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FISCAL IMPACT REPORT

ORIGINAL DATE 1-31-06
 SPONSOR Balderas LAST UPDATED 2-3-06 HB 394/aHAGC
 SHORT TITLE Cimarron Watershed Projects SB _____
 ANALYST Hadwiger

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|---------|-------------------------|------------------|
| FY06 | FY07 | | |
| | \$500.0 | Non-Recurring | General Fund |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Engineer (OSE)

New Mexico Department of Environment (NMED)

SUMMARY

Synopsis of HAGC Amendment

The House Agricultural and Water Committee amendment to House Bill 394 changes the recipient of the appropriation from the Department of Environment (NMED) to the Forestry Division of the Energy, Minerals and Natural Resources Department.

Synopsis of Original Bill

House Bill 394 appropriates \$500 thousand from the general fund to the Department of Environment (NMED) in FY07 to contract with an organization to develop and implement watershed projects for the Cimarron watershed.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 would revert to the general fund. NMED noted the appropriation contained in this bill can be used as match for the Clean Water Act Section 319 watershed restoration grant that is provided to the state by

the U.S. Environmental Protection Agency. A 40 percent match is required under this grant. It is not clear how the HAGC amendment will affect the potential to use these funds as a match for the Clean Water Section 319 watershed restoration grant. It would be useful to know whether this change results in the loss of potential federal matching funds.

SIGNIFICANT ISSUES

OSE noted that protecting watershed health will result in increased water yield, reduced soil erosion and if properly planned could reduce the hazards of forest fire. OSE recommended that any large scale, multiple use water related projects such as this be coordinated through a task force consisting of representatives from agencies such as the state engineer and soil and water conservation districts and after obtaining public input. Also, for a project of this nature, one year time period is too short to develop the scope, design and implement the project. OSE recommended that the appropriation be a multi-year appropriation for at least three years.

NMED explained that it is the recipient of the Clean Water Act Section 319 watershed restoration grant, of which approximately \$1 million is made available annually to local cooperators for watershed restoration projects. The Cimarron Watershed Alliance is an example of NMED's efforts to use Section 319 funds to form local watershed groups in areas where impaired waters have been identified and to provide funding for watershed restoration projects. Members of the Cimarron Watershed Alliance include a diverse group of local ranchers, landowners, elected officials, business owners, state/federal agency representatives, civic groups, and private citizens. Cimarron Watershed Alliance activities have included replanting riparian areas, reducing forest biomass, and improving wastewater management throughout Colfax County.

PERFORMANCE IMPLICATIONS

NMED reports the number of impaired stream miles being addressed through watershed restoration plans each year. Cimarron Watershed Alliance projects are examples of the types of projects that are reported through this performance measure.

ADMINISTRATIVE IMPLICATIONS

HB394 will allow the Cimarron Watershed Alliance or other organization to continue to implement watershed restoration projects with NMED's assistance and oversight.

OTHER SUBSTANTIVE ISSUES

OSE recommended that funding be mandated to comply with the state's Forest and Watershed Health Plan and the New Mexico Statewide Policy and Strategic Plan for Non-Native Phreatophyte/Watershed Management. That strategic plan was called for by the Legislature in HB2 (2005) and developed by an interagency work group to coordinate and supervise all phreatophyte (salt cedar) removal projects in the state.

AMENDMENTS

OSE recommended the following amendments:

- Line 17. Change "fiscal year 2007" to "fiscal years 2007 through 2009".
- Line 19. Insert before the last sentence "A steering committee consisting of the secretary

of the department of environment, the state engineer and local soil and water conservation district (or their designees) shall be formed to develop scope, public input process, design and oversee the implementation of the project.”

- Line 21. Change “2007” to 2009”.

POSSIBLE QUESTIONS:

1. Can the appropriation to EMNRD’s Forestry Division be used to attain federal matching funds? If not, why is it preferable to send these funds to EMNRD?

DH/yr:nt