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FISCAL IMPACT REPORT



SPONSOR: Campos DATE TYPED: 01/28/02 HB _____

SHORT TITLE: Ft. Sumner Irrigation Debt Refinancing SB 107

ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		\$1,200.0		Non-Recurring	PPRF

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 20

SOURCES OF INFORMATION

New Mexico Finance Authority (NMFA)
LFC files

SUMMARY

Synopsis of Bill

Senate Bill 107 authorizes the New Mexico Finance Authority (NMFA) to make a loan from the Public Project Revolving Fund (PPRF) to the Fort Sumner Irrigation District (FSID) for refinancing debt to the Federal Bureau of Reclamation (Reclamation) under the terms and conditions established by the Authority.

Significant Issues

Senate Bill 107 would free the FSID of a 50-year-old, interest-free debt to the federal government totaling approximately \$1.2 million. The FSID received federal assistance from the Reclamation to make improvements to the canal systems and to rebuild the diversion dam that was destroyed by floods in 1948. The FSID has a 1903 priority water right for diversion of 100 cubic feet per second of water at their Pecos River diversion dam. Further, the FSID has followed the terms of its repayment contract with the Reclamation, and operates a very functional and well-maintained irrigation system. However, during the 2000 irrigation season, Reclamation ordered that FSID reduce their water right diversion to 30 cubic feet per second. The Reclamation further provided written notice, citing a clause in the FSID's repayment contract, indicating they would take over operations of

FSID's facilities if FSID did not properly operate its irrigation system. The New Mexico congressional delegation intervened, and instead of Reclamation taking the water under the allegation of FSID's mis-operation, Reclamation has since contracted with FSID farmers to lease the additional water. Senate Bill 107 would provide FSID a loan to repay its debt to Reclamation, and provide FSID with a stronger legal argument that Reclamation does not have a legal basis for control of the diversion dam.

It should be noted that the FSID has requested a PPRF loan from the NMFA for half of its total project cost (\$400,000). The NMFA authorization to make a loan does not guarantee that the project will receive an NMFA loan for the full amount requested. The NMFA will only make loans for those projects that can identify a sufficient repayment source and meet other financial criteria established by the Authority. If an NMFA loan is not sufficient to fund the complete project, FSID would be required to reduce the proposed project cost or identify additional reliable sources to cover costs beyond the NMFA loan.

Senate Bill also requires FSID to certify to NMFA before the end of FY05 of its desire to continue to pursue a loan from the PPRF. If certification is not made, the legislation authorization granted will become void.

Section 2 contains an emergency clause.

FISCAL IMPLICATIONS

Senate Bill 107 does not appropriate funds. However, a loan made in the interim as a result of passage of Senate Bill 107 would result in reducing the loan capacity of the Public Project Revolving Loan Fund.

RELATIONSHIP

House Bill 20 appropriates \$1,200.0 from the general fund to the Office of the State Engineer/Interstate Stream Commission for the purpose of paying the outstanding debt of the Fort Sumner Irrigation District to the Reclamation.

OTHER SUBSTANTIVE ISSUES

Although the issues did not arise during 2001, paying off the district's debt would mitigate federal claims that they can dictate the use of water in the district.

POSSIBLE QUESTIONS

1. Will the FSID need to increase fees to its irrigation users to secure the necessary revenue stream to repay its debt to the NMFA ?
2. Does the Reclamation have the legal authority to physically take control of the FSID diversion structure even if FSID is no longer indebted to them ?

LMK/ar