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FISCAL IMPACT REPORT

SPONSOR: Taylor, J. G. DATE TYPED: 01/30/01 HB 159
 SHORT TITLE: NMFA Fund Private Community Water Systems SB _____
 ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Fiscal Narrative			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

New Mexico Finance Authority
LFC Files

SUMMARY

Synopsis of Bill

House Bill 159 amends the Drinking Water State Revolving Loan Fund (DWRLF) Act to allow private community water systems to qualify for funding under the Act. The bill further eliminates certain restrictions for refinancing existing water system debt.

Significant Issues

Section 1, expands the definition of a “public water system” to parallel the federal definition within the Safe Drinking Water Act. The federal definition defines a public water system as a community water system, whether privately or publicly owned, or a nonprofit non-community water system that provides water for human consumption to at least 15 service connections or regularly serves at least 25 individuals. According to the State Environment Department, 247 privately-owned community water systems serving approximately 309,000 people are in violation of department regulations. According to NMFA, expanding the eligibility to private community water systems will allow funds to be made available to systems that are currently jeopardizing public health and welfare.

Section 2, eliminates the restriction that the refinancing of debt must be part of a new and related project. Under current law, existing water system debt cannot be refinanced unless the debt was incurred after July 1, 1993, and the debt must be part of a new or related project. This amendment would make state statute consistent with the federal Safe Drinking Water Act which authorized the Drinking Water State Revolving Loan Fund Act.

Section 3, contains an emergency clause.

FISCAL IMPLICATIONS

House Bill 159 does not appropriate funds. However, loans made to privately-owned water systems as a result of passage House Bill 159 may result in reducing the loan capacity of the state's Drinking Water State Revolving Loan Fund to current eligible non-disadvantaged and disadvantaged communities.

SUBSTANTIVE ISSUES

According to NMFA's current eligibility process, disadvantaged communities are divided into two groups. The first group is defined as "those communities with a MHI less than 90% of the State MHI and with an affordability ratio greater than .01 and no more than .015. The second group is defined as those communities with a MHI less than 90% of the State MHI and with an affordability ratio greater than .015, the maximum that any disadvantaged community shall bear."

The rate of interest for loans to non-disadvantaged communities is 3% for a maximum term of 20 years. A single applicant can receive no more than 20% of the total DWRLF capitalization, or 50% of their total project funding, whichever is smaller. Projects requiring funding above the cap amount will be offered a loan from the NMFA's Infrastructure/Equipment Finance Loan Program, which utilizes Public Project Revolving Funds.

POSSIBLE QUESTIONS

1. The current loan capacity of the Drinking Water Revolving Loan Fund is \$24.3 million, how much of this amount is available for new loans, not yet authorized by the legislature?
2. What eligibility criteria would be applicable for loans to private-owned water systems?
3. Give an example of where a private community water system may be located, and who are the private owners?

LMK/njw