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FISCAL IMPACT REPORT

	ORIGINAL DATE 1-20-06		
SPONSOR	Wallace	LAST UPDATED	HB 46
	SANDOVAL COUNTY WATER & SANITATION		
SHORT TITLE	DISTRICT	SB	
			ANALYST Hadwiger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$150.0	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)
 Interstate Stream Commission (ISC)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 46 appropriates \$150 thousand from the general fund in FY07 to the Local Government Division (LGD) of the Department of Finance and Administration (DFA) to study the need for a regional water and sanitation district in rural Sandoval County. The study would encompass rural Sandoval County from San Ysidro to the community of La Cueva on Highway 4. It would identify the area's water associations and others who could participate in regionalization of water and wastewater management and would gather information about these parties. The study would include recommendations regarding creation of a regional self-sustaining water and sanitation district.

FISCAL IMPLICATIONS

The appropriation of \$150 thousand general fund 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.

SIGNIFICANT ISSUES

NMED indicated that the Jemez corridor along Highway 4 that would be addressed in this study contains a number of small water systems that have experienced various problems with water supply, both in quantity and quality. An effort to develop a self-sustaining regional system could improve the quality of water provided and the efficiency of operation. NMED supports efforts to develop regional cooperation and has found that regional cooperation is often cost effective. This effort could serve as a model for other areas of the state.

The Office of the State Engineer (OSE) indicated Sandoval County has encouraged collaboration among water and waste water systems to improve service delivery, create secure water supplies for a growing area, and protect water quality through good management of wastewater. Many water systems are already working together and there is strong support for regionalization. There are also numerous domestic wells that are stressed due to drought, and a new system could better provide service for the growing population.

In the response to HJM86, passed by the 2005 Legislature, a team led by OSE that includes NMED, NMFA, DFA, NM Rural Water Association, RCAC, and the Environmental Finance Center recommended a number of conditions for water and waste water project funding to create sustainable systems. One of the most important is regionalization of water and waste water systems. Another was that operational funding plans be developed so that systems become self-supporting. OSE indicated that this bill will encourage both.

According to the OSE, the Rio Jemez Adjudication has identified all the water rights in the Rio Jemez Watershed. There are three major water systems in the study area: San Ysidro Water System (RG-47679), Ponderosa MDWCA (SP-3315) and Village of Jemez Springs (SP-2071). In addition, the La Cueva area has several small water systems including Hofhiens/Marcel Thomas Domestic Water Users Association (SD 01398), domestic wells numbered RG-47045, RG-47046, RG-RG-47047 and RG-47048 being part of the Hofhiens water system and the water system owned by Caroline and Jose Montoya (SP 02541-A). Between the Village of San Ysidro and the Village of Jemez Springs is Jemez Pueblo, where the State Engineer lacks jurisdiction.

OSE further indicated that a regional water system would be beneficial to the area because of historical supply shortages and sanitation issues. Although the water rights have been adjudicated, an application to combine and/or commingle the water rights would need to be filed with the State Engineer. A study such as the proposed one is necessary before an application is filed.

PERFORMANCE IMPLICATIONS

NMED indicated that agency regulates small public water systems and that regionalization of these systems could improve performance and reduce agency resources devoted to these systems.

ADMINISTRATIVE IMPLICATIONS

OSE noted that the bill does not indicate who will be the lead agency for this study. LGD/DFA has contracted for similar regionalization projects with the Environmental Finance Center, RCAC and NMRWA, a team that has experience with this kind of collaboration and could easily

do what is called for in the bill. Each of these entities has provided advice and assistance to support the regionalization activities there to date. Also, the bill does not call for the study to outline a conceptual regional water and waste water system or to identify potential management/ administrative options (for example, septic management programs rather than centralized waste water treatment; SCADA; etc.).

OSE suggested that, given the experience with regionalization, the statutory issues surrounding decisions about appropriate governance structures, and comprehensive water and waste water system design, a “management team” for the study should include OSE, NMED Construction Programs Bureau, and NMED Drinking Water Bureau to insure a “full water cycle” planning approach and comprehensive evaluation of the alternatives (both governmental and technical).

DFA concurred about the need for a specific group or organization that would be responsible for coordinating and implementing study. According to DFA, the creation of the special district would not occur until study has been completed and a recommendation has been made. The bill needs to specify group or parties that will submit requests for reimbursement or that will be responsible for financial administration, (i.e. county or special interest group.)

TECHNICAL ISSUES

DFA and NMED noted that the appropriation is to DFA, but NMED has overseen similar studies and has the technical knowledge and resources needed to make recommendations and assist participants in this study. Both agencies suggested that the appropriation may be administered more effectively by NMED.

ALTERNATIVES

DFA and NMED suggest that the appropriation be made to NMED.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

OSE indicated that, if this bill were not enacted, rural Sandoval County will continue to be served by small, fragile water systems and will not have a comprehensive waste water treatment plan. The small systems will likely continue to depend on the State for funding for repairs to aging infrastructure and for emergencies. Within the valley, there are areas where water shortages are experienced. For example, during a past drought, the Village of Jemez Springs applied for a well to supplement their springs. This application was denied. A regional water system might be a solution for areas where springs are the sole source of water (Village of Jemez Springs and

Ponderosa). In addition, a regional water system would provide a water source in compliance with water quality standards. In the past, the water diverted under permit number SP 02451-A in the La Cueva area was contaminated.

AMENDMENTS

NMED and DFA recommended that the bill be amended to appropriate the funds to NMED:

On page 1, lines 17 and 18, “local government division of the department of finance and administration” would be replaced with “department of environment”.

OSE suggested that, on page 2, line 11, the following should be inserted:

“The study shall be conducted by contractors with experience in regional water and waste water planning and collaboration, and shall conceptually identify and evaluate integrated waste and waste water system designs, as well as managerial and administrative options for a regional system.

C. Scoping and oversight assistance for the study shall be solicited from the office of the state engineer and the New Mexico environment department’s drinking water and construction programs bureaus.”

DH/mt