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FISCAL IMPACT REPORT

SPONSOR Altamirano **ORIGINAL DATE** 2-11-06
LAST UPDATED _____ **HB** _____

SHORT TITLE Create Salt Basin Water Development Fund **SB** 662

ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI	\$100,000.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$100,000.0		Non-Recurring	Salt Basin Water Development Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Engineer-Interstate Stream Commission (OSE)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 662 seeks to establish a non-reverting "Salt Basin Water Development Fund" in the state treasury to be administered by the Interstate Stream Commission and used to develop the water resources of the salt basin in southern New Mexico. The bill also would appropriate \$100,000.0 to the fund, and any unexpended or unencumbered balance remaining at the end of a fiscal year would not revert to the general fund.

FISCAL IMPACT

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The Office of the State Engineer-Interstate Stream Commission (OSE) indicates that studies of the water resources in the Salt Basin have been made utilizing small appropriations in recent years. Preliminary estimates are that 50,000 to 75,000 acre-feet of water per year could be reliably developed from the Salt Basin, or approximately as much water as the San Juan Chama Project delivers. Some estimates are that the yield of the Salt Basin could be as much as 300,000 acre-feet per year.

The southern portions of the state are currently short of water. In the coming decades, the southern portions of the state are expected to experience the state's, if not the nation's, highest growth rates. The ISC has filed application to appropriate waters in the Salt Basin to provide for regional needs as provided in NMSA 1978, § 72-14-44 (A). The ISC application was shortly followed by competing applications from Texas entities that assert they have a prior right to this New Mexico water.

The water in the Salt Basin primarily derives from mountain and basin recharge in New Mexico, and then flows underground across the Texas-New Mexico border where Texas farmers pump it for irrigation. The distances over which Salt Basin water would have to be conveyed are great. Estimates range from \$125 million to as high as \$400 million to build the well fields and infrastructure necessary to get the water to the New Mexico communities that need it.

OSE suggests that if New Mexico is to develop the Salt Basin waters in a cost efficient and comprehensive manner, studies are needed to firm estimates of the water quantity, quality, and distributions in the Salt Basin. This bill would provide the necessary funding to complete those studies and to design and help construct the infrastructure needed deliver that water to New Mexico water users.

OTHER SUBSTANTIVE ISSUES

The Department of Finance and Administration (DFA) indicates that a substantial underground water resource exists in southern New Mexico of which the quality is quite good. However, the challenge of developing this water is that it is distant from existing large-scale populations of users that could use the water. It is estimated that it would cost several hundreds of millions to pipe and pump the water from its source to potential New Mexico municipal users. Another possible use for the water would be to either negotiate to supply the water to Texas and/or Mexico in lieu of Rio Grande water, which may not even require New Mexico to expend any money toward infrastructure and development costs.

DFA further observes that Texas has also submitted a junior-positioned application to develop this water for use in Texas. While this water does flow into Texas via aquifers, the fact that it originates under New Mexico and that New Mexico filed an earlier application for rights to de-

velop this water places New Mexico in primary position with regards to rights to develop this water. It is unclear what activities of intent or commitment to follow through on its application, if any, must be undertaken by New Mexico to retain senior claim to potential development of this water.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Similar to HB131 and HB175.

MW/mt