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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/11

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Construction Loans for Mutual Domestics SB 159

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 42

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Environment Department (NMED)

SUMMARY

Synopsis of Bill

Senate Bill 159 is a duplicate of Senate Bill 42. The bill proposes to add "mutual domestic water consumer associations" as eligible for funding under the Clean Water State Revolving Fund (CWSRF). This bill is sponsored for the Water and Natural Resources Committee.

FISCAL IMPLICATIONS

Senate Bill 159 makes no appropriation.

However, the NMED states a concern for a downside of adding mutual domestic water consumer associations would add customer base for CWSRF loans. This is the likelihood of a loan default is increased by adding these entities because management is often made up of volunteers, a lack of financial oversight, there is no law in place requiring repayment of loans, mutual domestic water consumer associations can be easily dissolved, and there is no financial audit requirement by the state auditor.

SIGNIFICANT ISSUES

The NMED estimates that approximately 200 mutual domestic water consumer associations exist in the state. They often do not qualify for loans because of their lack of capacity to take on debt and their lack of required financial records.

ADMINISTRATIVE IMPLICATIONS

The NMED notes that no additional staffing is available for NMED to take on the potential additional loan analyses or projects eligible under this bill. They did not provide an estimate of any additional resources they might need if the bill is passed.

TECHNICAL ISSUES

The AGO finds that the meaning of “mutual domestic water consumers association” needs clarification. It may be intended to refer to an entity formed under the Sanitary Projects Act. Without clearer definition or reference to existing statute there will likely be confusion as to which of the numerous types of water associations are covered by the bill. This term could be added as an amendment to the bill.

The NMED also believes that “Mutual domestic water consumer associations” should be defined to make it clear what types of legal entities are eligible. Senate Bill 159 could refer to the definition of “association” in the Sanitary Projects Act at NMSA 1978, § 3-29-2(B).

JCH/bym