

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Campos DATE TYPED: 01/29/01 HB _____
 SHORT TITLE: Ft. Sumner Irrigation District Debt SB 63
 ANALYST: L. Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Fiscal Narrative			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 187

SOURCES OF INFORMATION

New Mexico Finance Authority
 State Engineer's Office

SUMMARY

Synopsis of Bill

Senate Bill 63 authorizes the New Mexico Finance Authority (NMFA) to make a loan from the Public Project Revolving Fund to the Fort Sumner Irrigation District (FSID) for refinancing debt to the Federal Bureau of Reclamation (Reclamation) under the terms and conditions established by the Authority.

Significant Issues

Senate Bill 63 would free the FSID of a 50-year-old, interest-free debt to the federal government totaling \$1.2 million. The FSID received federal assistance from the Reclamation to make improvements to their canal systems and rebuild their diversion dam which were destroyed by floods in 1948. According to the State Engineer's Office, FSID has a 1903 priority water right for diversion of 100 cubic feet per second of water at their Pecos River diversion dam. Further, the FSID has followed the terms of its repayment contract with the Reclamation, and operates a very functional and well-maintained irrigation system.

However, during the 2000 irrigation season, Reclamation ordered that FSID reduce their water right diversion to 30 cubic feet per second. The Reclamation further provided written notice, citing a

Senate Bill 63 -- Page 2

clause in the FSID's repayment contract, that they would take over operations of FSID's facilities if FSID was not properly operating its irrigation system. The New Mexico congressional delegation intervened, and instead of Reclamation taking the water under the allegation of FSID's mis-operation, Reclamation has since contracted with FSID farmers to lease the additional water.

Senate Bill 63 would provide FSID a loan to repay its debt to Reclamation, and provide FSID with a stronger legal argument that reclamation does not have a legal basis for control of the diversion dam.

Section 2 contains an emergency clause.

FISCAL IMPLICATIONS

Senate Bill 63 does not appropriate funds. However, a loan made in the interim as a result of passage of Senate Bill 63 would result in reducing the loan capacity of the Public Project revolving Loan Fund by approximately \$400,000.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Senate Bill 63 duplicates House Bill 187 in its entirety, and duplicates one of 85 projects in Section 1 of House Bill 158.

POSSIBLE QUESTIONS

1. According to NMFA, the FSID has requested and proposes a sufficient revenue stream to secure a PPRF loan totaling \$400,000 of the total project cost, requiring the FSID to secure an additional \$800,000 of the project amount. Does the FSID intend to seek additional capital outlay funds during the 2000 Legislature?
2. Will the FSID increase fees to its irrigation users to secure the necessary revenue stream to repay its debt to the NMFA?
3. Does the Reclamation have the legal authority to physically take control of the FSID diversion structure even if FSID is no longer indebted to them?

LMK/njw