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FISCAL IMPACT REPORT

SPONSOR Salazar, T. **ORIGINAL DATE** 1/25/2020
LAST UPDATED 2/13/2020 **HB** 47
SHORT TITLE Local Govt Planning Fund Appropriation **SB** _____
ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$2,000.0	Nonrecurring	Local Government Planning Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
	(\$2,000.0)		Nonrecurring	Public Project Revolving Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority

SUMMARY

Synopsis of Bill

House Bill 47 appropriates \$2 million from the public project revolving loan fund (PPRF) to the local government planning fund (LGPF). The fund is administered by the New Mexico Finance Authority (NMFA) for the purpose of making grants to qualified entities to evaluate and estimate the most feasible costs or alternatives for infrastructure, water or wastewater public projects, water conservation plans, economic development plans or energy audits. The bill allows for payment of the administrative costs incurred by NMFA for administration of the LGPF. The effective date of the bill is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The \$2 million appropriation from the PPRF to the LGPF contained in this bill is a nonrecurring expense to the PPRF for expenditure in fiscal year 2021 and subsequent fiscal years to support the development of local government planning documents. Any unexpended or unencumbered balances shall not revert to the PPRF.

NMFA administers both the LGPF and PPRF programs. The LGPF is a grant program for eligible entities capped at \$50 thousand per planning document and a limit of \$100 thousand per entity in a two-year period. The NMFA rules and policies allow for additional funding consideration if applicants are facing economic decline and for those seeking planning documents for emergency projects, economic development plans, and Metropolitan Redevelopment Plans. Grants to qualified entities are determined using a sliding scale primarily based on the applicant's median household income and relative rates charged for water and wastewater services. NMFA reports the appropriation in this bill will not negatively impact the operations of the PPRF.

SIGNIFICANT ISSUES

Recognizing planning documents are critical in the implementation of entities' projects, in 2012, the Legislature broadened the use of the LGPF and eliminated the requirement that the grants be repaid upon the successful funding of the project planned with LGPF monies. NMFA amended the program rules and policies to accommodate the broadening of the program. According to NMFA, the program has experienced increased activity since the Legislature's 2012 changes.

In 2014, the Water Trust Board amended its policies to increase application standards for infrastructure funding by requiring applicants to submit completed planning documents. According to NMFA, many of the applicants to the Water Trust Board do not have the funds to pay for planning and must apply to the LGPF to complete the required planning documents.

PERFORMANCE IMPLICATIONS

Since the inception of the LGPF program in 2002 through December 2019, NMFA has closed 314 grants totaling more than \$12 million. Of the \$12 million, \$10 million is attributed to the changes in 2012. Currently, NMFA has approved an additional 24 grants totaling more than \$1 million awaiting completion of planning documents prior to finalizing grant agreements.

ADMINISTRATIVE IMPLICATIONS

NMFA is reimbursed for administering the LGPF. New Mexico Environment Department Construction Programs Bureau, under contract with NMFA, provides technical reviews and approval of planning documents related to water and wastewater infrastructure. The costs of the technical support are included in reimbursements to NMFA.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to NMFA, funding for planning documents will be limited in fiscal year 2021.