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## FISCAL IMPACT REPORT

**SPONSOR** Gonzales      **DATE TYPED** 03/14/05      **HB** 123/aHAFC/aSFC

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

**ANALYST** Kehoe

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$2,000.0				Non-recurring	Public Project Revolving Loan Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
\$2,000.0			Non-recurring	Drinking Water Revolving Loan Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

### SUMMARY

Synopsis of SFC Amendment

Senate Finance Committee amendment to HB123 amends the legislation as follows:

1. The amendment strikes House Appropriations and Finance Committee Amendment 1.

2. *On page 1, lines 15 and 16:* the amendment strikes the language "Four million dollars (\$4,000,000) and inserts in lieu thereof "Pursuant to the provisions of Section 6-21-6.1 NMSA 1978, two million dollars (\$2,000,000)". Section 6-21-6.1 NMSA 1978 relates to the "Public Project Revolving Fund."

Senate Finance Committee amendment to HB123 attaches no additional appropriation to the legislation and the emergency language remains in the bill.

#### Synopsis of HAFC Amendments

The House Appropriations and Finance Committee amendment reduces the appropriation amount from \$4 million to \$2 million and appropriates the funds from the public project revolving fund rather than the general fund.

#### Synopsis of Original Bill

House Bill 123 appropriates \$4 million from the general fund to the drinking water state revolving loan fund to provide state match funds for carrying out the purposes of the federal Safe Drinking Water Act.

#### Significant Issues

The appropriation contained in this bill will provide a 20 percent state match toward federal allocations in federal fiscal years 2004 and 2005 totaling \$16.6 million for loans from the drinking water state revolving loan fund (DWRLF).

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in response to the re-authorization of the federal Safe Drinking Water Act (SDWA). The re-authorization required the Environmental Protection Agency (EPA) to make capitalization grants to states over the next seven years to further the health objectives of SDWA. The state act charged NMFA with establishing, in cooperation with the Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities to improve water quality in New Mexico. The Act created the drinking water state revolving loan fund administered by NMFA.

If statutorily authorized by the Legislature, loans from the Public Project Revolving Fund can be combined with loans from DWRLF to maximize dollars in the fund. As of June 30, 2004, NMFA has made 17 loans totaling \$21.1 million and committed an additional seven loans totaling \$33.5 million from the fund. Entities with binding commitments for loans totaling \$33.5 million include: Roosevelt County Water Cooperation, City of Santa Fe, City of Hobbs, City of Alamogordo, City of Aztec, City of Espanola, and Albuquerque/Bernalillo Water Utility Association.

Section 2 of the bill contains an emergency clause.

#### **FISCAL IMPLICATIONS**

The appropriation of \$4 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year will not revert to the general fund, but would remain in the drinking water state revolving loan fund.

**ADMINISTRATIVE IMPLICATIONS**

The SDWA allows a 31 percent set-aside of the annual federal allocation to be used for administrative activities of both the Drinking Water Bureau (DWB) of the state Environment Department (ED) and NMFA. NMFA utilizes 4 percent of the set-aside to administer the financial aspects of the program including legal support, construction oversight, and technical review. DWB utilizes the funds to provide technical support and capacity development to public water systems.

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