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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 01/24/10  
**LAST UPDATED** 01/27/10    **HB** 108/aHTRC

**SPONSOR** Lujan, B.

**SHORT TITLE** Drinking Water System Financing    **SB** \_\_\_\_\_

**ANALYST** Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
\$2,714.6	NFI	Nonrecurring	Public Project Revolving Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority (NMFA)  
 New Mexico Environment Department (NMED)

### SUMMARY

#### Synopsis of HTRC Amendment Bill

The House Taxation and Revenue Committee amendment increases the appropriation from the Public Project Revolving Loan Fund (PPRF) to the Drinking Water State Revolving Loan Fund (DWRLF) from \$2.6 million to over \$2.7 million. Increasing the state match to the 20 percent required by EPA will generate approximately \$13.6 million.

#### Synopsis of Original Bill

House Bill 108 appropriates \$2.6 million from the Public Project Revolving Loan Fund (PPRF) to the Drinking Water State Revolving Loan Fund (DWRLF) to provide state matching funds for the federal Safe Drinking Water Act to carry out the purposes of the Drinking Water State Revolving Loan Fund Act. The bill contains an emergency clause.

### FISCAL IMPLICATIONS

The appropriation of \$2.6 million contained in this bill is a non-recurring expense to the public project revolving loan fund. The appropriation contained in House Bill 108 will provide 19.2 percent of the required 20 percent state match for a federal 2010 allotment approved by Congress for New Mexico's portion of the federal DWSRF through the federal Environment Protection Agency. The state match will generate \$13 million in federal funds.

According to NMED, the proposed appropriation in House Bill 108 is \$114.6 thousand short of the required match. The agreement between the state and the EPA requires the state to deposit the 20 percent state match into DWRLF before receiving payment under the capitalization grants. To date, the state has received approximately \$100 million from EPA, while the state has provided match funds totaling \$20 million.

The appropriation contained in the bill is for expenditure in fiscal year 2010 and subsequent fiscal years to carry out the purposes of the Drinking Water State Revolving Loan Fund Act and unexpended or unencumbered balances remaining at the end of a fiscal year shall not revert to PPRF. The funds will be deposited in the DWRLF to capitalize a low-interest loan program to finance water projects for eligible political subdivisions of the state.

### **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. The reauthorization requires the Environmental Protection Agency to make capitalization grants to states over the next several years to improve and protect drinking water quality and public health. The fund provides public authorities in New Mexico with low-cost financial assistance, with a base rate of three percent, for construction, rehabilitation, or expansion of drinking water facilities. Disadvantaged communities qualify for interest-free loans.

### **ADMINISTRATIVE IMPLICATIONS**

The responsibilities of administering DWRLF are divided between the New Mexico Finance Authority and the New Mexico Environment Department. NMFA administers the financial aspects of the funds, and NMED administers the technical aspects of the projects. The federal Safe Drinking Water Act allows using 31 percent of the funds for set-aside activities to: 1) develop technical, managerial, and financial capacity for local water systems, 2) assist entities in qualifying for loans; 3) provide technical assistance targeted to systems serving 10,000 persons or less, and 4) to provide loans to community water systems to improve infrastructure and assure Safe Drinking Water Act requirements. The set-aside funds a portion of 33 employees in the Water Bureau within NMED and NMFA uses up to four percent of the set-asides for administrative costs associated with the loans.

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