

**LFC Requester:****H. Gaussoin**

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

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*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**     **Amendment**      
**Correction**     **Substitute**   

**Date** 1/24/2024

**Bill No:** HB 201

**Sponsor:** Susan K. Herrera, Matthew McQueen, Gail Armstrong, Willie D. Madrid, Anthony Allison  
**Short Title:** Water Project Fund

**Agency Name and Code**

**Number:** NMFA (385)

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	(\$150,000.00)	Nonrecurring	General Fund
	\$150,000.00	Nonrecurring	Water Project Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
None	None	None	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	NFI	\$805	\$305	\$1,110	Recurring	Water Project Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB148 Water Project Fund Projects, HB 211 Water Project Prioritization and SB1 Water Trust Fund  
Duplicates SB 185

**SECTION III: NARRATIVE**

**BILL SUMMARY**

HB 201 appropriates \$150 million from the State’s general fund to the water project fund in fiscal year 2025. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

**FISCAL IMPLICATIONS**

Pursuant to the Water Project Finance Act, New Mexico Finance Authority (“NMFA”) provides staff support for the WTB and develops application procedures and forms for qualifying entities to apply for grants and loans from the water project fund. NMFA also establishes the terms and conditions of the loans and grants awarded from the water project fund as recommended by the Water Trust Board (“WTB”) and authorized by the Legislature.

Assuming no direct appropriations are made from the water project fund during the 2024 Regular Legislative Session, approximately \$115.74 million, net of adjudication, will be available for projects authorized by the Water Project Fund Projects bill (HB 148). The water project fund receives an annual distribution of nine percent of the severance tax bonds issued by the State Board of Finance (“SBOF”). This sum is estimated to be \$124.6 million for FY 2024 based on January 2024 SBOF estimates. Also in FY 2024, the water project fund is expected to receive a \$4 million distribution from the water trust fund.

The Office of the State Engineer (“OSE”) receives 10% of the Severance Tax Bond proceeds and water trust fund distributions deposited into the water project fund annually for adjudication.

The NMFA administers an annual application cycle on behalf of the WTB. On October 24, 2023, the WTB approved for recommendation to the Legislature 65 applications totaling approximately \$277 million of requests. The 65 projects are included in the Water Project Fund Projects bill (HB 148).

The \$150 million appropriation from the State’s general fund to the water project fund in fiscal year 2025 would assist in bridging the roughly \$161 million funding gap between the \$277million in WTB applications received and the \$115.74 million available to water project fund projects in fiscal year 2025.

## **ADMINISTRATIVE IMPLICATIONS**

NMFA is reimbursed for costs of administration, including paying contractors for engineering and construction oversight, from annual loan repayments. If HB 201 is enacted, the \$150 million appropriation to the water project fund would effectively double the number of WTB projects awarded for this application cycle. NMFA's costs of administration and technical oversight would increase due to the higher volume of awards which require project oversight, and loan servicing and monitoring.

## **SIGNIFICANT ISSUES**

The 65 water project fund project applications were submitted by qualified entities for qualified projects that were fully evaluated and scored by a technical team from seven agencies. The WTB prioritized the projects based on recommendations from the technical team. It should be noted that the 65 projects appearing on the Water Project Fund Projects bill (HB 148) will be required to demonstrate compliance with relevant regulations and laws, such as water rights, state drinking water regulations, and state audit rule requirements in order to receive funding from the water project fund. Those projects with regulatory deficiencies will be by-passed by the WTB, and while the WTB typically makes awards to projects ranking in the upper half of their project type categories based on average and median scores, ultimately the total number of awards and final dollar amounts are based on available funding.

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

Without the \$150 million appropriation to the water project fund, \$115.74 million will be available to fund water project funds through severance tax bonds and the water trust fund distribution. It is likely that approximately 30 of the 65 projects listed in House Bill 148 could be awarded funding by the WTB, which represents 46% of the total number of applications received. \$115.74 million in awards represents roughly 42% of the \$277 million in applications received during this cycle.