

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/13

SPONSOR Gonzales LAST UPDATED _____ HB 18

SHORT TITLE Drinking Water System Financing SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$2,000.0	Nonrecurring	Public Project Revolving Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	\$2,000.0		Nonrecurring	Drinking Water State Revolving Loan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department (NMED)

New Mexico Finance Authority (NMFA)

Office of the State Engineer (OSE)

SUMMARY

Synopsis of Bill

House Bill 18, endorsed by the New Mexico Finance Authority Oversight Committee, appropriates \$2 million from the public project revolving fund to the drinking water state revolving loan fund to provide state matching funds for federal Safe Drinking Water Act projects and to carry out the purposes of the Drinking Water State Revolving Loan Fund Act. The bill is effective July 1, 2013.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in House Bill 18 has no impact to the state general fund and is a nonrecurring expense to the public project revolving fund (PPRF). The appropriation contained in this bill will provide the required 20 percent state match for New Mexico's allocation from the federal Environment Protection Agency for implementation of the federal Safe Drinking Water Act. The funds will be deposited in the drinking water revolving loan fund (DWRLF) to capitalize a low-interest loan program to finance eligible water projects for political subdivisions of the state. The DWRLF loans can be leveraged with PPRF loans for projects authorized by the Legislature thereby increasing the dollars available for an eligible project.

According to the New Mexico Environment Department (NMED), the federal fiscal year 2013 spending bill currently contains over \$850 million for the entire United States for implementation of the federal Safe Drinking Water Act. Of the amount, New Mexico's allocation is an estimated \$8.5 million.

The appropriation contained in the bill is for expenditure in fiscal year 2014 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.

According to NMFA, the second quarter priority list has 15 projects totaling approximately \$28.9 million which could be affected if the request for match funds in this bill is not approved. Without the funds, community systems could be found to be out of compliance with the federal Safe Drinking Water Act intended to protect public health.

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 up to 31 percent of the funds for set-aside activities. The NMED uses 27 percent 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 improve the infrastructure of community water systems and to assure Safe Drinking Water Act requirements. The NMFA uses 4 percent of the set-aside for administrative costs associated with the loans.

OTHER SUBSTANTIVE ISSUES

To date, New Mexico has received approximately \$159.7 million in capitalization grants from the EPA and has provided state match grant funds totaling approximately \$28 million. Since the inception of the DWRLF in 1997, the New Mexico Finance (NMFA) has funded 70 projects totaling approximately \$126.6 million. The NMFA funding includes 16 projects totaling \$12.1 million funded from federal American Recovery and Reinvestment program funds.

LMK/bm