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FISCAL IMPACT REPORT

	ORIGINAL DATE 1-31-06		
SPONSOR	Gutierrez	LAST UPDATED	HB 494
	VOLUNTARY REMEDIATION ACT		
SHORT TITLE	AMENDMENTS	SB	
		ANALYST	Hadwiger

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$1,000.0		Non-Rec	Brownfields Cleanup Revolving Loan Fund*

(Parenthesis () Indicate Expenditure Decreases)

* Grant from The Federal Environmental Protection Agency (EPA)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Environment (NMED)
 Department of Finance and Administration (DFA)
 Office of the State Engineer (OSE)

SUMMARY

Synopsis of Bill

House Bill 494 creates a new Brownfields Cleanup Revolving Loan Fund, comprised of money from a grant from the Environmental Protection Agency (EPA), repayments of loans and interest and income accruing on the balance of the fund. The Department of Environment (NMED) would be authorized to make secured and unsecured loans or grants from the fund for remedial actions and other approved activities at abandoned or underused industrial, commercial or agricultural sites or residential property. Eligible loan recipients include municipalities, tribes, non-profit organizations and private entities. Unexpended balances would not revert to the general fund. NMED would review and approve qualified loan applications; cleanup activities would be performed pursuant to this act.

FISCAL IMPLICATIONS

NMED reports that they received a \$1 million grant award from the EPA to establish a Brownfields Clean up Revolving Loan Fund. According to NMED, it is necessary to create this fund in order to accept and implement this grant. No state match is required. The department does not anticipate additional costs from administering the revolving fund.

SIGNIFICANT ISSUES

NMED indicated the State of New Mexico does not have funds for the cleanup of unused or abandoned sites that have been contaminated due to past practices. These types of contaminated properties are often a hindrance to redevelopment and can result in economically blighted areas of concern to local governments. Once cleaned up, these sites can be either reused for public benefit or returned to the tax rolls as economically viable properties. The EPA has an established program to award grant money for the clean up of such sites called the Brownfields Program.

NMED received \$1 million in federal grant money for the Brownfield Cleanup Program and contracted the Program to an outside financial administrator. NMED has since learned that EPA requires NMED to administer the grant directly. NMED is obligated to expend this grant award according to the grant administration requirements specified by EPA. NMED has been working on a loan application for the town of Silver City for the clean up of the former Hillcrest Hospital and is currently ready to make its first loan. Without the authority for fiscal management of a Brownfields Clean up Revolving Loan Fund, the federal grant award will revert back to EPA, according to NMED.

HB494 creates an account in the State Treasury to facilitate management of these federal grant dollars. NMED can then make loans and grants from the fund for eligible applicants and eligible activities. Revolving loan funds are to be loaned on a first come, first served basis. NMED determines whether a site is an eligible brownfields, based upon established EPA criteria. If the site qualifies as a brownfields site, then NMED's contractor, the New Mexico Community Development Loan Fund, reviews the applicant's credit worthiness and determines the applicant's ability to repay the loan.

PERFORMANCE IMPLICATIONS

This fund and the EPA grant would increase the number of brownfield sites that NMED can get cleaned up.

ADMINISTRATIVE IMPLICATIONS

NMED indicates the new fund would be managed by NMED staff who are already funded by other EPA Voluntary Remediation grants. No additional FTEs are required to manage the fund.

OTHER SUBSTANTIVE ISSUES

By means of background, the EPA defines a brownfield site as “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.” Federal and state programs target the cleanup

of brownfield sites, as well as redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by environmental contamination.

DH/nt