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FISCAL IMPACT REPORT

SPONSOR Stell DATE TYPED 2/10/04 HB HM 14

SHORT TITLE Acequia Irrigator Drought Compensation SB _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			See Narrative		

SOURCES OF INFORMATION

LFC Files

Responses Received From

Environment Department (ED)

State Engineer's Office (SEO)

Energy, Minerals & Natural Resources (EMNRD)

SUMMARY

Synopsis of Bill

House Memorial 14 requests the U.S. Department of Agriculture (USDA) to change USDA policies regarding the treatment of irrigated tracts for which surface water allocations have been reduced by New Mexico irrigation or conservancy districts due to shortages caused by drought or attributable to efforts to comply with the federal Endangered Species Act.

This memorial specifically requests the USDA to restore full coverage for such tracts as irrigated acreage under the federal Farm Security and Rural Investment Act of 2002, and to restore crop insurance eligibility for such tracts, regardless of temporary reductions of surface water allocations for the tracts.

In addition, this requests the USDA to create a task force to develop a national drought standard for irrigated practice, and to review and modify existing USDA farm service agency and USDA risk management agency regulations.

Significant Issues

The practice of acequia and ditch irrigation has existed since early Spanish exploration and the Rio Grande, Pecos, San Juan, Canadian, and Rio Chama are the principal rivers of New Mexico. The SEO and the Interstate Stream Commission have statutory authority over adjudication and augmentation of these and other stream flows. As a result of the prolonged drought in New Mexico, irrigation and conservancy districts have been forced to reduce or eliminate allocations of surface water to farms in order to meet compact delivery requirements to Texas and to comply with the federal Endangered Species Act of 1973.

The USDA, through its Risk Management Agency, and the Farm Service Agency, has refused to allow enrollment of New Mexico farms as irrigated acreage and to insure them as such. The Farm Service Agency attributes its decision to the management choices of the owner-operators rather than recognizing those conditions caused by drought, compacts or federal laws and court orders. The net effect is inadequate compensation for the increased cost of performing best management practices and the negative impact on base and yield measures in the farm bill and future farm programs, and these farm owner-operators continue to pay property taxes at the higher rates of assessed value while revenue from the land has fallen due to drought.

FISCAL IMPLICATIONS

If the USDA agrees to provide fair and equitable compensation to acequia and ditch irrigators during prolonged drought and water shortages, this will have a positive financial impact on New Mexico farmers.

DW/lg