

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/08
 SPONSOR Gonzales LAST UPDATED 2/8/08 HB 308/aHTRC/aHAFC
 SHORT TITLE NMFA Water Project Fund Projects SB _____
 ANALYST Kehoe, L.

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
(\$32,300.0)	(\$30,700.0)	(\$30,100.0)	Recurring	Severance Tax Bond Capacity
\$32,300.0	\$30,700.0	\$30,100.0	Recurring	Water Project Fund
	(\$4,000.0)	(\$4,000.0)	Recurring	Water Trust Fund
	\$4,000.0	\$4,000.0	Recurring	Water Project Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of House Appropriations and Finance Committee Amendments

HAFC amendment item 1 strikes HTRC technical amendments and item 2 provides further technical revisions. Item 3 authorizes NMFA to make a loan or grant from the water project fund to Cibola County to acquire water rights for public use and to the City of Rio Rancho in Sandoval County for a flood prevention project.

Synopsis of House Taxation and Revenue Committee Amendments

HTRC amendments 1 through 5 provide technical revisions to the bill. Item 6 authorizes NMFA to make a loan or grant to Cibola County to acquire water rights for public use.

Synopsis of Original Bill

House Bill 308 authorizes the New Mexico Finance Authority (NMFA) to make loans or grants from the water project fund for 48 qualifying projects on terms and conditions established by the water trust board (WTB) and NMFA.

FISCAL IMPLICATIONS

Laws 2003 (Chapter 134) requires the Board of Finance to authorize and issue bonds for 10 percent of the severance tax bonding capacity each year for deposit in the water project fund. The 10 percent set-aside of severance tax bond capacity for FY08 will provide approximately \$32.3 million to the water project fund for eligible water projects. The forecast in future years for 10 percent of severance tax bond capacity will be approximately \$30.7 million in FY09 and approximately \$30.1 million in FY10. Money from the severance tax bonds may not be used to pay indirect project costs, and any unexpended balance from proceeds of severance tax bonds issued for a water project shall revert to the severance tax bonding fund within six months of completion of the water project. The value of the 10 percent of severance tax bond capacity can change from year to year depending on oil and gas revenues.

Laws 2006, Chapter 109, provided for the transfer of \$40 million from the general fund at the beginning of fiscal year 2007 to the water trust fund created by the Water Finance Act. According to the constitutional provision creating the water trust fund approved in November 2006 and in accordance with state law, on July 1, 2008 for FY09 and each fiscal year thereafter, an annual distribution shall be made from the water trust fund to the water project fund pursuant to state law, and that distribution shall then be appropriated by the legislature only for water projects consistent with a state water plan and as otherwise provided by law to support critically needed projects that preserve and protect New Mexico's water supply.

Section 72-4A-8 of the Water Finance Act provides that on July 1 of each fiscal year, annual distribution 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 4.7 percent of the average of the year-end market values of the water trust fund for the immediate preceding five calendar years.

Laws 2005 (Chapter 293) certifies 10 percent of all funds in the water project fund (approximately \$3.2 million) may be allocated to the Office of State Engineer (OSE) to be used for adjudication. Of the OSE 10 percent, 20 percent (approximately \$600,000) will go to the Administrative Office of the Courts for adjudication purposes.

SIGNIFICANT ISSUES

The water project fund and water trust board were created by the Water Finance Act. According to the Act, once authorized by the Legislature, the water trust board reviews all projects and determines qualifying entities and projects for consideration of loans or grants from the water project fund.

Soon after the 2008 legislative session adjourns, the WTB will review all projects authorized by the Legislature for funding from the 2008 distribution to the WPF. Eligible water projects pursuant to the Water Finance Act are defined as those involving: 1) the storage, conveyance or delivery of water to end-users; 2) the implementation of federal Endangered Species Act

collaborative programs; 3) the restoration of watersheds; 4) flood prevention; 5) conservation; or 6) for recycling, treatment or reuse of water.

According to NMFA, the WTB received 52 applications requesting financial assistance from the WPF. After reviewing and evaluating the applications, the WTB recommended 48 qualified entities to request legislative authorization for financial assistance. The total amount requested for the projects contained in this bill is approximately \$75.1 million.

ADMINISTRATIVE IMPLICATIONS

The NMFA is responsible for administering the WPF and for monitoring and ensuring proper reversions.

LMK/mt:bb