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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Lara</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>3/11/2025</u>
	<b>BILL</b>
<b>SHORT TITLE</b> <u>Camino Real Regional Utility Authority</u>	<b>NUMBER</b> <u>House Bill 539</u>
	<u>Davidson/</u>
	<b>ANALYST</b> <u>Rodriguez</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	No fiscal impact	\$129.3	\$126.5	\$255.8	Recurring and Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

#### Agency Analysis Received From

Department of Finance Administration (DFA)

Office of the State Engineer (OSE)

Public Regulation Commission (PRC)

New Mexico Attorney General (NMAG)

## SUMMARY

### Synopsis of House Bill 539

House Bill 539 (HB539) creates the Camino Real Regional Utility Authority in Chapter 72 NMSA 1978, establishing it as a special district and political subdivision and apart from the city of Sunland Park and Dona Ana County. The bill establishes the composition of the board and outlines its powers and duties. The authority will have the power of eminent domain, the ability to establish rates, and issue revenue bonds. Bonds authorized by the board are exempt from all state taxation.

The bill exempts the Authority from oversight of the Public Regulation Commission (PRC) and from the provisions of the Public Utility Act (PUA).

The bill replaces the existing Camino Real Regional Utility Authority (CRRUA) entity, created by a joint powers agreement between Sunland Park and Dona Ana county, and will take over the existing entity's assets, liabilities, and service area and provide water and wastewater services.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

Analysis from the Department of Finance Administration (DFA) notes implementation of the bill would require one additional full-time position for an increased recurring budget of \$129.3 thousand in FY26 and \$126.5 thousand in FY27 for the Local Government Division. DFA notes the additional FTE would aid in implementing the necessary new procedures and policies in relation to the new utility authority.

## SIGNIFICANT ISSUES

**Existing Entity.** In 2009, the city of Sunland Park and Dona Ana County entered into a joint powers agreement to combine all of the city’s water and wastewater facilities and operations with certain aspects of the county’s facilities and operations to jointly create the independent Camino Real Regional Utility Authority (CRRUA). Currently, the board consists of seven members—four from Sunland Park and three from Dona Ana County. Section 14 of the joint powers agreement allows the agreement to be terminated if enabling legislation is passed that grants the joint authority (CRRUA) legislative powers and duties to carry out its public purpose, including exemption from the Public Utilities Act. The joint powers agreement was amended in 2024.

**Service Area.** HB539 replaces the existing entity, created by a joint powers agreement, with the new entity created in statute. The Office of State Engineer (OSE) and the Office of the Attorney General (NMAG) note that HB539 does not further identify the agreement and does not provide a service map or define boundaries. OSE notes these gaps could lead to questions regarding the “precise assets owned by CRRUA and CRRUA’s jurisdiction geographically both currently and in the future.” A map of the existing entity’s service area is provided in the attachments.

**Rates.** HB539 allows the board to set residential, commercial, and industrial water rates. The bill allows the board to retain or appoint a panel of experts to make recommendations on the approval of proposed projects and proposed rates. As noted by NMAG, the bill does not set forth a required procedure for the authority to follow when raising or adjusting rates. Unlike a water and sanitation district, which must provide an administrative hearing on the matter of rate adjustments if the district is not subject to the jurisdiction of PRC, the authority would not be required by statute to conduct a hearing prior to raising or adjusting rates for services. NMAG argues that rate adjustments must contain due process protections.

**PRC Jurisdiction.** HB539 states that the authority is not subject to the jurisdiction of or approval from PRC. That language is similar to enabling language for other water utility authorities. However, as noted by NMAG, the language does not allow ratepayers to elect to bring the authority under the jurisdiction of PRC at some point in the future. For example, the enabling language for the Eastern New Mexico Water Utility Authority allows the board to adopt a resolution become subject to the jurisdiction of PRC.

## OTHER SUBSTANTIVE ISSUES

In November of 2024, residents of Sunland Park filed a lawsuit against the original Camino Real Regional Utility Authority, alleging the authority sold arsenic-contaminated water to the city’s

19 thousand residents.<sup>1</sup> Resolution of the case is still pending. In November 2023, the Camino Real Regional Utility Authority issued warnings to over 1,000 households due to a malfunctioning pump which was discharging water with a pH level too high for safe consumption.<sup>2</sup>

Attachment:

1. CRRUA Service Area

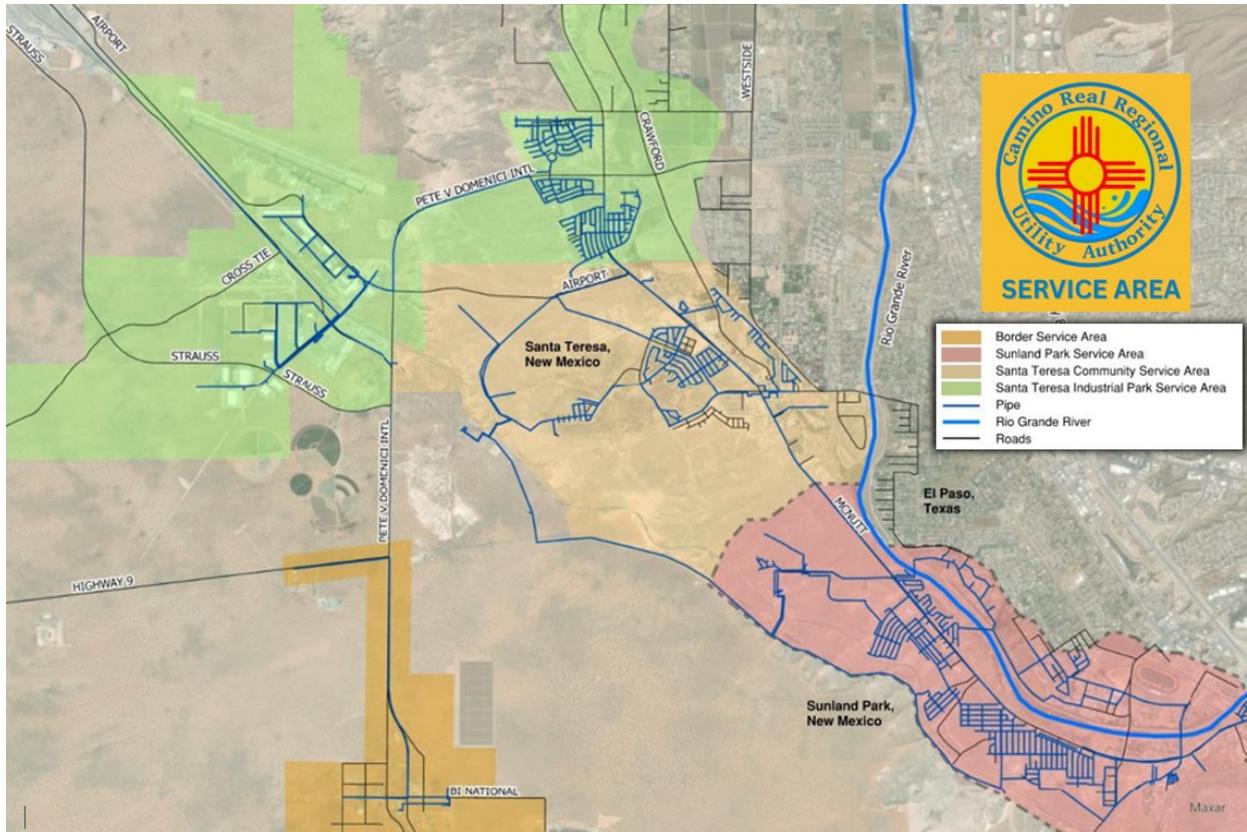
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<sup>1</sup> <https://www.lcsun-news.com/picture-gallery/news/crime/2024/11/22/sunland-park-town-hall-camino-real-regional-utility-authority/76509413007/>

<sup>2</sup> <https://sourcenm.com/2023/12/04/utility-water-safe-for-southern-n-m-communities-schools-in-person-tuesday/>

Attachment 1.

### CRRUA Service Area



\*Source: CRRUA website

AD/JR/hj/SL2/sgs