

LFC Requester:

Davidson

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov/AgencyAnalysis) and email to billanalysis@dfa.nm.gov*****(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}***Date Prepared:** 2/25/2025*Check all that apply:***Bill Number:** HB 137 CSOriginal ☐ Correction ☐Amendment ☐ Substitute ☒**Sponsor:** HENRC**Agency Name
and Code**New Mexico Environment
Department 667**Short****Person Writing**Jonas Armstrong**Title:****Phone:** 505-670-9050**Email:** Jonas.Armstrong2@en**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	107,750.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$140.0	\$140.0	\$280.0	Recurring	Strategic Water Supply Program Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to: SB342

Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE**BILL SUMMARY**

The House Energy, Environment and Natural Resources Committee Substitute for House Agriculture, Acequias and Water Resources Committee Substitute for House Bill 137 (HB137) proposes the Strategic Water Supply (SWS) Act, and creates the Strategic Water Supply Program

Fund, to provide funding for treating brackish water to reduce the state's dependence on freshwater resources. The bill empowers the New Mexico Environment Department (NMED) and the Office of the State Engineer (OSE) each to enter into contracts or award grants for eligible SWS projects. All SWS projects must comply with applicable state, federal, tribal, and local governmental standards and permit requirements. Finally, the bill contains a \$107.75 million GF appropriation, with \$75 million going to the Strategic Water Supply Program Fund; \$28.75 million to NM Institute of Mining & Technology; and \$4 million to New Mexico State University.

FISCAL IMPLICATIONS

HB137 appropriates a total of \$107.75 million from the general fund, including \$75 million to the SWS Program Fund to support SWS projects, \$28.75 million to the New Mexico Institute of Mining and Technology for aquifer monitoring and improved ground water characterization, and \$4 million to New Mexico State University for innovation, research, monitoring, support, and development of technology associated with potential projects for a SWS grant or contract.

Depending on the number of grants and contracts awarded, NMED may need to add additional staff to support Strategic Water Supply work, including engineering, contractual and regulatory activities. NMED does not anticipate requiring any additional recurring general funds to administer this program because of the ability of administering agencies to draw funds from the SWS Program Fund to cover administrative costs associated with the program. On average an individual NMED employee costs the Department about \$140,000 annually.

SIGNIFICANT ISSUES

OSE and NMED, along with other agencies and higher education institutions, are actively carrying out the Governor's 50-Year Water Action Plan, which provides a roadmap for actions to ensure that New Mexico prepares for a future with up to 25% less water given the realities of climate change.

At the same time, there are numerous economic development opportunities that need access to water. For example, renewable energy projects and cutting-edge manufacturing facilities need assurance that they will have reliable water supplies. In order to meet these opportunities, securing additional water supplies is critical. Brackish water is an additional source of supply and putting it to use will protect existing fresh water sources and ensuring that New Mexico's communities do not miss out on economic development opportunities even in the face of reduced water supplies. The bill also contains an appropriation for aquifer characterization for New Mexico Tech. As set forth in Action B3 of the 50-Year Water Action Plan, fully characterizing our aquifers is an absolutely critical component to support the SWS program.

A key element of New Mexico's transition to zero emissions and renewable energy sources involves attracting industries that specialize in the production of key renewable energy components to New Mexico. We have seen this process begin already as the state has seen production for wind turbine towers, solar panels, and solar tracking systems either locate or expand in New Mexico. These sorts of industrial processes require water. Providing an alternate avenue for these companies to acquire the water they need to operate can take them out of competition with agricultural and residential consumers for the state's increasingly scarce fresh water supplies. Delivering companies water in this way can also provide the sort of long-term operational certainty that makes it easier to sign long term leases, delivery contracts, and attract financing. Stabilizing

water supplies for the private companies that are making New Mexico's energy transition possible will help ensure the durability of that energy transition and the ability of New Mexico to continue to take advantage of its world class renewable energy resources.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

The appropriation of \$75 million to the Strategic Water Supply (SWS) Program Fund under HB137 is expected to increase the volume of grants and contracts administered by NMED, and may necessitate the addition of specialized personnel, including engineers, contract managers, and regulatory staff. Given the estimated \$140,000 annual cost per employee, staffing decisions must be carefully aligned with available administrative funding to ensure fiscal sustainability.

The influx of funding may also require enhanced oversight in areas such as grant administration, regulatory compliance, and financial tracking, potentially necessitating the implementation of additional administrative processes or system upgrades. Furthermore, NMED will need to coordinate closely with OSE, New Mexico Tech (\$28.75M) and NMSU (\$4M) to facilitate data sharing, regulatory alignment, and technical collaboration, which may lead to the development of new memorandums of understanding (MOUs), expanded reporting requirements, and increased oversight responsibilities.

Looking ahead, if SWS funding continues in future years, NMED will evaluate the long-term staffing requirements of the program and determine whether temporary or permanent positions are the most effective means of ensuring operational efficiency and program sustainability.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 342 appropriates: (1) \$50 million for brackish water project use, exploration, treatment, and aquifer characterization water project; (2) \$16 million to the New Mexico Institute of Mining and Technology for research, monitor, and supporting technology related to aquifer monitoring and improved groundwater characterization; and (3) \$4 million to New Mexico State University, also for researching, monitoring, and supporting the development of technology associated with brackish water projects.

The House Appropriations and Finance Committee Substitute for House Bill 2 includes: (1) \$40 million for SWS projects; (2) \$19 million for the New Mexico Institute of Mining and Technology for aquifer mapping; and (3) \$4 million for New Mexico State University for research, innovation, and support related to potential SWS projects.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

NMED's November 2024 [SWS feasibility study](#) brought together information on brackish water resources across the state and how those sources could be put to use. Despite that potential, the study noted that New Mexico is among the minority of states that do not have any municipal desalination plants in operation. From 1969 to 2017, 406 municipal desalination facilities with capacities of 25,000 gallons per day and above were built, 86 of them between 2010 and 2017. Only 3 percent of these facilities treat seawater; the other 97 percent are inland facilities that treat

either brackish surface water, groundwater, or wastewater. Utilizing brackish water aquifers is a safe and proven method to reduce demands on freshwater and to increase water resiliency.

Just across our state border, in El Paso, Texas, is the world's largest inland desalination plant. The Kay Bailey Hutchison Water Treatment Plant has a capacity to treat up to 27.5 million gallons per day of brackish groundwater. About 83% of the water is recovered for use, while the rest is produced as a concentrate that is disposed of through deep-well injection.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMED, OSE and New Mexico communities will not have access to a fund to incentivize the treatment and reuse of brackish and produced water. Opportunities to advance brackish water treatment to meet economic development demands without depleting freshwater resources will move more slowly and development of this additional source of water may not be targeted to state, tribal and local economic development priorities, including efforts to further the clean energy transition in New Mexico.

AMENDMENTS

NMED and OSE are working with the bill sponsors to prepare a House floor amendment that clarifies the public involvement processes associated with permits and regulatory requirements for SWS projects and adds new authority that provides the opportunity for the public to protest State Engineer determinations related to brackish water wells deeper than 2500 feet below the surface for SWS projects.