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FISCAL IMPACT REPORT

SPONSOR Lundstrom **ORIGINAL DATE** 2/10/15
LAST UPDATED _____ **HB** 386

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

ANALYST Kehoe, L.

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	(\$3,000.0)	Nonrecurring	Public Project Revolving 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

House Bill 386, for the New Mexico Finance Authority Oversight Committee, appropriates \$3 million from the public project revolving fund (PPRF) to the local government planning fund for the purpose of funding local government planning for water infrastructure, for development of water conservation plans, for long-term master plans or energy audits, and allows payment for the administrative costs of the local government planning program administered by the New Mexico Finance Authority (NMFA). The effective date of the bill is July 1, 2015.

FISCAL IMPLICATIONS

The local government planning fund (LGPF) is capitalized by funds authorized by the Legislature from the PPRF. The \$3 million appropriation from PPRF to LGPF is for expenditure in fiscal year 2016 and subsequent fiscal years. Any unexpended or unencumbered funds remaining at the end of a fiscal year do not revert to the PPRF.

The New Mexico Finance Authority (NMFA) administers the LGPF and makes grants to qualified entities for planning purposes for a maximum amount of \$50,000. The grants are allocated based on rules and policies adopted by NMFA. Grants to qualified entities are determined on a sliding scale based on the entity's median household income and local burden ration. Entities are allowed more than one planning grant, but cannot exceed more than \$100,000 in a 24-month period. According to NMFA policy, additional consideration may be given to severely disadvantaged entities seeking funds for environmental informational documents for drinking water as may be required for federal funding consideration.

SIGNIFICANT ISSUES

The local government planning fund was created to provide grants to qualified entities to plan and estimate the costs of implementing the most cost effective means to meet water and wastewater public project needs and to assist in paying for the administrative costs of the program. Grants from the fund do not require legislative authorization. However, the New Mexico Finance Authority Legislative Oversight committee is empowered to monitor and oversee the operations of the authority.

Advancing funds to entities for the development of preliminary engineering reports provides for the proper planning, especially for water and wastewater infrastructure and provides the necessary information for entities applying for federal funds.

Since the Legislature broadened the use of LGPF and removed the requirement that grants be repaid there has been an increased demand for planning funds. According to NMFA, in the 10 years preceding the expanded uses of the fund, NMFA closed 88 grants totaling approximately \$2.4 million. In the last two and a half years since expanding the planning categories, NMFA has approved and/or closed 113 applications totaling approximately \$5.1 million.

ADMINISTRATIVE IMPLICATIONS

The NMFA is reimbursed for administrative costs associated with LGPF. The New Mexico Environment Department Construction Programs Bureau has contracted with NMFA and is also reimbursed for providing the technical review and approval of planning documents relating to water and wastewater infrastructure.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The NMFA indicates there is a high demand for planning funds to address critical infrastructure needs and to address federal violations relating to safe drinking water, waste water, and other water-related health issues. Given the increased use of LGPF, NMFA projects the fund will be depleted by the end of FY2015.

LMK/aml