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## FISCAL IMPACT REPORT

**SPONSOR** Crowder                      **ORIGINAL DATE** 01/28/20  
**LAST UPDATED** 02/14/20      **HB** 167  
**SHORT TITLE** Wastewater System Financing      **SB** \_\_\_\_\_  
**ANALYST** Hawker

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$1,800.0	Nonrecurring	Wastewater Facility Construction Loan Facility

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
	\$9,000.0		Nonrecurring (federal revenue match 80/20)	Wastewater Facility Construction Loan Facility
	(\$1,800.0)		Nonrecurring	Public Project Revolving Loan Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB69

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Environment Department (NMED)

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 167 appropriates \$1.8 million from the public project revolving loan fund (PPRF) administered by New Mexico Finance Authority (NMFA) to the wastewater facility construction

loan fund, also known as the clean water state revolving loan fund (CWSRF) administered by the Environment Department (NMED) for expenditure in fiscal year 2021 and subsequent fiscal years to provide state matching funds for federal Clean Water Act projects. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the PPRF.

### **FISCAL IMPLICATIONS**

The nonrecurring \$1.8 million appropriation to the CWSRF will be used to leverage \$9 million in estimated federal funds to be deposited into the CWSRF for combined grant/loan funding packages for eligible projects which include wastewater facility projects, nonpoint source water pollution control projects and watershed projects that meet the criteria of the Clean Water Act. New Mexico matching funds are requested annually for this purpose and fluctuate depending upon the federal appropriations from the United States Congress.

NMFA notes that this nonrecurring appropriation reduces the amount the PPRF can lend to qualified borrowers; however, the appropriation is an eligible appropriation according to its Act.

### **SIGNIFICANT ISSUES**

NMED notes CWSRF was created by Congress in 1987. Since inception, Congress has provided the Environmental Protection Agency (EPA) with annual appropriations for the CWSRF which EPA then allocates to each state. These allocations are in the form of an annual capitalization grant to NMED for the CWSRF. Each grant requires a 20 percent state match.

The CWSRF provides low interest loans and grant/loan funding to New Mexico borrowers for wastewater and storm water quality improvement projects. Total assistance from CWSRF to New Mexico communities to date is \$481 million. According to NMED the CWSRF has revolved over one and one half times due to repayments from past loan recipients during the 33-year life of the program. Repayments are added to the CWSRF and made available for subsequent loans.

### **RELATIONSHIP**

This bill relates to SB69 which contains a \$2.5 million appropriation from the PPRF to the drinking water state revolving loan fund to serve as a state match for the federal drinking water capitalization grant.

### **OTHER SUBSTANTIVE ISSUES**

NMED will increase its capacity to make low interest loans and loan/grant funding package offers to eligible New Mexico borrowers for new eligible projects as well as for improvements to older, failing wastewater and storm water systems. NMED states these subsidies are vital, particularly in smaller communities with less debt capacity to make much needed projects affordable.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

New Mexico would need to find alternative funds to serve as a state match for the federal capitalization grant provided under the Clean Water Act.