FISCAL IMPACT REPORT

BILL NUMBER: House Bill 184/aHENRC

SHORT TITLE: Investment of Conservation & Legacy Funds

SPONSOR: Small/Chatfield/Sanchez

LAST UPDATE: 2/5/26 **ORIGINAL DATE:** 2/2/26 **ANALYST:** Davidson/Torres

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Investment Earnings		$3,380.0	$4,420.0	$5,020.0	$5,600.0	Recurring	Conservation Legacy Permanent Fund
Distributions from CLPF		$1,125.0	$1,325.0	$1,470.0	$1,590.0	Recurring	Land of Enchantment Legacy Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
State Investment Council

SUMMARY

Synopsis of HENRC Amendment to House Bill 184

The House Energy and Natural Resources Committee amendment to House Bill 184 delays the start of the three calendar-year average calculation by one year, replacing the first year with a two-year average, due to the relatively new nature of the fund. The amendment also extends the amount of time recipients can utilize funding from two years to three.

Synopsis of House Bill 184

House Bill 184 (HB184) makes several technical fixes to the conservation legacy permanent fund (CLPF), an investment fund that provides revenue for the land of enchantment legacy fund (LELF), from which distributions are made to natural resources programs. The proposal would streamline the functions of the two funds and revise their distribution and reversion mechanisms to prevent the creation of "trapped" balances, a consequence of the existing law because it limits distributions from the LELF, trapping unused balances in the fund.

Under HB184, starting on July 1, 2026, the distribution from the CLPF to the LELF would be equal to 5 percent of the average year-end market value of the CLPF for the immediately preceding three calendar years, replacing the prior threshold-based distribution structure. Under the bill, the legacy funds would mirror the structure of the early childhood program fund and its parent permanent fund. These changes align the funds with best practices and other state-invested fund structures. HB184 also requires that any unexpended balances revert to the CLPF, which has higher returns than the LELF.

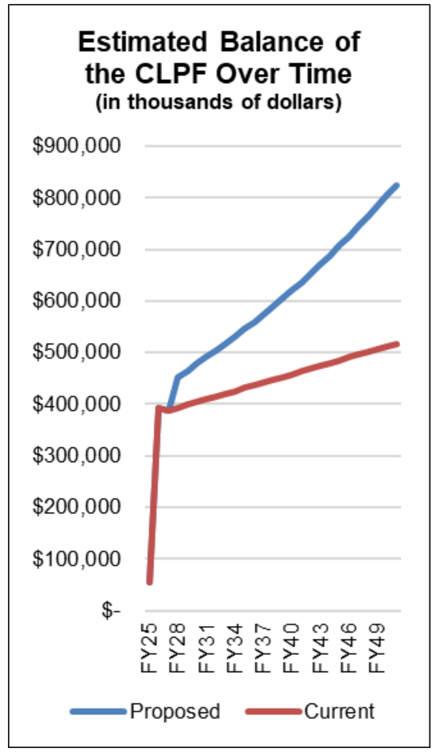
Sections governing the CLPF and LELF are recompiled into Chapter 6, Article 4, NMSA 1978.

The effective date of this bill is July 1st, 2026.

FISCAL IMPLICATIONS

HB184 does not create a new revenue source but changes the timing, predictability, and long-term solvency of the legacy funds (see attachment for table of legacy fund structure). By transferring the "trapped" balance (roughly $51.6 million at the beginning of FY26) of the LELF to the CLPF and requiring unexpended balances to revert annually, the bill increases the corpus of the permanent fund, strengthening long-term investment capacity and ultimately increasing distributions to agencies in both the short term and the long run.

The shift to a 5 percent rolling market-value distribution introduces a more standardized permanent-fund-style payout, which would increase annual distributions over the current distribution's reliance on market performance. The current statute limits the ability of the CLPF to grow because all investment gains above a $5 million threshold are taken from the fund. HB184 changes the approach to improve predictability, returns, and sustainability relative to the prior structure.



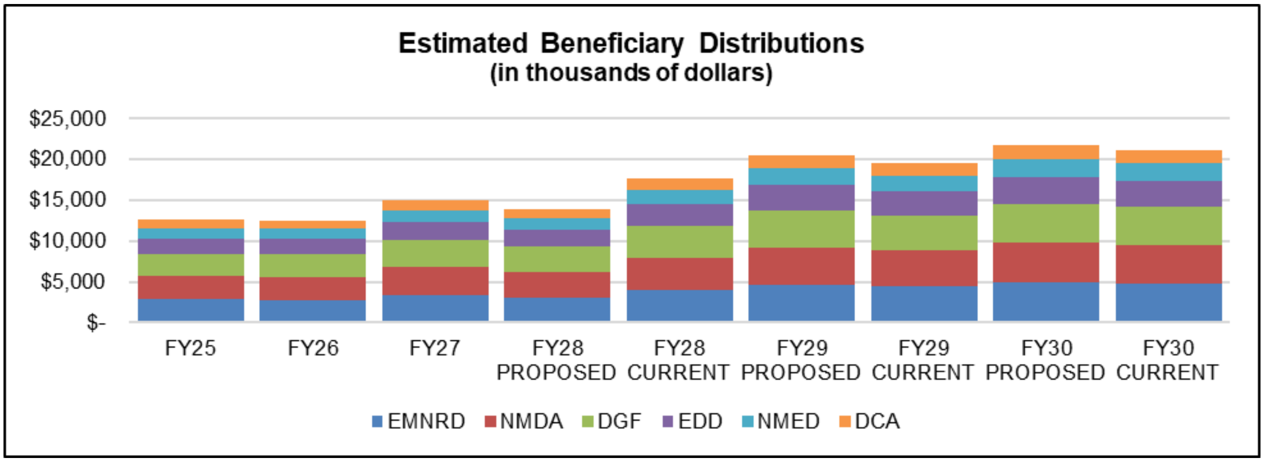
Because agency allocations remain percentage-based, funding levels for recipient agencies—including the Energy, Minerals and Natural Resources Department, Environment Department, Department of Wildlife, Economic Development Department, Cultural Affairs Department, and New Mexico State University's Department of Agriculture—would remain consistent with previous shares.

Currently, the trapped balance of the LELF earns less than if it were in the CLPF because it is invested as a liquid asset. Transferring the trapped balance of the LELF to the CLPF would generate a higher return for the beneficiaries. While LELF earnings would decline because the balance would be lower, the decline would be more than offset by gains in the CLPF (see "Revenue" table above).

Finally, HB184 before it was amended by the House Energy and Natural Resources could have resulted in a one-year flat distribution with the prior year before improved investment returns begin to provide larger distributions to agencies than under the status quo. The amendment is expected to increase the distributions in the first year, as well as future years; this analysis does not reflect that change but will be updated when it has been calculated.

The original HB184 would begin generating larger distributions for agencies in FY29 and in perpetuity thereafter with distributions growing over time. By FY50, HB184 is estimated to result in distributions nearly 20 percent higher to beneficiaries and the permanent fund is expected to have balances nearly 60 percent higher, or $310 million higher.

The charts below outline the fiscal impact the bill would have on the funds and the distribution amounts:



Updated Distributions (w/LFC updates in place)	FY27 Est.	FY28 Est.	FY29 Est.
Beginning Balance (w/LELF balance)	$415,491.26	$425,878.54	$436,525.51
Gains & Losses	$31,161.84	$31,940.89	$32,739.41
Distribution to LELF (with new provision of it being 5% of total CLPF)	$20,774.56	$21,293.93	$21,826.28
Ending Balance	**$425,878.54**	**$436,525.51**	**$447,438.65**

State Investment Council estimates for the change in distributions are largely similar to LFC's and are attached in the appendices through FY50, demonstrating the increased investment earnings and distributions to programmatic uses over time.

SIGNIFICANT ISSUES

The realignment of the legacy funds reflects a policy shift toward treating the funding as a permanent endowment rather than a quasi-appropriated grant fund. This approach strengthens long-term fiscal stewardship but does not address the difficulty annual appropriations may pose to the operational realities of land, water, wildlife, and forest projects, which often require multi-year planning, permitting, and implementation.

Analysis from the State Investment Council (SIC) points to the structural issues that exist within the two funds current distribution and growth, and notes the bill fixes those issues. SIC notes the changes the bill proposes will bring the permanent fund in line with how the agency manages its other investment funds, as well as allowing the collected funds to more greatly benefit from compound interest. SIC also notes that by using the three-year average market value as the method of determining distribution sizes, the amount recipients will receive will not be as affected by market volatility.

Attached in the appendix is SIC's projected growth for the funds and distributions depending on HB184's implementation.

The bill does not alter the current amount of time the recipient agencies have to utilize funding (two years).

Attachment 1: Legacy Fund Distribution Flowchart
Attachment 2: SIC Estimate of Impact on Distributions

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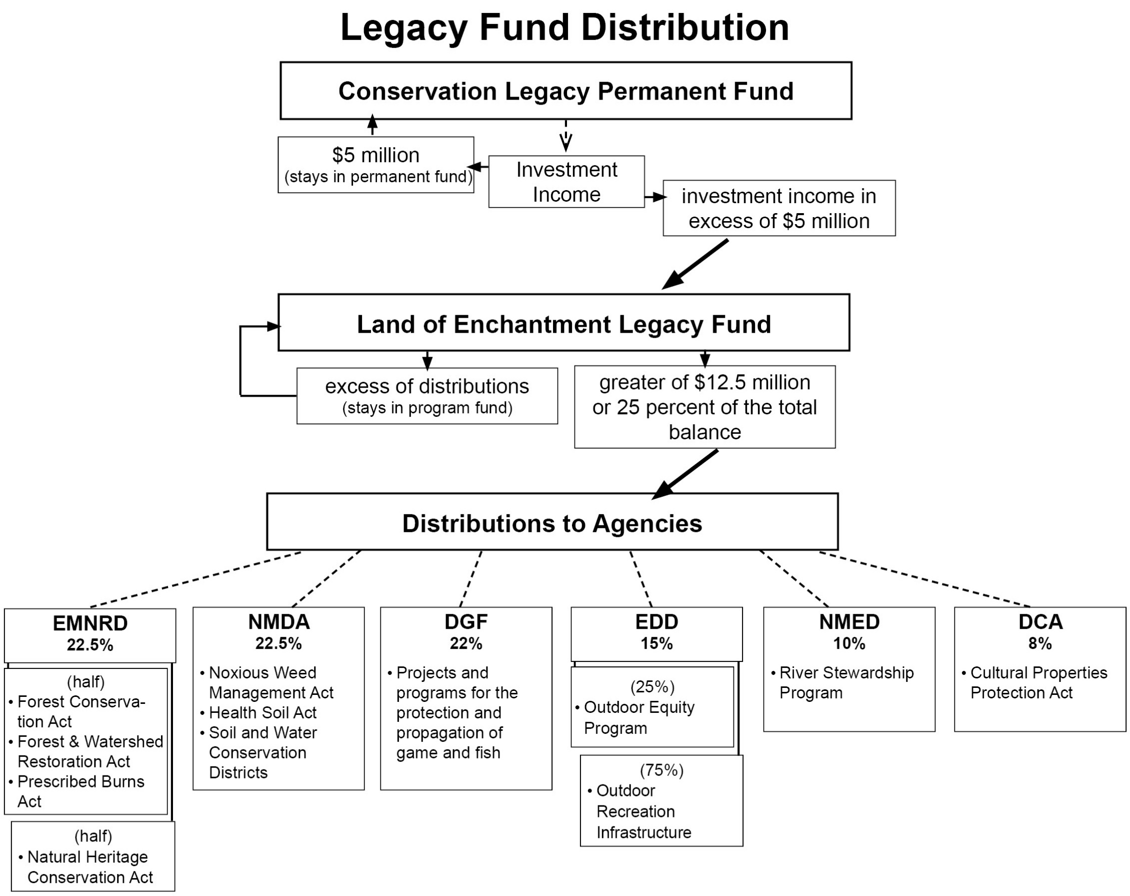
Attachment 1



Attachment 2: SIC Estimate of Impact on Distributions

Calendar	CLPF Est. Ending Balance			Fiscal	CLPF Distrib. to LELF			LELF Distrib..to Agencies		
Year	Current	HB184	Diff	Year	Current	HB184	Diff	Current	HB184	Diff
2024	$ 368.8	$ 368.8	$ -	FY24	$ -	$ -	$ -	$ -	$ -	$ -
2025	$ 384.8	$ 384.8	$ -	FY25	$ -	$ -	$ -	$ 12.5	$ 12.5	$ -
2026	$ 387.3	$ 454.2	**$ 66.9**	FY26	$ 33.2	$ 33.2	$ -	$ 12.5	$ 12.5	$ -
2027	$ 392.6	$ 465.4	**$ 72.7**	FY27	$ 20.3	$ 13.4	**$ (6.9)**	$ 13.6	$ 13.4	**$ (0.1)**
2028	$ 398.0	$ 475.7	**$ 77.7**	FY28	$ 20.7	$ 20.1	**$ (0.6)**	$ 15.6	$ 20.1	**$ 4.5**
2029	$ 403.3	$ 485.1	**$ 81.8**	FY29	$ 21.0	$ 21.7	**$ 0.7**	$ 17.3	$ 21.7	**$ 4.4**
2030	$ 408.7	$ 494.7	**$ 86.1**	FY30	$ 21.4	$ 23.3	**$ 1.9**	$ 18.7	$ 23.3	**$ 4.6**
2031	$ 414.0	$ 504.5	**$ 90.5**	FY31	$ 21.7	$ 23.8	**$ 2.0**	$ 19.9	$ 23.8	**$ 3.9**
2032	$ 419.4	$ 514.5	**$ 95.1**	FY32	$ 22.1	$ 24.3	**$ 2.2**	$ 20.8	$ 24.3	**$ 3.4**
2033	$ 424.7	$ 524.6	**$ 99.9**	FY33	$ 22.4	$ 24.7	**$ 2.3**	$ 21.7	$ 24.7	**$ 3.1**
2034	$ 430.1	$ 535.0	**$ 104.9**	FY34	$ 22.8	$ 25.2	**$ 2.4**	$ 22.4	$ 25.2	**$ 2.8**
2035	$ 435.4	$ 545.6	**$ 110.1**	FY35	$ 23.2	$ 25.7	**$ 2.6**	$ 23.1	$ 25.7	**$ 2.6**
2036	$ 440.8	$ 556.3	**$ 115.5**	FY36	$ 23.5	$ 26.2	**$ 2.7**	$ 23.7	$ 26.2	**$ 2.6**
2037	$ 446.1	$ 567.3	**$ 121.2**	FY37	$ 23.9	$ 26.8	**$ 2.9**	$ 24.2	$ 26.8	**$ 2.5**
2038	$ 451.5	$ 578.5	**$ 127.0**	FY38	$ 24.2	$ 27.3	**$ 3.1**	$ 24.7	$ 27.3	**$ 2.5**
2039	$ 456.8	$ 589.9	**$ 133.1**	FY39	$ 24.6	$ 27.8	**$ 3.3**	$ 25.2	$ 27.8	**$ 2.6**
2040	$ 462.2	$ 601.6	**$ 139.4**	FY40	$ 24.9	$ 28.4	**$ 3.5**	$ 25.7	$ 28.4	**$ 2.7**
2041	$ 467.5	$ 613.5	**$ 145.9**	FY41	$ 25.3	$ 28.9	**$ 3.7**	$ 26.1	$ 28.9	**$ 2.8**
2042	$ 472.9	$ 625.6	**$ 152.7**	FY42	$ 25.6	$ 29.5	**$ 3.9**	$ 26.6	$ 29.5	**$ 2.9**
2043	$ 478.3	$ 637.9	**$ 159.7**	FY43	$ 26.0	$ 30.1	**$ 4.1**	$ 27.0	$ 30.1	**$ 3.1**
2044	$ 483.6	$ 650.5	**$ 166.9**	FY44	$ 26.3	$ 30.7	**$ 4.4**	$ 27.4	$ 30.7	**$ 3.3**
2045	$ 489.0	$ 663.4	**$ 174.4**	FY45	$ 26.7	$ 31.3	**$ 4.6**	$ 27.8	$ 31.3	**$ 3.5**
2046	$ 494.3	$ 676.5	**$ 182.2**	FY46	$ 27.0	$ 31.9	**$ 4.9**	$ 28.2	$ 31.9	**$ 3.7**
2047	$ 499.7	$ 689.9	**$ 190.2**	FY47	$ 27.4	$ 32.5	**$ 5.1**	$ 28.6	$ 32.5	**$ 3.9**
2048	$ 505.0	$ 703.5	**$ 198.5**	FY48	$ 27.7	$ 33.2	**$ 5.4**	$ 29.0	$ 33.2	**$ 4.2**
2049	$ 510.4	$ 717.4	**$ 207.0**	FY49	$ 28.1	$ 33.8	**$ 5.7**	$ 29.4	$ 33.8	**$ 4.4**
2050	$ 515.7	$ 731.5	**$ 215.8**	FY50	$ 28.4	$ 34.5	**$ 6.1**	$ 29.8	$ 34.5	**$ 4.7**