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FISCAL IMPACT REPORT

SPONSOR Cervantes **ORIGINAL DATE** 01/21/16
LAST UPDATED 01/26/16 **HB** _____

SHORT TITLE NMFA Water Project Fund Projects **SB** 106

ANALYST Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
(\$18,400.00)	(\$17,900.00)	Recurring	Severance Tax Bond Capacity
(\$4,000.00)	(\$4,000.00)	Recurring	Water Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
\$18,400.00	\$17,900.00	Recurring	Water Project Fund
\$4,000.00	\$4,000.00	Recurring	Water Project Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates, Relates to, Conflicts with, Companion to: HB 71, HB 219 and HB 167

SOURCES OF INFORMATION

LFC Files
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 106 authorizes the New Mexico Finance Authority (NMFA) to make loans or grants for 42 projects from the water project fund. The NMFA establishes the terms and conditions of the loans and grants awarded from the water project fund as recommended by the Water Trust Board (WTB). This bill is endorsed by the New Mexico Finance Authority Legislative Oversight Committee and contains an emergency clause.

FISCAL IMPLICATIONS

The water project fund is capitalized through annual distributions of 10 percent of the net senior severance tax bond (STB) capacity (\$18.4 million for FY16) and funds from the water trust fund (\$4 million). The value of the ten percent of severance tax bond capacity can change from year to year depending on oil and gas revenues.

Section 72-4A-8 of the Water Project Finance Act provides that on July 1 of each fiscal year, an annual distribution will be made from the water trust fund to the water project fund in the amount of \$4 million until the amount is less than an amount equal to 4.7 percent of the average of the year-end market values of the water trust fund for the immediate preceding five calendar years. As of September 2015, the corpus of the water trust fund was \$47 million.

The Office of the State Engineer receives 10% of any funds distributed into the water project fund annually for water adjudication as enacted in the 2005 legislative session. It is estimated the OSE will receive \$2.24 million for adjudication in FY16.

Approximately \$20.2 million, net of the adjudication, will be available for projects authorized by SB 106.

SIGNIFICANT ISSUES

The Water Project Finance Act (the Act) provides a permanent revenue source to provide grants and loans to political subdivisions for water projects authorized by the Legislature. Eligible water projects pursuant to the Act include: 1) water storage, conveyance, and delivery; 2) conservation, recycling, treatment or reuse of water; 3) restoration and management of watersheds; 4) Endangered Species Act collaborative projects; and 5) flood prevention projects. The 42 projects presented in SB 106 total \$41.6 million.

NMFA administers the water project fund and partners with other state agencies, such as the New Mexico Environment Department and the Office of the State Engineer, for technical assistance. Projects are recommended by the Water Trust Board for authorization. Following authorization by the Legislature, the Water Trust Board further reviews the projects for additional project readiness and policy qualifications prior to a funding recommendation. The NMFA establishes the terms and conditions of the loans and grants awarded from the fund and as recommended by the Water Trust Board.

According to the NMFA, on November 23, 2015, 77 applications totaling more than \$73 million were submitted; two of which were deemed ineligible projects; seven of which were deemed incomplete largely due to their planning documents being outdated or not meeting standards set forth in policy; and eight were later withdrawn by the applicant. This left a list of 60 projects, totaling \$55 million, which were then evaluated by staff from seven agencies and the legislative finance committee. From these evaluations, 42 projects are presented in SB 106 for legislative authorization.

ADMINISTRATIVE IMPLICATIONS

The staff of the New Mexico Environment Department and the Office of the State Engineer provides technical assistance in reviewing water system projects. Engineering and construction oversight are contracted through a memorandum of understanding between the NMFA and the New Mexico Environment Department for projects funded through the water project fund.

DUPLICATION, RELATIONSHIP

HB 71 requires at least ten percent of the total amount of funding from the water project fund for water projects each year shall directly benefit water supply associations subject to the Sanitary Projects Act that have fewer than four hundred fifty water line connections and acequia associations. Six of the 42 project recommended for authorization in SB 106 and HB 167 meet the definitions outlined in HB 71.

HB 219, the severance tax bond bill, contains several appropriations from the Water Project Fund totaling \$4.92 million. The first appropriation is \$2 million for the energy, minerals and natural resources department for the planning, design, and construction of watershed restoration improvements, including forest thinning, statewide. Additionally, there are three appropriations totaling \$2.92 million for the office of the state engineer for 1) the San Juan river basin recovery project; 2) to plan, design, and construct an engineered levee in the San Acacia reach in Socorro county; and 3) to purchase, construct, install and calibrate surface and ground water measurement structures statewide.

HB 167 duplicates in its entirety SB 106.

JMA/jo/jle