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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/2022

SPONSOR Chatfield LAST UPDATED _____ HB 179

SHORT TITLE Bonds for Water Projects SB _____

ANALYST Taylor

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24	FY25	FY26		
	\$99,720.0	\$91,810.0	\$86,910.0		Recurring	STBs for Water & Wastewater projects
	(\$99,720.0)	(\$91,980.0)	(\$86,910.0)		Recurring	STBs for other capital projects

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

No Response Received

NMFA

SUMMARY

Synopsis of Bill

House Bill 179, Bonds for Water Projects, amends the Severance Tax Bonding Act by requiring the State Board of Finance (BOF) to increase the allocation of estimated bonding capacity for water projects from 9 percent to 18 percent. The bill also modifies the language appropriating bond sales proceeds to the water trust fund by requiring that at least one-half of the proceeds from bond sales be reserved for the purposes of making grants for drinking water and wastewater projects certified by the water trust board to the BOF. The bill expands the definition of water projects to include wastewater projects.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

This bill essentially increases the amount of STB proceeds allocated to water projects from 9

percent to 18 percent. This implies that the increased allocation for water and wastewater projects will result in an equivalent decrease in the amount of money available for other capital projects. DFA provided estimates of the allocations reported in the revenue table. They noted that the allocation is based on the most recent STB capacity estimates for the 2022 legislative session. They say that “for FY23, the allocation for water projects certified by the Water Trust Board is \$99.7 million, and with the additional 9 percent, this would increase to \$199.5 million.”

DFA notes the fiscal impacts are shown beginning in FY23 since the allocation would be based on capacity estimates, which are to be sent to the Legislature each year by January 15. Given the bill’s effective date “that would be January 15, 2023, impacting FY23 and subsequent years but not impacting issuance of STBs for FY22 in June 2022.”

SIGNIFICANT ISSUES

DFA reports the following significant issue:

By increasing the current 9 percent earmark of STB capacity annually that is provided to the Water Trust Board to 18 percent, HB179 further establishes water, and now wastewater, projects as a priority of capital funding. It expands funding for water projects and now makes available funding for wastewater projects. It does, however, reduce funding for non-earmarked projects by a further 9 percent of capacity.

ADMINISTRATIVE IMPLICATIONS

Per DFA:

Administrative implications would be minimal for Board of Finance staff, as the division already has processes in place for the existing earmark provided to the Water Trust Board upon certification.

The expansion of the type of project eligible for funding may have an impact on the administrative operations of the Water Trust Board.

BT/al