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FISCAL IMPACT REPORT

SPONSOR Cisneros **ORIGINAL DATE** 02/27/09
LAST UPDATED 03/12/09 **HB** _____

SHORT TITLE NMFA Water Project Loans **SB** 405/aHAGC/aHTRC

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
(\$38,600.0)		Nonrecurring	Senior Severance Tax Bond Capacity
(\$4,000.0)		Nonrecurring	Water Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
\$38,600.0			Nonrecurring	Water Project Fund
\$4,000.0			Nonrecurring	Water Project Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

Office of the State Engineer (OSE)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment provides as follows: Items 1 and 2 are technical changes; and Item 3 authorizes the New Mexico Finance Authority (NMFA) to make a loan or grant to the following entities from the water project fund: the Albuquerque-Bernalillo County Water Utility Authority for Carnuel water and sewer system improvements; the

Albuquerque-Bernalillo County Water Utility Authority for a large scale aquifer storage and recovery project; and to the City of Las Vegas in San Miguel County for a water storage, conveyance and deliver project.

Synopsis of HAGC Amendment

The House Agriculture & Water Resources Committee amendment provides as follows: Items 1 thru 5 are grammatical and technical changes; and Item 6 authorizes the New Mexico Finance Authority (NMFA) to make a loan or grant to the Acequia del Llano in Taos of an acequia project from the water project fund

Synopsis of Original Bill

Senate Bill 405 authorizes the New Mexico Finance Authority (NMFA) to make loans or grants from the water project fund for 58 qualifying water projects. The bill further authorizes NMFA to make grants from the acequia project fund for 19 qualifying acequia water projects. The loans or grants are pursuant to the Water Project Finance Act on terms and conditions established by the Water Trust Board (WTB) and NMFA.

The bill contains an emergency clause.

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 FY09 will provide approximately \$38.6 million to the water project fund for eligible water projects. In 2008, the Water Trust Board received 62 applications for funding from the water project fund. The Board evaluated and recommended 60 projects for legislative authorization contained in this bill totaling approximately \$120 million.

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.

Money from the severance tax bond capacity 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 2005 (Chapter 293) certifies 10 percent of all funds in the water project fund (approximately \$3.9 million) may be allocated to the Office of State Engineer (OSE) to be used for adjudication. Of the OSE 10 percent, 20 percent (approximately \$780,000) will go to the Administrative Office of the Courts for adjudication purposes.

The acequia project fund received a \$100,000 contribution from a private foundation for acequia projects contained in Senate Bill 405.

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 2009 legislative session adjourns, the WTB will review all projects authorized by the Legislature for funding from the 2009 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.

NMFA reports the New Mexico interstate Stream Commission has submitted 22 projects to the Water Trust Board for their review and consideration for funding. The Board evaluated the projects and recommends 22 acequia projects totaling \$245,000 for legislative authority. It should be noted the bill only requests authorization for 19 acequia water projects. According to OSE, the bill excluded the Acequia de Llano for authorization that was recommended by WTB.

ADMINISTRATIVE IMPLICATIONS

The NMFA is responsible for administering the water project fund and the Acequia project fund, including monitoring and ensuring proper reversions. According to the Office of the State Engineer, Senate Bill 405 will increase their workload because the projects in certain instances may require the administration of water rights.

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