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FISCAL IMPACT REPORT

	01/31/11		
	ORIGINAL DATE	02/18/11	143/aHAGC/aHTRC/
SPONSOR <u>Nunez</u>	LAST UPDATED	02/21/11	HB <u>aHFL#1</u>
SHORT TITLE <u>NMFA Water Project Fund Projects</u>			SB _____
	ANALYST	<u>Kehoe</u>	

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
(\$26,470.0)	(\$24,800.0)	(\$24,400.0)	Recurring	Severance Tax Bond Capacity
\$26,470.0	\$24,800.0	\$24,400.0	Recurring	Water Project Fund
	(\$4,000.0)	(\$4,000.0)	Recurring	Water Trust Fund
	\$4,000.0	\$4,000.0	Recurring	Water Project Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

Office of State Engineer (OSE)/Interstate Stream Commission (ISC)

New Mexico Environment Depart (NMED)

SUMMARY

Synopsis of HFL#1 Amendment

The House Floor Amendment #1 strikes the House Taxation and Revenue Committee amendment item 3. Item 3 would have allowed the Water Trust Board to consider the Acequia del Rincon in Santa Fe County for financial assistance from the water project fund.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment strikes the House Agriculture and Water Resources Committee amendment and provides a technical correction to properly name the county in which the El Valle water alliance is located, specifically, San Miguel County rather than Taos County. The amendment further authorizes the Water Trust Board to consider

Acequia del Rincon in Santa Fe County for financial assistance from the water project fund.

Synopsis of HAGC Amendment

The House Agriculture and Water Resources Committee amendment changes the county location for the El Valle de los Ranchos water and sanitation district from “Taos” to “San Miguel” County. However, it should be noted the amendment may have been intended to amend the project (item number 22) on page 3, line 25, for the El Valle water alliance which is located in San Miguel County rather than Taos County.

Synopsis of Original Bill

House Bill 143, endorsed by the New Mexico Finance Authority Oversight Committee, authorizes the New Mexico Finance Authority (NMFA) to make loans or grants from the water project fund for 49 qualifying projects on terms and conditions established by the water trust board (WTB) and NMFA. The bill contains an emergency clause.

FISCAL IMPLICATIONS

Laws 2003 (Chapter 134) requires the Board of Finance to authorize and issue bonds for 10 percent of the severance tax bonding capacity each year for deposit in the water project fund. The 10 percent set-aside of severance tax bond capacity for FY11 will provide approximately \$26.5 million to the water project fund for eligible water projects. The forecast in future years for 10 percent of severance tax bond capacity will be approximately \$248 million in FY12 and approximately \$24.4 million in FY13. 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 value of the 10 percent of severance tax bond capacity can change from year to year depending on oil and gas revenues.

Laws 2006, Chapter 109, provided for the transfer of \$40 million from the general fund at the beginning of fiscal year 2007 to the water trust fund created by the Water Finance Act. According to the constitutional provision creating the water trust fund approved in November 2006 and in accordance with state law, on July 1, 2008 for FY09 and each fiscal year thereafter, an annual distribution shall be made from the water trust fund to the water project fund pursuant to state law, and that distribution shall then be appropriated by the legislature only for water projects consistent with a state water plan and as otherwise provided by law to support critically needed projects that preserve and protect New Mexico’s water supply.

Section 72-4A-8 of the Water Finance Act provides that on July 1 of each fiscal year, annual distribution will be made from the water trust fund to the water project fund in the amount of \$4 million until the amount is less than an amount equal to 4.7 percent of the average of the year-end market values of the water trust fund for the immediate preceding five calendar years.

Laws 2005 (Chapter 293) certifies 10 percent of all funds in the water project fund (approximately \$2.6 million) may be allocated to the Office of State Engineer (OSE) to be used for adjudication. Of the OSE 10 percent, 20 percent (approximately \$520,000) will go to the Administrative Office of the Courts for adjudication purposes.

SIGNIFICANT ISSUES

The water project fund and water trust board were created by the Water Finance Act. According to the Act, once authorized by the Legislature, the water trust board reviews all projects and determines qualifying entities and projects for consideration of loans or grants from the water project fund.

Soon after the 2011 Legislative Session adjourns, the WTB will review all projects authorized by the Legislature for funding from the fiscal year 2011 distribution to the WPF. Eligible water projects pursuant to the Water Finance Act 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.

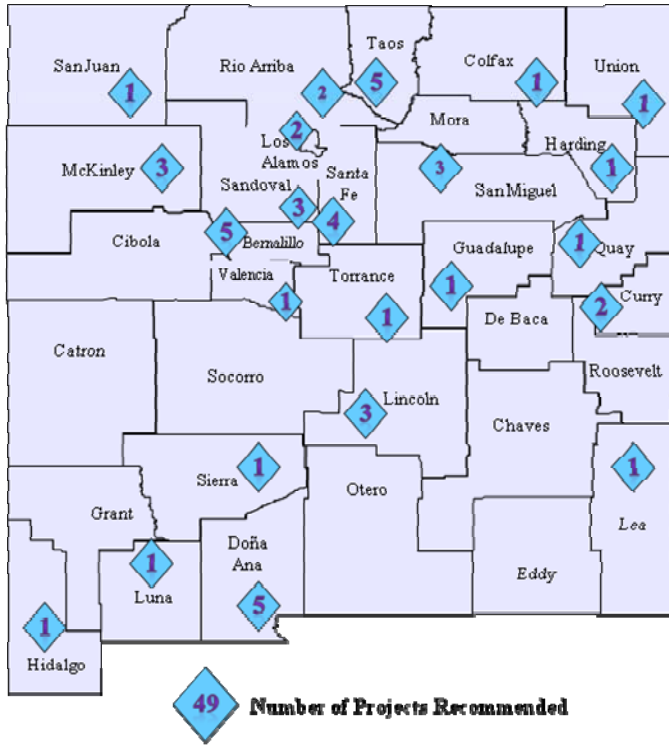
According to NMFA, the WTB received 75 applications for review and consideration by the board for financial assistance from the WPF. After reviewing and evaluating the applications, the WTB recommended 49 qualified entities contained in this bill to request legislative authorization for financial assistance. Of the 49, 15 entities have not previously been authorized by the Legislature for funding from WPF. The total amount requested for the projects contained in this bill is approximately \$76 million.

ADMINISTRATIVE IMPLICATIONS

The NMFA is responsible for administering the WPF and for monitoring and ensuring proper reversions.

OTHER SUBSTANTIVE ISSUES

As provided by NMFA, the following map and table demonstrates the location, counties, and amounts requested by applicants for financial assistance from WPF:



Benaville	\$	3,438,386
Colfax	\$	4,113,480
Combs	\$	8,226,900
Dona Ana	\$	12,996,895
Guadalupe	\$	1,250,000
Harding	\$	900,000
Hidalgo	\$	930,000
Lea	\$	4,113,480
Lincoln	\$	3,930,000
Los Alamos	\$	2,500,000
Luna	\$	380,000
McKinley	\$	6,898,447
Quay	\$	600,000
Rio Arriba	\$	1,074,900
San Juan	\$	1,600,000
San Miguel	\$	3,829,311
Sandoval	\$	2,577,891
Santa Fe	\$	3,065,000
Sierra	\$	1,280,000
Taos	\$	7,658,344
Torrance	\$	600,000
Union	\$	2,000,000
Valencia	\$	2,600,000
Total	\$	76,082,174

HB TBD NMFA Water Fund Projects

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LMK/bym:mew