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FISCAL IMPACT REPORT

SPONSOR Stell **DATE TYPED** 2/16/2005 **HB** 587

SHORT TITLE Water Trust Board Members And Projects **SB** _____

ANALYST Aguilar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI		Indeterminate	Recurring	Water Project Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with SB-132/SCONCS & SB-239/SCONCS

Relates to SB 139, SB 186, HB 271

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (ENMRD)

New Mexico Environment Department (NMED)

New Mexico Finance Authority (NMFA)

Office of the State Engineer (OSE)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

House Bill 587 makes technical corrections to the language which designates the members and designees of the Water Trust Board (WTB). The executive director of the New Mexico Finance Authority does not have the option of appointing a designee.

HB 587 replaces one public member of the water trust board with the executive director of the New Mexico association of conservation districts or the executive director's designee.

HB 587 amends existing statute to provide that: "Twenty-five percent of all water project funds

shall be dedicated to forest and watershed restoration projects.

Significant Issues

At present, the Water Project Fund receives 10 percent of available severance taxes. The estimate for FY06 is approximately \$17 million, 25 percent of which would be \$4.25 million.

This bill does not identify the public member to be replaced; all public members currently represent a specific category of user.

The current Water Project Finance Act defines the following five categories or types of projects as being eligible for funding:

1. the storage, conveyance or delivery of water to end-users;
2. the implementation of Federal Endangered Species Act collaborative programs;
3. the restoration and management of watersheds;
4. flood control; and
5. water conservation.

Annually, the WTB solicits applications for projects, screens the applications to ensure they meet the requirements of one of the five categories, reviews and prioritizes the projects and submits funding recommendations to the Legislature.

Projects funded are a result of this review and approval process which requires projects to stand on their own merits. This method allows the WTB and the Legislature to adjust priorities as needed to respond to current conditions and information.

The proposed amendment would establish that one of the five categories be allocated 25 percent of the total funds available.

The NMFA notes there are many factors and circumstances which affect the urgency, priority and effectiveness of water projects including: drought-related issues; changing atmospheric factors; drinking water problems for local communities (contamination, dwindling water basins, costs of drilling deeper wells, etc.); water requirements for economic development projects and new businesses; population growth; etc. Creating a statutory set-aside of 25 percent for "forest and watershed restoration projects" would reduce the flexibility of the WTB and the Legislature in responding to changes in these factors and to new information and data that becomes available.

The addition of the executive director of the New Mexico association of conservation districts or the executive director's designee may be viewed as providing additional representation to an entity already represented on the board. The association of conservation districts is currently represented by the New Mexico Department of Agriculture (NMDA).

The executive director of the New Mexico Finance Authority would not have the option of appointing a designee.

FISCAL IMPLICATIONS

No significant impact on the aggregate funding available for water projects. However, there

could be a significant impact on how the aggregate funding would be allocated by category or type of project each year.

This bill directs the WTB to allocate 25 percent of the available revenue to forest and watershed restoration projects. Earmarking reduces the ability of the legislature to establish spending priorities.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB587 relates to SB139 which appropriates \$100 Million to the Water Trust Fund for expenditures in FY05 and FY06.

HB587 relates to SB186 & HB271 (duplicates) which authorize the NMFA to make loans and grants from the Water Project Fund to 16 qualified entities for eligible water projects.

HB 587 relates to Senate Conservation Committee Substitute for SB132 & SB239 which essentially combines the provisions of both bills.

TECHNICAL ISSUES

A technical error may exist in the new Subsection 10 on page 2, line 9. This line reduces the number of public members appointed by the Governor from five to four, but all five of the current categories for representation still remain. (Page 2, line 20 through page 3, line 2)

NMFA notes the proposed amendment would include forest restoration projects in category #3 along with watershed restoration projects.

PA/sb