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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/21

SPONSOR Gallegos/Herrera LAST UPDATED _____ HB 92

SHORT TITLE Safe Drinking Water Testing Fund SB _____

ANALYST Wan

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23		
	\$1,400.0	\$1,400.0	Recurring	Safe Drinking Water Testing Fund (currently Water Conservation Fund)

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$6.8			\$6.8	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Legislative Finance Committee Files (LFC)

Environment Department application to the Board of Finance for emergency funding, October 2020

Responses Received From

Taxation and Revenue Department (TRD)

Environment Department (NMED)

SUMMARY

Synopsis of Bill

House Bill 92 changes the fee amount charged on public water supply systems from \$0.03 per thousand gallons of water produced to \$0.05 per thousand gallons of water produced. The bill changes the name of the this fee to the safe drinking water testing fee and changes the name of the fund in which the fee revenue is deposited to the safe drinking water testing fund (previously the water conservation fee and water conservation fund, respectively).

HB92 specifies that money in the safe drinking water testing fund is to be used by the Environment Department (NMED) to test public water supplies for drinking water contaminants as identified by the federal Safe Drinking Water Act (SDWA) and rules promulgated by the department. The bill further prohibits NMED from using these funds for any required increase in sampling and analysis services resulting from SDWA or state rule violations. In such cases, HB92 stipulates the public water system in violation is responsible for the collection, analysis, and expenses of those samples and must provide the results of the analysis to NMED.

Additionally, HB92 requires NMED to publish an annual summary of safe drinking water testing fund revenue and expenditures.

The effective date of this bill is July 1, 2021.

FISCAL IMPLICATIONS

NMED estimates the fee increase required by HB92 would generate an additional \$1.4 million per year, which would support the agency's drinking water testing program that provides sampling and analysis services to public water systems. Program expenditures from this funding source exceeded annual revenues between FY17-20, resulting in an FY21 projected ending fund balance that would be insufficient to cover FY22 program costs, even after a reduction in services, without a fee increase. NMED's inability to fund certain sampling and analysis services shifts those costs onto small public water systems.

The Taxation and Revenue Department (TRD), which is responsible for collecting the fees from public water systems and implementing certain changes included in HB92, estimates the bill would have a one-time operating budget impact of \$6.8 thousand on the agency. This estimate includes the cost of approximately 100 hours of information technology staff time and approximately 40 hours of administrative services staff time.

SIGNIFICANT ISSUES

The water conservation fee and fund were established in 1993 to conserve water and assist the state's public water supply systems, hundreds of which serve less than 1,000 people, with the costs of federally required testing for drinking water contaminants. The fund pays for the collection and analysis of more than 20 thousand required drinking water samples annually.

The water conservation fee has not been increased since its creation, but the costs of drinking water sampling and analysis have increased, particularly in recent years. Due to insufficient revenue and fund balance from the fees HB92 would increase, NMED notified public water systems that the agency would not be funding sampling for disinfection byproducts and asbestos in calendar year 2021. According to NMED, this reduction in services will affect 500 public water systems serving roughly 600 thousand New Mexicans. The fee increase in HB92 would generate enough revenue for NMED to reinstate the discontinued services in 2022 and maintain that service level in the coming years, even as laboratory costs are expected to increase.

PERFORMANCE IMPLICATIONS

The additional revenue generated by HB92's enactment would support the testing services that

ensure New Mexicans have access to safe drinking water. The percentage of the population served safe and healthy drinking water is one of NMED's key outcome measures.

ADMINISTRATIVE IMPLICATIONS

To implement HB92, TRD staff will need to increase the rate of the safe drinking water fee and make changes to returns, mail items, reports, and Taxpayer Access Point. These tasks are expected to require 100 hours of staff time. TRD will also need to make accounting changes to rename the existing fund and ensure proper distributions, estimated to take 40 hours of staff time.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB92 is not enacted, NMED will need to further reduce services to public water systems beyond what the agency has already announced will not be covered in calendar year 2021 (sampling for disinfection byproducts and asbestos). As a result, public water systems will need to fund sampling services themselves in order to maintain compliance with safe drinking water testing requirements. Systems that have insufficient funds to do so risk delivering water that contains undetected contaminants to communities.

CW/sb