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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-28-2008

SPONSOR Morales LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Gila Water Settlement Benefits SB 433

ANALYST Woods

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
NFI	\$1,500.0	Non-Recurring	General

(Parenthesis ( ) Indicate Expenditure Decreases)

SB433, HB483, HB485, and HM27 are related.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From<sup>1</sup>

Department of Finance and Administration (DFA)

Office of the State Engineer (OSE)

Environment Department (NMED)

### SUMMARY

#### Synopsis:

Senate Bill 433 seeks to appropriate \$1,500,000 from the general fund to the Interstate Stream Commission for expenditure in fiscal year 2009 to support a multi-stakeholder planning process in developing a plan to optimize the 2004 Arizona Water Settlements Act in a cost-effective manner that will balance historical and future demands for water against an uncertain supply while protecting the environment. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

### SIGNIFICANT ISSUES

OSE indicates that, in June 2006, the Governor issued a policy statement directing the Interstate stream Commission (ISC) to institute a multi-stakeholder planning process to plan for utilization of the benefits New Mexico received in the 2004 Arizona Water Settlements Act. Those benefits include up to 14,000 acre-feet of additional water in the Gila and San Francisco Basins and up to

<sup>1</sup> Agency replies include responses to bills SB433, HB483, and HB485.

\$128 million in non-reimbursable federal funding. The funding in this bill would allow the ISC to execute the planning and studies agreed upon by the Southwest New Mexico Stakeholder Group and necessary to meet the goals of the group. The funding will provide for the required basic ecological studies as well as the demand management, conservation, demographic, and socio-economic studies added in the Governor’s policy statement and adopted by the group.

OSE further notes that the implementation Committee of the Southwest New Mexico Stakeholder Group, with additional members from the group, recently agreed on language the group would request be incorporated in any funding request. The language suggested by the Implementation Committee was circulated to all the members of the Southwest New Mexico Stakeholder Group and received no negative comments. This appropriation fully adopts the suggested language.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB433, HB483, HB485, and HM27 are related in that all addresses Arizona Water Rights Settlement Act considerations. With the exception of the word “utilize” in line 19 of HB483, HB483 is identical to SB433 and HB485 which use the “optimize” as opposed to “utilize” on line 19.

### **OTHER SUBSTANTIVE ISSUES**

NMED advises that, pursuant to a joint powers agreement with the ISC, the NMED was a participant in Arizona Water Rights Settlement Act discussions and has collected water quality data to support the project. NMED’s continued participation is necessary to ensure that water quality issues are fully considered. Further, the legislation acknowledges the potential environmental impact of water projects and requires that ISC’s planning process balance historical and future demands for water against an uncertain supply while protecting the environment. Stakeholder input regarding environmental and ecosystem impacts are critical issues to be addressed by ISC.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

OSE suggests that the 2004 Arizona Water settlements Act requires that if New Mexico chooses to develop any of the 14,000 acre-feet of additional Gila water, New Mexico must craft a plan by 2014 that complies with all federal environmental mandates. Should New Mexico fail to do so, the federal funding would be limited to \$66 million. The studies needed to meet the mandate in the Act, including the ecological, demand management, conservation, and socio-economic studies, will require significant investment of up to \$6 million by New Mexico and will be difficult to complete before 2014 unless they are begun very soon. If the studies are not completed before 2014, the plan cannot be adequately crafted and New Mexico will lose up to \$62 million of non-reimbursable federal funding and possibly all of the additional 14,000 acre-feet of water from the Gila and San Francisco Basins.