning fund for feasibility studies for water and wastewater planning.