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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/06

SPONSOR Martinez, K. LAST UPDATED _____ HB HJM 21

SHORT TITLE Appoint Water Trust Fund Task Force SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 132, House Bill 134, House Bill 296, Senate Bill 93, Senate Bill 194, Senate Bill 224, and House Joint Resolution 6.

SOURCES OF INFORMATION

LFC Files
 New Mexico Environment Department (NMED)
 Energy, Minerals & Natural Resources Department (EMNRD)
 New Mexico Department of Agriculture (NMDA)

SUMMARY

Synopsis of Bill

House Joint Memorial 21 requests the Legislative Council to appoint a task force to identify an appropriate permanent revenue mechanism to fund the water trust fund.

SIGNIFICAN ISSUES

House Joint Memorial 21 proposes that the water trust fund task force be staffed by the Legislative Council Service and that membership of the task force be composed of no more than 23 members including legislators, citizens representing the various stakeholders and water project finance experts.

The task force is required to report its findings and recommendations to the co-chairs of the New Mexico Legislative Council by January 2007.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Joint Resolution 6 proposes an amendment to the New Mexico Constitutional amendment to establish a water trust fund in the 2006 General Election. The resolution will not be proposed to the people for their approval or rejection at the 2006 General Election unless a law allowing a transfer of \$100 million to the trust fund is enacted during the Second Session of the Forty-Seventh Legislative Session.

House Bill 132 amends the Water Project Finance Act to provide that money in the water trust fund shall not revert at any time.

Senate Bill 194 duplicates the intent of House Bill 134, House Bill 296 and Senate Bill 93 providing that \$100 million of the nonrecurring revenue of the general fund remaining at the end of fiscal year 2006 be transferred to the water trust fund.

Senate Bill 93 and House Bill 134 appropriate \$100 million from the general fund to the water trust fund for the purpose of caring out the provisions of the Water Project Finance Act.

Senate Bill 224 deletes a provision within the Water Project Finance Act which would allowed 10 percent of the total amount allocated to the water project fund to be used for water rights adjudication.

OTHER SUBSTANTIVE ISSUES

The Water Project Finance Act, Chapter 164, Laws of 2001, created a water trust fund program, a water project fund and a water trust board. The water trust fund is intended to provide a permanent revenue source to provide grants and loans to political subdivisions and to provide for long-range planning and financing of regional and statewide water supply projects. To date, the water trust fund has never been capitalized to establish the permanent corpus of the fund.

Although the water trust fund was not funded, the water project fund is 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. NMFA is responsible for monitoring and ensuring proper reversions.

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.