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FISCAL IMPACT REPORT

SPONSOR SIAC **ORIGINAL DATE** 03/10/09 **LAST UPDATED** 03/20/09 **HB** _____

SHORT TITLE Public Peace, Health, Safety & Welfare **SB** CS/723/aHFI#1

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI	N/A	See Fiscal Impact Narrative

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Taxation & Revenue Committee Substitute for House Bill 902; Relates to Senate Bill 405

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)
 Department of Indian Affairs (DIA)
 New Mexico Environment Department (NMED)

SUMMARY

Synopsis of HFI#1 Amendment

The House Floor Amendment #1 to Senate Indian and Cultural Affairs Committee Substitute for Senate Bill 723 provides the following:

Item 1 changes the title of the bill;

Item 2 amends Section 7-27-10.1 of the Severance Tax Bonding Act. The amendment directs the Board of Finance to void a previous authorization of \$5,375,244 to the water project fund for two projects--one authorized in 2006 and one authorized in 2007. The amendment further redirects the severance tax bond proceeds to the New Mexico Environment Department (NMED) and authorizes NMED to make a grant in the aforementioned amount. The grant will be made to the Navajo Nation Division of Natural Resources Department of Water Resources Management Branch for a regional water project in the counties of San Juan, McKinley, Rio Arriba, Sandoval and Cibola. The regional water project is also known as the "Cutter Lateral project", a phase of the Gallup/Navajo pipeline project.

Synopsis of Bill

Senate Indian and Cultural Affairs Committee Substitute for Senate Bill 723 appropriates \$5.4 million from the water project fund to the New Mexico Environment Department for the Navajo Nation Division of Natural Resources Department of Water Resources Management Branch for a regional water project in the counties of San Juan, McKinley, Rio Arriba, Sandoval and Cibola.

The Bill contains an emergency clause.

FISCAL IMPLICATIONS

The House Floor amendment does not have a fiscal impact. The dollars being transferred from the water project fund to the New Mexico Environment Department were authorized in previous years and earmarked for a regional water project in the counties of San Juan, McKinley, Rio Arriba, Sandoval and Cibola.

The appropriation of \$5,375,244 referenced in this bill is a non-recurring expense to severance tax bond proceeds. Any unexpended or unencumbered balance remaining at the end of fiscal year 2013 or upon completion of the project or whichever occurs first.

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.

SIGNIFICANT ISSUES

According to NMED, “the Indian Health Service (IHS) has completed the design of Phase 1 of the project and is prepared to begin construction in the spring of 2009. The Water Trust Board has not yet concluded an agreement with the Navajo Nation for the original 2006 and 2007 allocations to the water project fund and transfer of these funds as contemplated in this bill would make the money available sooner. NMED is already involved with the Cutter Lateral project and is presently reviewing the IHS plans for Phase 1. Transfer of the funds proposed in this bill to NMED would bring all the funding currently available under a single administrator.”

OTHER SUBSTANTIVE ISSUES

The water project fund and water trust board were created by the Water Finance Act. According to the Act, projects funded from the water project fund must be 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.

RELATIONSHIP, DUPLICATION, CONFLICT

House Taxation and Revenue Committee Substitute for House Bill 902 is a duplicate of this bill.

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

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 Senate Bill 405 totaling approximately \$120 million.

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 contained in House Bill 405.

LMK/svb