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FISCAL IMPACT REPORT

ORIGINAL DATE 01/23/18

SPONSOR McCamley LAST UPDATED _____ HB 93

SHORT TITLE Drinking Water System Financing SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	(\$1,800.0)	Nonrecurring	Public Project Revolving Fund
	\$1,800.0	Nonrecurring	Drinking Water State Revolving Loan 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 Bill

House Bill 93, endorsed by the NMFA Oversight Committee, appropriates \$1.8 million from the public project revolving loan fund (PPRF) to the drinking water state revolving loan fund (DWSRLF) for the purpose of matching funds for the federal Safe Drinking Water Act and for the purposes of the Drinking Water State Revolving Loan Fund Act. The effective date of the bill is July 1, 2018.

FISCAL IMPLICATIONS

The appropriation of \$1.8 million contained in this bill is a nonrecurring expense to the public project revolving fund. The appropriation fulfills the 20 percent federal match requirement for the annual capitalization grant from the Environmental Protection Agency, which is estimated at \$8.8 million for state fiscal year 2018. The appropriation contained in this bill is for expenditure

in fiscal year 2018 and subsequent years. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert.

The funding in this bill will capitalize the loan and subsidy program administered by NMED to provide local entities with low-cost financial assistance for drinking water systems including construction, rehabilitation, and compliance with drinking water regulations to protect drinking water quality and public health.

NMFA reports \$197.8 million in federal awards and \$36.6 million in state match has capitalized the DWSRLF, and of the amount, \$175.6 million has been deposited into the DWSRLF. To date, NMFA has made 117 loans totaling \$195.5 million and has approved another 12 loans totaling \$16.9 million that are currently pending.

SIGNIFICANT ISSUES

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the Legislature in 1997 in support of the 1996 amendments to the federal Safe Drinking Water Act. According to NMFA, the drinking water program has noted a very high level of demand. NMFA has disbursed \$62.4 million to the DWSTRLF for water projects, the second highest percentage of disbursements of the 51 DWSRF programs nationwide, including Puerto Rico.

ADMINISTRATIVE IMPLICATIONS

NMFA and NMED share responsibilities in administering the DWSRLF. The federal Environmental Protection Agency guidelines allow for set-asides from the capitalization grants for technical and administrative purposes, up to 27 percent for NMED and up to four percent for NMFA.

LMK/al