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FISCAL IMPACT REPORT

SPONSOR Martinez **ORIGINAL DATE** 2/3/15
LAST UPDATED **HB**

SHORT TITLE Mutual Domestics as Local Authority And Loans **SB** 227

ANALYST Armstrong

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	Potential interest revenue increases due to increased loan transactions and extended loan duration	Potential interest revenue increases due to increased loan transactions and extended loan duration	Recurring	Clean Water State Revolving Fund and Clean Water Administrative Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 128

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department (NMED)
 Department of Finance and Administration (DFA)

Responses Not Received From

Association of Counties
 New Mexico Municipal League

SUMMARY

Synopsis of Bill

Seante Bill 227 amends the Wastewater Facility Construction Loan Act (WFCLA) which regulates the administration of the Clean Water State Revolving Loan Fund (CWSRF) administered by NMED’s Construction Programs Bureau. The bill amends the definition of “local authority” to make mutual domestic water consumers associations (MDCWA) eligible for CWSRF funding. HB128 also extends the maximum CWSRF loan term from 20 years to 30 years upon successful completion of the construction project.

FISCAL IMPLICATIONS

SB 227 increases the number of potential applicants to the program, possibly resulting in more loans being serviced through NMED's Construction Programs Bureau and increased revenues through interest on additional loan transactions, which could be used to fund the administrative, financial, and technical oversight of the projects. In addition, extending the loan terms could increase revenue by increasing the overall interest paid over the life of the loan.

SIGNIFICANT ISSUES

SB 227 allows MDCWAs to access CWSRF funding for wastewater projects. Rural MDCWAs occasionally construct and operate wastewater systems but, without the changes in HB128, must use other funding sources not specifically designated for waste water projects, which can postpone critical projects until funding is secured from other sources.

Moreover, SB 227 increases the loan repayment term from 20 years to 30 years to match recent changes to the federal Clean Water Act. As wastewater technology improves, the expected life of new systems increases past the CWSRF's current loan maturity date. The amendment proposed by SB 227 matches the loan repayment period to the useful life of the system. Additionally, a longer repayment term will allow entities currently unable to make use of the program due to insufficient debt capacity to take advantage of the CWSRF. The fund had a balance of \$120.6 million as of December 2014.

ADMINISTRATIVE IMPLICATIONS

The potential increase in the number of loans closed each year by NMED will be serviced through current staffing levels within the Construction Programs Bureau. However, if the increase in loan activity becomes significant over the next several years due to these changes, the Construction Programs Bureau may need to hire additional staff to meet the increased workload.

JA/bb/je