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## FISCAL IMPACT REPORT

SPONSOR Moore DATE TYPED 1/22/04 HB 76

SHORT TITLE Water Trust Fund Appropriation SB \_\_\_\_\_

ANALYST Maloy

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
\$150,000.0				Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Office of the State Engineer  
New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 76 appropriates \$150 million from the general fund to the Water Trust Fund for the purposes of the Water Project Finance Act. Any unexpended or unencumbered balance remaining at the end of FY04 shall not revert to the general fund. The bill contains an emergency clause.

#### Significant Issues

The State Engineer reports it may be more effective to:

- Appropriate the money to the Water Project Fund.
- Delete the requirement that funds be expended in FY04.

According to the State Engineer and the NMFA, the Water Trust Board oversees the Water Pro-

ject Fund that had over \$500 million in requests in 2003, and estimates that the state has over \$2.5 billion in water project needs. Therefore, it might be better to appropriate the money to the Water Project Fund.

In addition, projects that meet the requirements of the Act may not be ready for financing during FY04. It would be better to appropriate the money to the Water Project Fund for purposes of the Act, but without the requirement that funds be expended in FY04.

### **FISCAL IMPLICATIONS**

The bill appropriates \$150 million from the general fund to the Water Trust Fund for the purposes of the Water Project Finance Act. Any unexpended or unencumbered balance remaining at the end of FY04 shall not revert to the general fund. The bill contains an emergency clause.

According to the State Engineer and the NMFA, the Water Trust Fund shall be invested by the State Investment Officer and earnings from the Fund shall be credited the Fund. Section 72-4A-8 states that on July 1 of each fiscal year, annual distributions will be made from the Water Trust Fund to the Water Project Fund in the amount of \$4 million until the amount is less than an amount equal to four and seven-tenths percent of the average of the year-end market values of the Water Trust Fund for the immediately preceding five calendar years. Thereafter, the amount of the annual distribution shall be four and seven tenths percent of the average of the year-end market values of the Water Trust Fund for the immediate preceding five calendar years.

### **ADMINISTRATIVE IMPLICATIONS**

The NMFA administers the Water Trust Fund, Water Project Fund and Water Trust Board.

### **AMENDMENTS**

The State Engineer suggests deleting Section 1 and inserting in lieu thereof:

Section 1. APPROPRIATION.-- One hundred and fifty million dollars (\$150,000,000) is appropriated from the general fund to the water project fund for purposes of the Water Project Finance Act. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall not revert to the general fund.

**SJM/lg**