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FISCAL IMPACT REPORT

ORIGINAL DATE 01/19/11

SPONSOR Crook LAST UPDATED _____ HB 13

SHORT TITLE Drinking Water System Financing SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
\$2,000.0	(See Fiscal Implications)	Nonrecurring	Public Project Revolving Loan Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(See Fiscal Implications)		Nonrecurring	Drinking Water Revolving Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

House Bill 13, endorsed by the New Mexico Finance Authority Oversight Committee, appropriates \$2 million from the Public Project Revolving 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 million contained in House Bill 13 has no impact to the state general fund and is a nonrecurring expense to the public project revolving loan fund. The appropriation

contained in this bill will provide a *portion* of the 20 percent state match for a federal 2011 allotment approved by the United States Congress for New Mexico's allocation of the federal DWSRF through the federal Environment Protection Agency. According to NMED the federal fiscal year 2011 Omnibus Bill currently authorizes nearly \$1.3 billion, of which New Mexico's allocation is an estimated \$12.6 million. Based on current available federal funds, approximately \$2.5 million is needed to provide the 20 percent match.

The funds will be deposited in the DWRLF to capitalize a low-interest loan program to finance eligible water projects for political subdivisions of the state. DWRLF loans can be leveraged with PPRF loans for projects authorized by the Legislature thereby increasing the dollars available for an eligible project. To date, New Mexico has received approximately \$122 million in capitalization grants from the EPA with state match grant funds totaling approximately \$24 million.

The appropriation contained in the bill is for expenditure in fiscal year 2011 and subsequent fiscal years to carry out the purposes of the Drinking Water State Revolving Loan Fund Act. Any unexpended or unencumbered balances remaining at the end of a fiscal year shall not revert to PPRF.

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.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to NMFA, there are currently eight projects requesting funds totaling over \$8.8 million which would be affected if the match funds are not provided and could cause the systems to be out of compliance with the federal Safe Drinking Water Act. SDWA was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply.