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FISCAL IMPACT REPORT

SPONSOR Cravens DATE TYPED 3/18/05 HB _____

SHORT TITLE NMFA Water Project Fund Projects SB 186/aSCONC/aSFC

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			NFI		(See Fiscal Impact Narrative)

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 271

Relates to House Bill 139, Senate Bill 132, and Senate Bill 239

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

New Mexico Environment Department (ED)

SUMMARY

Synopsis of SFC Amendments

The amendments adopted by the Senate Finance Committee add Elephant Butte in Sierra County to the list of eligible projects and make the technical adjustments.

Synopsis of SCONC Amendment

The Senate Conservation amendments authorize the New Mexico Finance Authority to make loans or grants from the water project fund to the following two entities: 1) to upper La Plata domestic water consumers and mutual sewage works association in San Juan County for a water project; and 2) to the Ute Creek soil and water conservation district in Harding county for a watershed restoration and management project. The amendment further makes punctuation corrections to the bill.

Synopsis of Original Bill

Senate Bill 186 authorizes NMFA to make loans and grants from the water project fund to 16 qualified entities for water projects. The bill contains an emergency clause and will be effective upon being signed by the Governor.

Significant Issues

The 2001 Legislature created the Water Project Finance Act establishing a water trust board, water trust fund and water project fund for providing grants and loans to political subdivisions for specific statewide regional water supply projects requiring legislative authorization. Laws of 2003 (Chapter 134) requires the Board of Finance to estimate by January 15 of each year the available severance tax bond capacity and to authorize 10 percent of the capacity for deposit into the water project fund to capitalize the fund for eligible projects. The senior severance tax capacity for this year totals \$177.2 million which will yield \$17.7 million into the water project fund. Statute defines eligible projects as: 1) for the storage, conveyance or delivery of water to end-users; 2) for the implementation of the Federal Endangered Species Act collaborative programs; 3) for the restoration and management of watersheds; 4) for flood control; or 5) for water conservation.

The 16 projects recommended for legislative authorization within this bill have been reviewed and evaluated by the Water Trust Board and are consistent with criteria established by statute. The board consists of 15 members chaired by the state engineer or his designee.

FISCAL IMPLICATIONS

Laws 2003, Chapter 134, requires that by January 15 of each year, the Board of Finance Division (BOF) of the Department of Finance and Administration estimate the amount of bonding capacity available for severance tax bonds to be authorized by the legislature. BOF shall authorize 10 percent of the estimated bonding capacity each year, and the legislature further authorized BOF to issue severance tax bonds in the annually deducted amount for use by the water trust board to fund water projects statewide. Money from the severance tax bonds may not be used to pay indirect projects costs. Any unexpended balance from proceeds of the bonds issued for a water project shall revert to the severance tax bonding fund within six months of completion of the water project. NMFA is responsible for monitoring and ensuring proper reversions.

ADMINISTRATIVE IMPLICATIONS

NMFA administers the water project fund and provides staff support to the Water Trust Board.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 186 duplicates House Bill 271 in its entirety and relates to Senate Bills 132, 139, and 239.

Senate Bill 132 amends the Water Trust Board provisions to allow the executive director of NMFA to name a designee to serve on the board in the director's absence; eliminates creation of the Drought Strike Task Force to avoid duplication of the Water Trust Board duties; allows donations to the water project fund; and amends standards for prioritizing water projects by the board.

House Bill 139 (HB 139) appropriates \$100 million from the general fund to the water trust fund for expenditure in fiscal years 2005 and 2006. Unexpended funds do not revert to the general fund at the end of fiscal year 2006.

Senate Bill 239 makes technical changes to the membership of the Water Trust Board and requires that 25 percent of all water project funds be expended for forest and watershed restoration projects.

TECHNICAL ISSUES

NMFA offers the following amendments to Senate Bill 186 for the purposes of clarification and to avoid conflicting claims on project funds:

- 1) On page 2, line 15, insert the words “and/or” in lieu of the word “and”; and
- 2) On page 2, line 17, following the word “counties”, insert the language “or another entity which consists of water users from both of the aforementioned associations and which have been approved by the water trust board.

OTHER SUBSTANTIVE ISSUES

The following statistics and graph prepared by NMFA depict the number of projects and dollar value appropriated from the water project fund to date:

<u>FY</u>	<u># Projects</u>	<u>\$ Amount</u>
2002	5	\$ 7.5 M
2003	14	10.0 M
2004	<u>8</u>	<u>12.5 M</u>
	27	\$30.0 M

