

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 and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/18

SPONSOR Cervantes LAST UPDATED _____ HB _____

SHORT TITLE Water Project Fund Projects SB 142

ANALYST Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
(\$17,700.0)	(\$18,000.0)	Recurring	Severance Tax Bond Capacity
\$17,700.0	\$18,000.0	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 Expenditure Decreases)

Duplicates SB 142; Relates to SB 63/HB 123

SOURCES OF INFORMATION

LFC Files
New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 142, endorsed by the New Mexico Finance Authority Legislative Oversight Committee, authorizes 22 projects to be eligible for funding 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). Senate Bill 142 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 (\$17.7 million for FY18) and funds from the water trust fund (\$4 million).

As noted by the NMFA, in FY 17 the water project fund received a \$4 million distribution from the Water Trust Fund with the WTB elected to reserve for the FY18 application cycle when its annual appropriation of severance tax bonds were redirected to the state for other purposes in FY 17. Net of adjudication, it is estimated approximately \$23.13 million will be available for projects authorized by this bill.

The Office of the State Engineer (OSE) receives 10 percent of any funds distributed into the water project fund annually for water adjudications enacted in the 2005 legislative session. It is estimated the OSE will receive \$2.57 million from the FY18 Severance Tax Bonds and the FY 17 & FY 18 Water Trust Fund distributions.

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 22 projects presented in SB 142 total \$27 million located in 14 counties.

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.

Applicants are guided by policies and rules that identify minimum application standards which include mandatory planning documents and evidence of additional funding. Submitted applications by qualified entities for qualified projects have been evaluated by a project management team comprised of seven agencies evaluated the applications prior to the WTB recommending projects to the Legislature.

PERFORMANCE IMPLICATIONS

The Water Project Fund was created by the Water Project Finance Act and is administered by the NMFA. The NMFA makes grants and loans for qualified projects recommended by the Water Trust Board and authorized by the Legislature. Engineering and construction oversight is provided by the New Mexico Environment Department (NMED) as contracted with the NMFA. Costs of the NMFA's administration, including the NMED oversight, are reimbursed from annual loan repayments.

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.

DUPLICATION, RELATIONSHIP

SB 142 duplicates SB 170 in its entirety.

SB 142 relates to SB 63/HB 123 which appropriates from the Water Project Fund to the Carlsbad Brine Well Remediation Fund \$1.5 million per year for three years beginning in July 1, 2018. This will reduce the amount of funds available to the projects authorized in SB 142.

OTHER SUBSTANTIVE ISSUES

The projects listed on SB 142 were submitted by qualified entities for qualified projects that were fully evaluated by a technical team from seven agencies. The Water Trust Board prioritized the projects based upon recommendations from the technical team. Projects appearing on SB 142 will be required to demonstrate compliance with relevant regulations and laws, such as water rights and water conservation plans. Those projects with regulatory deficiencies will be bypassed by the Water Trust Board.

JMA/sb/jle