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FISCAL IMPACT REPORT

SPONSOR Garcia, M **ORIGINAL DATE** 1/23/19 **HB** 37/aHCEDC/aHFI#1/
LAST UPDATED 3/11/19 **SB** aSCORC/aSCONC

SHORT TITLE No LEDA Funds For Water Rights Purchases **SB** _____

ANALYST Martinez/Woods

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Economic Development Department (EDD)

SUMMARY

Synopsis of SCONC Amendment

The Senate Conservation Committee Amendment removes House Floor Amendment #1 below.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee Amendment removes House Floor Amendment #1 below.

Synopsis of HFI #1 Amendment

House Floor Amendment #1, on page 3, line 18, after the words “rights inserts,” the language “that are not appurtenant to land that is acquired by a local or regional government for a qualifying entity or conveyed by a local or regional government to a qualifying entity.”

Synopsis of HCEDC Amendment

The House Commerce and Economic Development Committee amendment to House Bill 37, as amended on page 3, clarifies the definition for economic development project, by including that it “does not include the purchase, lease, grant or other acquisition or conveyance of water rights;”

Synopsis of Original Bill

HB37 amends the Local Economic Development Act (LEDA) to exclude the purchase or lease of water rights as a qualified use of LEDA appropriated funds.

FISCAL IMPLICATIONS

HB37 does not carry an appropriation.

HB37 will not create an increase in operational and administrative costs for the Economic Development Department.

SIGNIFICANT ISSUES

Currently, under the Local Economic Development Act (LEDA) (5-10-1 to 5-10-13 NMSA 1978) the Economic Development Department (EDD) is granted authority to administer grants to local governments (municipality or county) and to assist expanding or relocating businesses that are Qualified Entities that will stimulate economic development and produce public benefits pursuant to LEDA. All grants are funded on a strictly reimbursement basis. EDD targets economic development projects that comply with all legal facets of LEDA. Additional consideration is given to project that demonstrate significant community impact and support, alternate to rural and underserved areas of New Mexico, and increase in wages and job creation, significant new capital investment, and environmentally sustainable outcomes.

LEDA funding can currently be used for the following:

- The purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure;
- Public works improvements essential to the location or expansion of a qualifying entity;
- Loan guarantees securing the cost of land, buildings, or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax or the county infrastructure gross receipts tax:

LEDA projects are enacted by a project ordinance passed by the local community and may include

- A signed project participation agreement (PPA) outlining the agreed upon scope of work between the fiscal agent and the qualifying entity
- A signed intergovernmental agreement (IGA) between the fiscal agent and the state; and
- A final security document.

All LEDA funding decisions are made by the secretary of the Economic Development Department and the governor, decisions are based on staff recommendations.

The Economic Development Department rarely allows the purchase of water rights with LEDA

funding, due to the administrative, and environmental complications that can be created.

The most recent project using LEDA funds for the purchase of water rights was in the fall of 2017 when EDD awarded \$10 million to Facebook.

Water rights were included in the Facebook Project Participation Agreement with the village of Los Lunas as an allowable LEDA expense. EDD staff worked closely with the New Mexico Environment Department and village of Los Lunas to understand all complexities with acquiring water rights. LEDA funding was used for a water treatment facility for the Village of Los Lunas, which was seen as a responsible use of public funds and limited natural resources.

ADMINISTRATIVE IMPLICATIONS

No additional administrative needs will be needed by the Economic Development Department if this bill is enacted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB37 is not enacted it will allow the Economic Development Department to continue to appropriate LEDA funds for reimbursement by a qualified entity for the purchase or lease of water rights.

JM/sb