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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/16

SPONSOR Lundstrom LAST UPDATED _____ HB 13

SHORT TITLE Navajo-Gallup Water Supply Project SB _____

ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	(\$6,000.0)	Nonrecurring	General Fund
	\$6,000.0	Nonrecurring	Indian Water Rights Settlement Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Indian Affairs Department

Response Not Received From
Office of the State Engineer (OSE)

SUMMARY

Synopsis of Bill

House Bill 13 appropriates \$6 million from the general fund to the Indian Water Rights Settlement Fund (IWRSF) to pay the state's share of the Navajo-Gallup water supply.

FISCAL IMPLICATIONS

The appropriation of \$6 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY17 shall not revert.

SIGNIFICANT ISSUES

Under the Navajo Nation Water Rights Settlement, New Mexico is obligated to contribute \$50 million for construction costs, less funds the state has already contributed that are determined to have reduced the overall project costs as a “cost share credit.” Additionally, the state may, but is not required to, provide \$10 million for non-Indian ditch rehabilitation; this is not included in the \$50 million figure above.

According to OSE’s 2015 IWSRF annual report, New Mexico has made cash contributions totaling \$13.6 million and supplied approximately \$40.07 million toward elements of the project that may qualify for cost share credit. Assuming New Mexico receives credit for 75 percent of the \$40.07 million, the state would owe approximately \$6 million.

However, the state received full credit for its initial request of \$8.8 million in 2012 and submitted another request of \$6.35 million in 2014. Agency staff anticipates submitting an additional cost share credit request of \$7.9 million in fiscal year 2016. While New Mexico’s remaining cost share balance is set to be indexed to inflation beginning in October 1, 2016, the federal Bureau of Reclamation has expressed a willingness to hold off on applying this indexing so long as New Mexico’s appropriations for the settlement do not revert and are not repurposed. If the state receives full credit for the contributions to date, then New Mexico’s obligation is already met.

JA/jle