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## FISCAL IMPACT REPORT

**SPONSOR** Cervantes **ORIGINAL DATE** 01/25/17  
**LAST UPDATED** 02/15/17 **HB** \_\_\_\_\_

**SHORT TITLE** Water Project Fund Projects **SB** 44/ec

**ANALYST** Amacher

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
(\$10,400.00)	(\$13,700.00)	Recurring	Severance Tax Bond Capacity
\$10,400.00	\$13,700.00	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 Expenditure Decreases)

Conflicts with SB 112a/SFC, `HB5/aHAFC/aSFC Duplicates HB 59

### SOURCES OF INFORMATION

LFC Files  
 New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 44 authorizes the New Mexico Finance Authority (NMFA) to make loans or grants for 32 projects from the water project fund. The NMFA establishes the terms and conditions of the loans and grants awarded from the water project fund as recommended by the Water Trust Board (WTB). This bill is endorsed by the New Mexico Finance Authority Legislative Oversight Committee and contains an emergency clause.

### FISCAL IMPLICATIONS

The water project fund is capitalized through annual distributions of nine percent of the net senior severance tax bond capacity (\$10.4 million for FY17) and funds from the water trust fund (\$4 million).

The Office of the State Engineer (OSE) receives 10 percent of any funds distributed into the water project fund annually for water adjudication as enacted in the 2005 legislative session. It is estimated the OSE will receive \$1.44 million for FY17 adjudication.

Approximately \$12.96 million, net of adjudication, will be available for projects authorized by SB 44.

### **SIGNIFICANT ISSUES**

The Water Project Finance Act (the Act) provides a permanent revenue source to provide grants and loans to political subdivisions for water projects authorized by the Legislature. Eligible water projects pursuant to the Act include: 1) water storage, conveyance, and delivery; 2) conservation, recycling, treatment or reuse of water; 3) restoration and management of watersheds; 4) Endangered Species Act collaborative projects; and 5) flood prevention projects. The 32 projects presented in SB 44 total \$27 million.

NMFA administers the water project fund and partners with other state agencies, such as the New Mexico Environment Department and the Office of the State Engineer, for technical assistance. Projects are recommended by the Water Trust Board for authorization. Following authorization by the Legislature, the Water Trust Board further reviews the projects for additional project readiness and policy qualifications prior to a funding recommendation. The NMFA establishes the terms and conditions of the loans and grants awarded from the fund and as recommended by the Water Trust Board.

For the 2017 application cycle, WTB applicants were guided by policies and rules that identified minimum application standards, which included mandatory planning documents, relevant evaluation criteria for each type of eligible project and provide increased access to the program by providing a sliding scale for determination of local match. Additionally, the WTB rules and policies provide that applications submitted by qualified entities for qualified projects will be fully evaluated prior the WTB recommending projects to the Legislature.

Pursuant to WTB policies, the maximum award that can be provided is \$1,944,000 or 15 percent of the total funds available for award.

### **ADMINISTRATIVE IMPLICATIONS**

The staff of the New Mexico Environment Department and the Office of the State Engineer provides technical assistance in reviewing water system projects. Engineering and construction oversight are contracted through a memorandum of understanding between the NMFA and the New Mexico Environment Department for projects funded through the water project fund.

### **CONFLICT, DUPLICATION**

SB 44 conflicts with SB112/aSFC which is sponsored by the Legislative Finance Committee and reauthorizes taxable bond proceeds and other state funds to restore general fund capital expenditures made on or before June 30, 2016. The bill suspends for one year the severance tax bond capacity earmarked for water, tribal, and colonias infrastructure funds, and provides for non-recurring use of severance tax bonding capacity to assist in addressing solvency issues.

**Senate Bill 44 – Page 3**

Finally, SB 44 conflicts with HB 5/aHAFC/aSFC conflicts . The Senate Finance Committee amendments to HB 5, as amended by the House Appropriation & Finance Committee, restores the suspension for one year of the senior severance tax bond allocations to the water, colonias, and tribal infrastructure funds. The amendment further preserves funding to the Office of the State Engineer and the Administrative Office of the Courts for water rights adjudication, and directs the State Board of Finance to re-estimate severance tax bond capacity available for authorization by the Legislature after the bill is enacted. The amendment would provide a non-recurring \$19.8 million to general fund reserves.

SB 44 duplicates HB 59.

JMA/al/sb/jle