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FISCAL IMPACT REPORT

SPONSOR <u>Sariñana/Garratt/Gurrola</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/17/2025</u>
SHORT TITLE <u>Water Security Planning Act Funds</u>	BILL NUMBER <u>House Bill 423</u>
	ANALYST <u>Davidson</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$62,000	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSE	No fiscal impact	\$150	\$150	\$300	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Duplicates appropriation in the General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From
Office of the State Engineer (OSE)

Agency Analysis was Solicited but Not Received From
New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of House Bill 423

House Bill 423 (HB423) appropriates \$30 million from the general fund to the Office of the State Engineer (OSE) for the purpose of implementing provisions of the Water Security Planning Act.

HB423 also appropriates \$30 million from the general fund to the Office of the State Engineer for OSE and the Interstate Stream Commission (ISC) to improve their business and information systems and to implement the Water Data Act.

HB423 also appropriates \$2 million from the general fund to OSE to promulgate rules and enforce water rights along the Rio Grande from the Los Alamos bridge highway to Elephant Butte Reservoir to ensure compliance with the Rio Grande Compact.

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

The appropriation of \$60 contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY28 shall revert to the general fund.

The appropriation of \$2 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the general fund.

OSE analysis indicates that implementation of HB423 could require additional recurring funding for one new FTE at \$150 thousand for the next two fiscal years. OSE noted that if the appropriations were amended to add language so the agency could offset administration costs with some of the nonrecurring funds, no additional recurring funding would be needed.

SIGNIFICANT ISSUES

OSE analysis anticipates that the agency would be unable to expend the funds appropriated in HB423 within the timeframe defined in the bill, especially given current delays in C2 funding.

A 2024 report by the LFC evaluation unit on nonrecurring projects by OSE indicates that water projects tend to have a longer timeline than other special appropriations due to their seasonal, complex, and often capital nature. As such, future special appropriations to OSE should be considered for multi-year appropriations to account for the often time-intensive nature of water projects.

The LFC report notes five out of the eight OSE appropriations from the 2023 GAA were reauthorized—two through FY25 and three through FY28. These reauthorizations were the result of three primary factors. First, special appropriations to OSE are often capital in nature. Traditional capital appropriations are made for four years, while special appropriations are typically made for one year unless otherwise specified. Secondly, there is a seasonality to OSE's work—work related to irrigation, dams, and acequias is typically completed at the end of the irrigation season at the end of the year, limiting the time frame in which work can be completed. Lastly, water projects often require stakeholder engagement. The limited capacity of local entities, such as acequia and ditch communities, often creates a delay. For instance, the \$2 million special appropriation from the 2023 GAA to the acequia and community ditch infrastructure fund for the planning, engineering, design, or construction of irrigation works of acequias or community ditches was delayed due to local capacity, as well as post-fire flooding issues. However, OSE was able to use this funding to replace aging infrastructure and the remaining funding will be used in FY25.

Due to these concerns, consideration needs to be made about appropriate time frames for any future OSE special appropriations.

AD/rl/SR