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FISCAL IMPACT REPORT

SPONSOR Small ORIGINAL DATE 01/28/19
LAST UPDATED _____ HB 281
SHORT TITLE Strategic Water Reserve SB _____
ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$5,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Engineer (OSE)

SUMMARY

Synopsis of Bill

House Bill 281 appropriates \$5 million to the Interstate Stream Commission (ISC) for FY20 and subsequent fiscal years to administer the Strategic Water Reserve (SWR).

FISCAL IMPLICATIONS

The appropriation of \$5 million is a recurring expense to the general fund. Any balances remaining at the end of any fiscal year will carry over to the next fiscal year and do not revert to the general fund.

The appropriation to ISC will help purchase, lease or otherwise acquire water rights for the SWR.

SIGNIFICANT ISSUES

In 2017, the ISC used water rights in the reserve both to help meet its compact commitments to Texas and to offset depletions resulting from endangered species habit restoration projects.

However, in its 2017 report to the Legislature dated Marcy 27, 2018, ISC reported the

implementation of the SWR statute had suffered in 2017 due to lack of funding. Since creation of the SWR in 2005, the Legislature has appropriated to the ISC a total of \$5.3 million in capital funding for the reserve, most recently \$2 million in 2014. ISC allocated most of these funds to acquire water rights on the Pecos River, the Middle Rio Grande, and the Lower Rio Grande. By the end of 2017, ISC expended \$3.3 million of the total appropriation. In the 2017 session, the Legislature reallocated the balance, about \$2 million, for other purposes. The report went on to say more funding will be needed for ISC to continue its efforts to acquire water rights for the reserve.

PERFORMANCE IMPLICATIONS

State law requires ISC to develop priorities for the acquisition of water rights for the reserve in consultation with the NMAG.

ADMINISTRATIVE IMPLICATIONS

OSE commented that while staff expertise exists at ISC to identify, manage and executive reserve agreements, there are not enough FTEs. Therefore, contractors may be needed to assist.

SUBSTANTIVE ISSUES

In 2005, the Legislature passed the SWR statute, Section 72-14-3.3 NMSA 1978, authorizing the ISC to establish a SWR using leased, purchased, or donated water, water rights, and storage rights. Water or water rights in the reserve can be used for two purposes; to assist the State in complying with interstate river agreements, or compacts, and to benefit threatened or endangered species. In the past, OSE reported difficulty identifying willing sellers of water or water rights for the reserve.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The ISC would not have an infusion of money to acquire more water rights for the reserve.

AHO/sb