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FISCAL IMPACT REPORT

SPONSOR Crowder/Martinez, R ORIGINAL DATE 2/19/17
LAST UPDATED _____ HB 415

SHORT TITLE State Agency Wastewater Project Financing SB _____

ANALYST Armstrong

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total			None			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
NM Environment Department (NMED)

SUMMARY

Synopsis of Bill

House Bill 415 (HB415) amends the Wastewater Facility Construction Loan Act (“WWFCLA”), also known as the Clean Water State Revolving Loan Fund (“CWSRF”), to include state agencies as entities eligible to receive CWSRF funds. State agencies are eligible entities for funding under federal regulations, but have not been included in the state statute.

FISCAL IMPLICATIONS

As of January 3, 2017, the CWSRF had a cash balance of \$150 million, nearly \$90 million of which was unobligated. HB415 could result in a higher CWSRF utilization rate, meaning more funds would be loaned out and distributed to a broader constituency for the planning, design, and construction of eligible wastewater and storm water projects throughout the state. Historically, the fund has been under-utilized due to a lack of demand for loan funds. Creating a broader community of eligible entities will be useful in creating more demand for the funds and assist with a lack of funds available to state agencies to address wastewater and storm water needs.

SIGNIFICANT ISSUES

While HB415 will allow state agencies to apply for and receive CWSRF loans, the program requires a repayment stream and the ability of agencies to take on debt. Some agencies may not

have a repayment stream, such as a user fee or permit fees. This issue will have to be reviewed on a case by case basis depending on the agency to ensure compliance with statutory and constitutional provisions. NMED notes state agencies' ability to take on debt will have to be researched in more detail by a variety of entities at the state level.

PERFORMANCE IMPLICATIONS

NMED analysis states:

Passage of HB 415 will provide more funding options to state agencies to address wastewater and storm water issues. It will provide a larger market for CWSRF funds to be utilized and assist the state in addressing potential ground water and surface water impacts from outdated facilities.

ADMINISTRATIVE IMPLICATIONS

NMED's Construction Programs Bureau administers the CWSRF program for the Water Quality Control Commission ("WQCC"). The interest rate charged to eligible entities is determined by a variety of indicators and is five percent or less as determined by the commission. 74-6A-8(D) NMSA 1978. Currently, the interest rate charged is based on the borrower's per capita income ("PCI") and sewer user fees. Because neither PCI nor user fees would apply to a state agency, an appropriate interest rate to charge state agencies will need to be determined. This process can be done by the Environment Department and the results codified in a rule making process by the WQCC. NMED will also need to amend department rules governing the application process to reflect changes in the WQCC regulations and statute.

JA/sb