

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/06

SPONSOR Stell LAST UPDATED _____ HB 868

SHORT TITLE Oil & Gas Reclamation Fund for Water Projects SB _____

ANALYST Kehoe

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(\$7,100.0)		Recurring	General Fund
	\$7,100.0		Recurring	Water Project Fund
		(\$6,700.0)	Recurring	General Fund
		\$6,700.0	Recurring	Water Project Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 Energy, Minerals & Natural Resources Department (EMNRD)
 Office of the State Engineer/Interstate Stream Commission
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 868 provides for a distribution of six-nineteenths (6/19) of the net receipts from the Oil and Gas Conservation Tax to the water project fund.

FISCAL IMPLICATIONS

The revenues from the Oil and Gas Conservation Tax are currently deposited in the general fund. The fiscal impact was calculated using the general fund forecast of the Oil and Gas Conservation Tax. In FY07, the consensus revenue group forecast of the Oil Conservation tax is \$20.2 million and in FY08 the forecast is \$19.0 million. The diversion of 6/19 of the total collections would be

\$7.1 million in FY07 and \$6.7 million in FY08. The amount diverted would be an increase to the Water Project Fund and a decrease to the general fund.

The fiscal impact assumes the proposed distribution to begin July 2006 since the bill does not contain an effective date.

SIGNIFICANT ISSUES

The water project fund is currently capitalized with 10 percent of the severance tax bonding capacity each year as provided by Laws of 2003, Chapter 134. The 10 percent set-aside of severance tax bond capacity for FY06-07 is approximately \$28.5 million for allocation by the water trust board for eligible water projects authorized by the Legislature. Money from the severance tax bonds may not be used to pay indirect project costs, and any unexpended balance from proceeds of severance tax bonds issued for a water project shall revert to the severance tax bonding fund within six months of completion of the water project. The New Mexico Finance Authority (NMFA) is responsible for monitoring and ensuring proper reversions.

Eligible water projects funded from the water project fund are defined as those involving: 1) the storage, conveyance or delivery of water to end-users; 2) the implementation of federal Endangered Species Act collaborative programs; 3) the restoration of watersheds; 4) flood prevention; 5) conservation; or 6) for recycling, treatment or reuse of water.

According to NMFA, over \$2 billion in water-related needs have been identified throughout the state. The water trust board in FY05 received over \$129 million in requests for water-related projects. To date, the water trust board has recommended \$47 million of grant funding for 47 projects for 29 local entities statewide. The state has leveraged more than \$50 million of local and/or federal funding.

TECHNICAL ISSUES

The title of the bill indicates “providing for a distribution from the oil and gas reclamation fund to the water project fund.” However, the contents of the bill provides for the distribution to the water project fund from the Oil and Gas Conservation Tax. It should also be noted that the bill does not contain a provision for the effective date of the distribution.

LMK/yr