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FISCAL IMPACT REPORT

ORIGINAL DATE 01/17/19
SPONSOR Crowder **LAST UPDATED** _____ **HB** 116

SHORT TITLE Wastewater System Financing **SB** _____

ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
(\$1,500.0)		Nonrecurring	Public Project Revolving Loan Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	\$1,500.0		Nonrecurring (PPRF state match)	Wastewater Facility Construction Loan Fund
	\$7,500.0		Nonrecurring (federal revenue match 80/20)	Wastewater Facility Construction Loan Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates Senate Bill 117.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

New Mexico Environment Department (NMED)

SUMMARY

Synopsis of Bill

House Bill 116 appropriates \$1.5 million from the Public Project Revolving Loan Fund (PPRF), administered by NMFA, to the Wastewater Facility Construction Loan Fund, also known as the Clean Water State Revolving Loan Fund (CWSRF), administered by NMED, for expenditure in FY20 and subsequent years to provide state matching funds for federal Clean Water Act projects. Any unexpended or unencumbered balances do not revert to the PPRF. The state match allows the leveraging of the estimated federal share of \$7.5 million (an 80/20 match).

FISCAL IMPLICATIONS

The funds will be used to leverage \$7.5 million in estimated federal funds to be deposited into the CWSRF for combined grant/loan funding packages for wastewater facility projects, water pollution control projects and watershed projects that meet the criteria of the Clean Water Act, pursuant to Section 74-6A-8, NMSA 1978. The matching funds are requested annually for this purpose and fluctuate depending on the federal appropriation from the United States Congress.

NMFA notes that this nonrecurring appropriation reduces the amount the PPRF can lend to qualified borrowers; however, the appropriation is an eligible appropriation according to its Act.

SIGNIFICANT ISSUES

NMED notes CWSRF was created by Congress in 1987. Since inception, Congress has provided the Environmental Protection Agency with annual appropriations for the CWSRF that EPA then allocates to each state. These allocations are in the form of an annual capitalization grant to NMED for the CWSRF program. However, each grant requires a 20 percent state match. The CWSRF provides low interest loans and grant/loan funding to New Mexico borrowers for wastewater and storm water quality improvement projects. Total assistance from CWSRF to New Mexico communities to date is \$422 million. Repayments are added to CWSRF for subsequent loans.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates Senate Bill 117

OTHER SUBSTANTIVE ISSUES

NMED will increase its capacity to make low interest loans and loan/grant funding package offers to eligible New Mexico borrowers for new eligible projects as well as for improvements to older, failing wastewater and storm water systems. NMED believes these subsidies are vital particularly in smaller communities with less debt capacity to make much needed projects affordable.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The State would need to find alternative funds to serve as a state match for the federal capitalization grant provided under the Clean Water Act.