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FISCAL IMPACT REPORT

SPONSOR: Lundstrom DATE TYPED: 02/11/03 HB 203/aHENRC

SHORT TITLE: Amend Water Project Finance Act SB _____

ANALYST: L. Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
NFI					

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Legislative Finance Committee Files (LFC)
 Office of the State Engineer (OSE)
 New Mexico Finance Authority (NMFA)
 Energy, Minerals and Natural Resources Department (EMNRD)
 New Mexico State Highway and Transportation Department (NMSHTD)

SUMMARY

Synopsis of HENRC Amendment

House Energy and Natural Resources Committee amendments to House Bill 203, Items 1 and 2, make technical corrections; Item 3 expands qualifying water projects to include water conservation.

Synopsis of Original Bill

House Bill 203 amends the Water Project Finance Act to create a drought strike team for coordinating responses to emergency water shortages; requires that water use efficiency be used as a criterion for financial assistance from the Water Project Fund; and clarifies that endangered species refers to the Federal Endangered Species Act of 1973.

Significant Issues

Enacted in 2001 (Chapter 164), the Water Finance Act created the Water Trust Board (WTB) for

the purpose of making recommendations to the legislature and governor for financing projects to help meet New Mexico's water needs. WTB members include the state engineer as chairman; the president of the Navajo Nation; directors of the New Mexico Finance Authority, New Mexico Municipal League, New Mexico Association of Counties; secretaries of the Energy, Minerals & Natural Resources Department, Department of Agriculture, Department of Game and Fish, Department of Environment; and representatives of the Acequia Water Users, Irrigation or Conservancy Districts (ground water), the environmental community, and an appointee of the New Mexico Commission on Indian Affairs.

Current statute requires the WTB to consider water problems and solutions for storage, conveyance and deliver of water; implementation of the Endangered Species Act Collaborative Programs; restoration and management of watersheds; and flood prevention as a criterion for water projects to be considered for financial assistances from the Water Project Fund. House Bill 203 requires the WTB to include water use efficiency as a criterion for qualifying for loans and grants. However, the bill does not define "water use efficiency." The bill further clarifies that the Endangered Species Act referred to in Chapter 164 is the "federal" Act.

At the request of the governor and Drought Task Force, the WTB in 2002 participated in creating a process to identify existing and potential public water supply emergencies in New Mexico due to severe drought conditions. The WTB authorized the formation of the existing strike team on an ad hoc basis (Environment Department, Health Department, State Engineer's Office, NMFA, and Agriculture Department). The strike team consists of professionals specializing in finances, water supply options, conservation options, and in identifying statewide priorities funded through inter-agency assignment of duties with existing staff. The strike team makes on-site assessments of community water needs and makes recommendations to the WTB for emergency projects.

House Bill 203 statutorily creates the drought strike team for the purpose of reviewing and recommending water projects to the WTB and to ensure that all available technologies and operational design for water use efficiency is implemented. However, the bill does not identify the membership or expertise of the drought strike team, does not identify the state agencies to be represented by the strike team, and does not address how the expenses of the strike team will be met.

ADMINISTRATIVE IMPLICATIONS

According to the New Mexico State Highway and Transportation Department, House Bill 203 could have an effect on the Highway Department's projects and man-hour requirements if qualified water projects include restoration and management of watershed or flood prevention affecting structures crossing state highways.

OTHER SUBSTANTIVE ISSUES

A strike team would provide a coordinated effort among those agencies involved in addressing deficient water supply systems and could minimize the potential water shortage impact to the public. Lack of a full time drought strike team creates the potential for delays in addressing deficient water supply systems, causing the public to haul in water or necessitating the rationing of water use.

POSSIBLE QUESTIONS

1. Will the proposed drought strike team be composed of representatives from existing state agencies ? If yes, which state agencies ? How will the financial impact to the agencies be addressed ?
2. Should the drought strike team be a permanently funded entity within a current state agency with the expertise to address drought and water problems, ie., Energy & Minerals Natural Resources Department, New Mexico Environment Department or the Office of State Engineer ?
3. All funds in the Water Project Fund are currently designated for specific projects? How would grants be funded ?

LMK/sb:njw