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FISCAL IMPACT REPORT

SPONSOR Candelaria/Rep. Salazar, T. **ORIGINAL DATE** 1/17/19 **LAST UPDATED** _____ **HB** _____

SHORT TITLE Local Government Planning Fund **SB** 18

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
(\$3,000.0)		Nonrecurring	Public Project Revolving Loan Fund
\$3,000.0		Nonrecurring	Local Government Planning Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 18 appropriates \$3 million from the public project revolving loan fund (PPRF) to the local government planning fund (LGPF) administered by the New Mexico Finance Authority (NMFA) for the purpose of funding local governments and other qualified entities to evaluate, estimate, and determine the most feasible costs or alternatives for infrastructure, and to develop planning documents for water or wastewater public projects, water conservation, long-term master plans, economic development plans, and energy audits. The bill allows for payment of the administrative costs incurred by NMFA for administration of the LGPF. The effective date of the bill is July 1, 2019.

FISCAL IMPLICATIONS

The \$3 million appropriation from the PPRF to the LGPF contained in this bill is a nonrecurring expense to the PPRF for expenditure in fiscal year 2020 and subsequent years to support the development of local government planning documents. Any unexpended or unencumbered balances shall not revert to the PPRF.

The NMFA administers both the LGPF and PPRF programs. The LGPF is a grant program for eligible entities capped at \$50,000 per planning document and a limit of \$100,000 per entity in a two-year period. The NMFA rules and policies allow for additional funding consideration if applicants are facing economic decline and for those seeking planning documents for emergency projects, economic development plans, and Metropolitan Redevelopment Plans. Grants to qualified entities are determined using a sliding scale primarily based on the applicant's median household income and relative rates charged for water and wastewater services. The NMFA reports the appropriation in this bill will not negatively impact the operations of the PPRF.

SIGNIFICANT ISSUES

Planning documents are critical in the implementation of entities' projects. In 2012, the Legislature broadened the use of the LGPF and eliminated the requirement that the grants be repaid upon the successful funding of the project planned with LGPF monies. The program rules and policies were amended to accommodate the broadened program. The legislative changes resulted in a four-fold increase in volume and loan closing in the LGPF.

In 2014, the Water Trust Board amended its policies to increase application standards for infrastructure funding by requiring completed planning documents. According to NMFA, many of the applicants to the Water Trust Board do not have the funds to pay for planning and must apply to the LGPF to complete the required planning documents.

Since the inception of the LGPF program in 2002 through December 2018, NMFA has closed 290 grants totaling more than \$11 million. Of the \$11 million, \$8.9 million is attributed to the changes in 2012. Currently, NMFA has approved an additional 28 grants totaling more than \$1.4 million awaiting completion of planning documents prior to finalizing grant agreements.

ADMINISTRATIVE IMPLICATIONS

The NMFA is reimbursed for administering the LGPF. The New Mexico Environment Department Construction Programs Bureau, under contract with the NMFA, provides technical reviews and approval of planning documents related to water and wastewater infrastructure. The costs of the technical support are included in reimbursements to the NMFA.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Funding for planning documents will be extremely limited in fiscal year 2020.

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