NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Sanchez	DATE TYPED:	02-06-02	НВ	
SHORT TITLE	E: STPF Distribution to	Water Project Fun	d	SJR	15
			ANAL	YST:	Neel

REVENUE

Estimated Revenue			Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02		FY03			
		(\$0.1)	(\$0.1)	Recurring	Severance Tax Permanent Fund
		(\$0.1)	(\$0.1)	Recurring	General Fund
		\$0.1	\$0.1	Recurring	Water Project Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files
No Response from:
Department of Finance & Administration (DFA)
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 15 proposes an amendment to Article 8 Section 10 of the state constitution to increase the distributions from the Severance Tax Permanent Fund (STPF) by one percent of the year end market values of the fund for the immediately preceding five calendar years to the Water Project Fund.

Significant Issues

The 2001 Legislature recognized that New Mexico's water is a scarce resource, that the economy depends on reasonable fair allocation of water for all purposes, and that the public welfare depends on efficient use and conservation of water. The legislature also recognized that the state must

Senate Joint Resolution 15 -- Page 2

comply with its delivery obligations under interstate compacts, and that public confidence and support for water use efficiency and conservation are based on a reasonable balance of investments in water infrastructure and management.

Therefore, the Legislature enacted the Water Project Finance Act (Laws 2001, Chapter 164) establishing a Water Trust Fund Program, a Water Project Fund and a Water Trust Board. The purpose of the program is to provide grants and loans to political subdivisions and to provide for long-range planning and financing of regional and statewide water supply projects. The 2001 law authorized the NMFA to administer the grant and loan projects, however, the bill did not contain an appropriation for loans, grants or recovery of NMFA administrative costs. A 15-member Water Trust Board with broad representation of water interests and expertise was appointed and charged with prioritizing projects for recommendation to the Legislature. The NMFA Board approved the use of NMFA funds to support the first year of operations of the Water Trust Board. The Water Trust Board identifies water projects for funding that meet the criteria set forth in the legislation such as: storage, conveyance or delivery of water to end users, implementation of the Endangered Species Act collaborative programs, restoration and management of watersheds, and flood prevention.

FISCAL IMPLICATIONS

Based dated estimates from SIC a one percent distribution from the STPF would yield approximately \$30.0 million. Further information will be forthcoming in a revised FIR. It is likely that SIC will produce analysis showing that an increased distribution will erode the corpus of the fund.

SN/njw