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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED _____ HB _____

SPONSOR Ingle

SHORT TITLE Authorization for Certain Water Projects SB 17/ec

ANALYST Taylor

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
\$68,670.0	--	Recurring	Net Water Project Fund
\$3,600.0	--	Recurring	Net Water Project Fund

REVENUE (dollars in thousands)

Estimated Revenue		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
(\$76,300.0)	--	Recurring	Severance Tax Bonding Capacity
(\$4,000.0)	--	Recurring	Water Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

Estimated Revenue		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
\$8,030.0	--	Recurring	Office of State Engineer

SOURCES OF INFORMATION

LFC Files

Responses Received From
New Mexico Finance Authority

SUMMARY

Senate Bill 17 authorizes the New Mexico Finance Authority (NMFA) to make loans or grants for 32 projects from the water project fund on terms and conditions established by the water trust board and the New Mexico finance authority (NMFA). The bill was endorsed by the New Mexico Finance Oversight Committee.

The bill contains an emergency clause and would become effective immediately upon signature by the governor.

FISCAL IMPLICATIONS

The water project fund receives an annual distribution equal to 9 percent of the severance tax bonds issued by the State Board of Finance. In FY22, based on the December 2021 estimate, the distribution is estimated to be \$76.3 million. In FY22, the water project fund also is expected to receive a \$4 million distribution from the water trust fund.

The Office of the State Engineer (OSE) receives 10 percent of the Severance Tax Bond proceeds and Water Trust Fund distributions deposited into the Water Project Fund annually for adjudication. This distribution of \$8.03 million is to OSE.

The numbers reported in the appropriation table are net of distributions to the OSE.

SIGNIFICANT ISSUES

The NMFA bill analysis explains that projects authorized in the bill were evaluated by a project management team made up of seven agencies. They used criteria established by the water trust board, including a requirement that applicants have spent prior awarded funds prior awarded funds in a timely manner.

NMFA also notes that the WTB policies require that project awards be matched with other funding. The size of the match requirement is based on criteria including the type of project, the amount of the request and the median household income of the applicant. Applicants supported by rate payers are required to take a loan of between 10 to 40 percent of the total award. The interest rate on loans is zero percent and terms can go up to 20 years.

ADMINISTRATIVE IMPLICATIONS

The NMFA is responsible for administering the projects and is responsible for monitoring and ensuring proper reversions. The NMFA is reimbursed for administrative costs.

PERFORMANCE IMPLICATIONS

The NMFA notes that projects listed on SB 17 were reviewed by the project management team and deemed to be qualified. Projects were prioritized based on the team's recommendations. Projects appearing on SB 17 will be required to demonstrate compliance with relevant regulations and laws, such as water rights and state drinking water regulations.