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FISCAL IMPACT REPORT

SPONSOR Brown ORIGINAL DATE 1/28/18
 LAST UPDATED _____ HB 123

SHORT TITLE Water Fund Money to Carlsbad Brine Well Fund SB _____

ANALYST Jorgensen

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	(\$1,500.0)	(\$1,500.0)	Recurring 3 Years	Water Project Fund
	\$1,500.0	\$1,500.0	Recurring 3 Years	Carlsbad Brine Well Remediation Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB63 and Relates to HB121, HB124, HB125, and HB126

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 123 appropriates \$1.5 million annually for 3 years (\$4.5 million total) from the water project fund to the Carlsbad brine well remediation fund for the purpose of remediation of the Carlsbad brine well to prevent the brine infiltration into the fresh water aquifer.

FISCAL IMPLICATIONS

HB123 appropriates the funds on July 1, 2018, which will reduce the amount of fund the Water Trust Board can award as part of its 2018 application cycle resulting in fewer projects receiving funding.

For its 2018 cycle, the Water Trust Board expects to have approximately \$23 million available for projects. On November 29, 2017, the Water Trust Board recommended to the Legislature that 22 projects be authorized for funding for requests now estimated at approximately \$27 million.

This bill provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The Water Project Fund was created by the Water Project Finance Act and is administered by the NMFA. The NMFA makes grants and loans for qualified projects recommended by the Water Trust Board and authorized by the Legislature. The Water Project Fund receives annually 9 percent of the senior Severance Tax Bonds, which are anticipated to be issued in June 2018, and an annual distribution from the Water Trust Fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB123 is related to HB121, HB124, HB125, and HB126 in that all bills provide appropriations to the Carlsbad remediation fund.

HB123 duplicates SB63.

OTHER SUBSTANTIVE ISSUES

According to EMNRD:

The “Carlsbad brine well” refers to an underground cavern located in the southern portion of the City of Carlsbad that was created by the historic operation of a brine well. A “brine well” is a solution mining operation where fresh water is injected into salt formations to produce saturated brine which is extracted for use in oil and gas drilling operations. Brine wells result in underground caverns, with the stability of the caverns depending on their depth, width, and the strength of the overlying formations. Following the collapse of two brine wells in 2008, OCD examined the causes of the collapses and identified the Carlsbad brine well as having similar features to the wells that collapsed.

Unlike the brine wells that collapsed, the Carlsbad brine well is located in a developed urban area and the nearby infrastructure and facilities that could be impacted by a collapse include a mobile home park, a place of worship, a feed store, two highways (US 285 and US 180/62), a BNSF Railway facility, and Carlsbad Irrigation District’s Southern Main canal. Both highways are designated Waste Isolation Pilot Plant (WIPP) transportation routes. A collapse of the brine well will also adversely impact groundwater, surface habitat, and a vital aquifer.

The Carlsbad Brine Well Remediation Fund (Fund) was established by the Legislature in 2017. NMSA 1978, §75-11-2. The fund is administered by EMNRD and is to be used by the EMNRD Oil Conservation Division (OCD) “to remediate the Carlsbad brine well”. The Legislature also established the Carlsbad Brine Well Remediation Advisory Authority (Advisory Authority) to advise the OCD on the remediation of the brine well. NMSA 1978, §75-11-1(B).