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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 2-8-06      **HB** 792

**SPONSOR**    Cheney

**SHORT TITLE**    Interstate Water Project Financing      **SB** \_\_\_\_\_

**ANALYST**    Woods

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### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: HB132, HB134, HB272, HB296, HB499, HB683, HJM21, HJR6, SB80,  
 SB93, SB194, SB224, SB301, SB586 and SB637

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of the State Engineer-Interstate Stream Commission (OSE)  
 New Mexico Environment Department (NMED)  
 New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 792, relating to water, seeks to amend to Water Project Finance Act to provide for funding interstate projects that benefit New Mexico.

### FISCAL IMPLICATIONS

The Office of the State Engineer-Interstate Stream Commission (OSE) notes that this legislation amends the Water Project Finance Act, NMSA (1978) § 72-4A-6 (2003) to allow the New Mexico Finance Authority (NMFA) to make loans or grants to qualified entities for interstate water projects that directly benefit New Mexico. More specifically, the legislation would allow projects that are not wholly within the boundaries of the State to receive funding from the Water Project Fund. This would increase the number of projects that are eligible to receive funding from the Water Trust Board. The funding for such projects may also increase the availability of

funding for the project from other sources, most notably from other states and the federal government.

### **ADMINISTRATIVE IMPLICATIONS**

The New Mexico Finance Authority (NMFA) indicates that the Water Project Finance Act created the Water Trust Fund and the Water Project Fund which are administered by NMFA. Projects funded from the Water Project Fund are reviewed and recommended to the Legislature by the Water Trust Board (WTB) for legislative authorization. After the projects are authorized by the Legislature, the WTB prioritizes and approves the projects for funding at specific amounts.

NMFA additionally indicates that while the legislation does not contain an appropriation, the bill expands the number and type of projects which qualify for financing under the Water Project Finance Act.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

NMFA notes a number of related bills:

HB 134, HB 296 and SB 93 are duplicates which appropriate \$100 million from the General Fund to the Water Trust Fund for expenditure in FY06 and subsequent fiscal years to carry out the purposes of the Water Project Finance Act.

SB 194 essentially duplicates the intent of HB 134, HB 296 and SB 93 but is written to provide that “\$100 million of the nonrecurring revenue of the general fund remaining at the end of fiscal year 2006 shall be transferred to the water trust fund”.

HB 272 transfers \$100 million from the General Fund to the Water Project Fund for distribution pursuant to law after January 1, 2007. This bill is a companion bill to House Joint Resolution 6.

HJR 6 proposes a Constitutional Amendment (CA) to be approved by the voters in the 2006 general election which would establish the Water Trust Fund in the Constitution. HJR 6 is contingent upon enactment into law during the current legislature session of a bill which transfers \$100 million to the Water Trust Fund. This CA is a companion bill to HB 272.

HB 499 appropriates \$100 million from the General Fund to the Water Trust Fund for expenditure in FY06 and subsequent fiscal years for purposes of the Water Project Finance Act. This bill also amends the Water Project Finance Act to provide that money in the Water Trust Fund shall not revert at any time.

HB 132 amends the Water Project Finance Act to provide that money in the Water Trust Fund “shall not revert” at any time.

SB 224 amends the Water Project Finance Act to delete the provision that 10% of all Water Project Funds shall be dedicated to water rights adjudication.

HJM 21 requests the Legislative Council to appoint a Task Force to assess options for

creating a continuing funding mechanism for the Water Trust Fund.

SB 301 authorizes the issuance and sale of General Obligation Bonds for a wide variety of capital projects throughout the State. The bill appropriates \$20.0 million to the Water Project Fund to carry out the provisions of the Water Project Finance Act. SB 301 requires the approval of the voters in the 2006 general election.

SB 637 and HB 683 are duplicates which authorize the NM Finance Authority (NMFA) to make loans or grants from the Water Project Fund to local qualified entities for thirty water projects statewide. The terms and conditions of the loans or grants will be established by the Water Trust Board and the NMFA.

SB 586 appropriates \$4.0 million to the Office of the Attorney General for expenditure in FY07 and subsequent fiscal years for legal and technical expenses related to interstate water conflicts pursuant to the Rio Grande Compact and the Colorado River Compact.

SB 80 appropriates \$100 million to the Office of the State Engineer for expenditure in FY06 and FY07 to pay the costs of water rights adjudications including interstate water disputes.

## **TECHNICAL ISSUES**

NMFA suggests that, originally, the Water Project Finance Act defined 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. However, in 2005, the Act was amended to add the category of “water rights adjudication” and to provide for automatic funding of this category in an amount equal to ten percent of the annual distribution to the Water Project Fund.

## **OTHER SUBSTANTIVE ISSUES**

NMFA concludes by observing that, in FY05, the Water Trust Board received over \$129 million worth of requests to fund water related projects, and over \$2 billion in water related needs have been identified throughout the State. Since its inception, the WTB has recommended \$47 million of grant funding for 47 projects in 29 local entities statewide. This State funding has leveraged more than \$50 million of local and/or federal funding.

BW/yr