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FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 2/18/01 HB 368
 SHORT TITLE: Amend Rural Infrastructure Act SB _____
 ANALYST: Belmares

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			See Fiscal Implications section below.		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 181

SOURCES OF INFORMATION

Rural Infrastructure Act
 Department of Environment
 New Mexico Finance Authority

SUMMARY

Synopsis of Bill

House Bill 368 amends the Rural Infrastructure Act by removing the five percent loan interest rate associated with the Rural Infrastructure Revolving Loan Fund and allowing the Department of Environment to set interest rates for loans from the fund at or below market rates. The bill also allows existing loans to be refinanced at a reduced rate. The bill substitutes an entity's average residential user cost of \$18.00 per month with a Median Household Income (MHI) of less than ninety percent of the State MHI as a condition of making a zero percent loan. Currently, only water facilities can be financed through the Rural Infrastructure fund program. The bill adds "wastewater facilities" to the types of facilities that can be financed. The bill also shifts duties associated with the Rural Infrastructure Act from the Environmental Improvement Board to the Cabinet Secretary of the Department of Environment.

Significant Issues

The Rural Infrastructure Act allows for financial assistance to local authorities for the construction or modification of water supply facilities to correct demonstrably hazardous or inadequate conditions. The Rural Infrastructure Program is administered by the Department of Environment. The Rural Infrastructure Act established an interest rate of five percent for loans to New Mexico communities of less than 10,000 population for construction and upgrades to community water systems.

Currently, many existing loans to small communities are at 5.5 or 7.0 percent. The Department of Environment has indicated the balance in the Rural Infrastructure Fund is increasing faster than loan funds can be awarded due to the current interest rate being too high for current market conditions.

The Department of Environment and the New Mexico Finance Authority have indicated the current loan interest rate specified in the Act is too high for market conditions and the bill would increase the success of the Rural Infrastructure Program.

FISCAL IMPLICATIONS

The Rural Infrastructure Fund currently has a balance in excess of \$8 million which is available for new loans. Annual repayments of principal and interest to the fund is approximately \$1.5 million. The Department of Environment has indicated the loan program will not be adversely affected by lower interest rates to borrowing communities.

ADMINISTRATIVE IMPLICATIONS

House Bill 368 will not create additional administrative costs; however, the bill will require the Department of Environment to make an amendment to current regulations to provide a funding priority system for wastewater systems comparable to the guidance for water systems currently provided in regulation.

DUPLICATION

House Bill 368 duplicates Senate Bill 181.

OTHER SUBSTANTIVE ISSUES

The Department of Environment supports HB368 and has indicated the bill is supported by the New Mexico Municipal League and the New Mexico Rural Water Association.

POSSIBLE QUESTIONS

House Bill 368 adds wastewater systems to the type of facilities that can be financed under the Rural Infrastructure Act. However, since the bill does not establish a percentage of funds available from the Infrastructure Revolving Loan Fund for either water systems or wastewater systems, a separate funding priority systems, as proposed by the Department of Environment, seems to indicate water and wastewater systems are not competing for the same pool of funds within the Rural Infrastructure Revolving Loan Fund.