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FISCAL IMPACT REPORT

SPONSOR Powdrell-Culbert/ Herrell **ORIGINAL DATE** 2/21/17 **LAST UPDATED** _____ **HB** 256

SHORT TITLE Drinking Water System Financing **SB** _____

ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	(\$1,800.0)	Nonrecurring	Public Project Revolving Fund
	\$1,800.0	Nonrecurring	Drinking Water State Revolving Loan Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

NM Finance Authority (NMFA)

NM Environment Department (NMED)

SUMMARY

Synopsis of Bill

House Bill 256 appropriates \$1.8 million from the public project revolving loan fund to the drinking water state revolving loan fund (DWSRLF), providing matching funds for the federal Safe Drinking Water Act (SDWA) 2017 capitalization grant and for the purposes of the Drinking Water State Revolving Loan Fund Act. This bill is effective July 1, 2017, and was endorsed by the interim New Mexico Finance Authority Oversight Committee.

FISCAL IMPLICATIONS

This appropriation of \$1.8 million satisfies the 20 percent federal match requirement for the annual capitalization grant from the Environmental Protection Agency, which is estimated at \$8.8 million for federal fiscal year 2017 and state fiscal year 2018. The appropriation contained in this bill is for expenditure in fiscal year 2017 and subsequent years. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert. It is a non recurring expense to NMFA's public project revolving loan fund.

To date, the DWSRLF has been capitalized by \$189.6 million in federal awards which has been matched by \$34.9 million in state funds. As of December 21, 2016, NMFA has made 105 loans totaling \$186.9 million and has approved 12 pending loans totaling \$13.4 million.

SIGNIFICANT ISSUES

The New Mexico Drinking Water State Revolving Loan Fund Act was enacted by the 1997 Legislature in support of the 1996 amendments to the federal Safe Drinking Water Act. The purpose of this action was to provide local entities low-cost financial assistance for drinking water systems construction, rehabilitation, and compliance of drinking water regulations to protect drinking water quality and public health.

According to NMFA, the drinking water program has seen unprecedented levels of demand over the past several years. Since FY14, NMFA has closed 35 loans totaling more than \$58 million.

ADMINISTRATIVE IMPLICATIONS

NMFA and NMED share responsibilities in DWSRLF administration. The capitalization grants allow for set-asides to be used in administering the technical aspects by NMED (up to 27 percent) and the financial aspects by NMFA (up to 4 percent). The maximum set-aside of 31 percent is permitted per the terms of the federal capitalization grant.

JA/jle