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The Legacy Fund: Distribution and Uses

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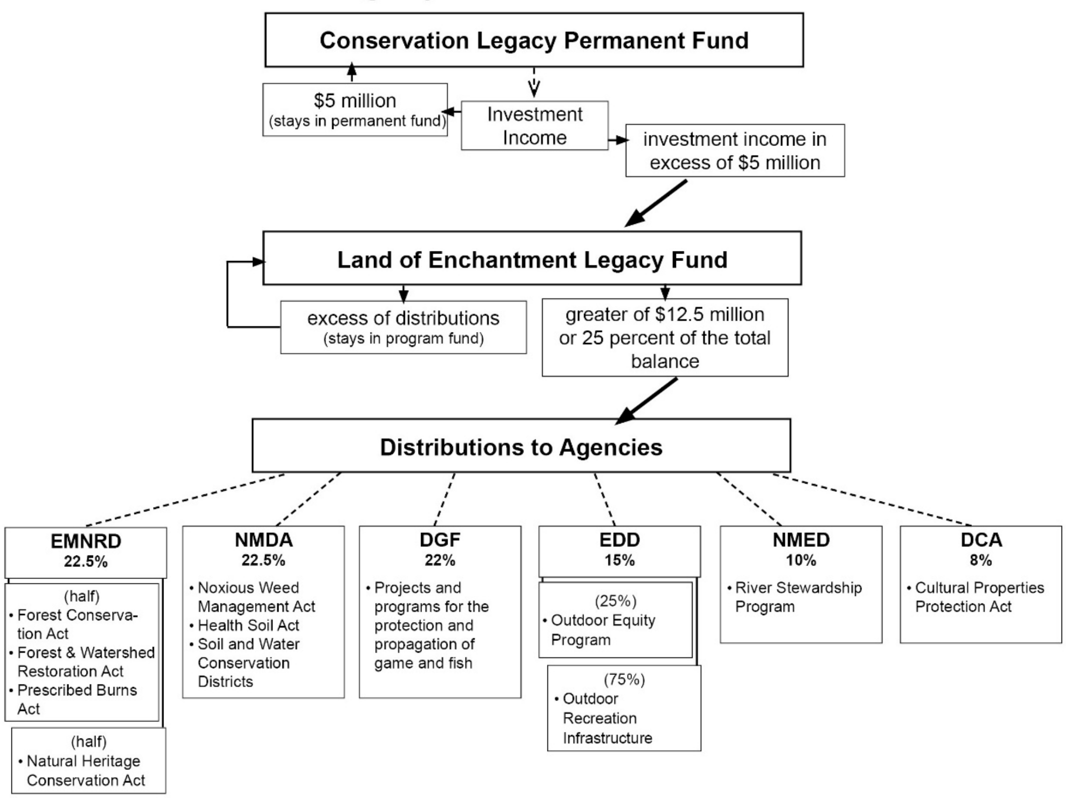
History of Creation

Passed during the 2023 legislative session, Chapter 26 (Senate Bill 9) created the conservation legacy permanent fund (permanent fund) and the land of enchantment legacy fund (distribution fund) to provide recurring revenue for preservation- and conservation-focused programs in six agencies. The State Investment Council manages the permanent fund with the same risk and return profile as the state's land grant permanent fund. Investment income from the permanent fund in excess of $5 million is distributed to the distribution fund on July 1 of each year. The law stipulates these distributions will only take place if the balance of the permanent fund exceeds $150 million. On July 1, 2024, and each year thereafter, the Department of Finance and Administration distributes the greater of $12.5 million or 25 percent of the distribution fund's total balance to recipient agencies based on the distribution percentages shown below. Since 2022, the Legislature has appropriated $350 million into the permanent fund, including $50 million in 2023 and $300 million in 2024. In 2023, the Legislature also appropriated $50 million in the distribution fund. The first round of allocations from the distribution fund to the six state agencies was in FY25.

Legacy Fund Distribution



Fund Balance

At the end of FY25, the permanent fund held a balance of $382.9 million, and the distribution fund held $38.6 million.

CLPF & LELF Balances and Distribution (Dec. 2024 projections)
(in thousands)

Conservation Legacy Permanent Fund (CLPF)	FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.
Beginning Balance	$ 50,000.00	$354,250.84	$ 359,250.84	$ 364,250.84	$ 369,250.84	$ 374,250.84
Gains & Losses	$ 4,250.84	$ 26,568.81	$ 26,943.81	$ 27,318.81	$ 27,693.81	$ 28,068.81
Distribution to LELF		$ 21,568.81	$ 21,943.81	$ 22,318.81	$ 22,693.81	$ 23,068.81
Ending Balance	$ 54,250.84	$359,250.84	$ 364,250.84	$ 369,250.84	$ 374,250.84	$ 379,250.84

Land of Enchantment Legacy Fund (LELF)	FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.
Beginning Balance	$ 50,000.00	$ 37,813.34	$ 45,245.61	$ 51,240.42	$ 56,130.19	$ 60,170.44
Inflow from CLPF	$ -	$ 21,568.81	$ 21,943.81	$ 22,318.81	$ 22,693.81	$ 23,068.81
Gains & Losses	$ 417.78	$ 945.33	$ 1,131.14	$ 1,281.01	$ 1,403.25	$ 1,504.26
Balance After Inflows	$ 50,417.78	$ 60,327.48	$ 68,320.56	$ 74,840.25	$ 80,227.25	$ 84,743.51
Distribution from LELF to Agencies	$ 12,604.45	$ 15,081.87	$ 17,080.14	$ 18,710.06	$ 20,056.81	$ 21,185.88
Ending Balance	$ 37,813.34	$ 45,245.61	$ 51,240.42	$ 56,130.19	$ 60,170.44	$ 63,557.64

Share	Distributions to Agencies	FY24	FY25	FY26 Est.	FY27 Est.	FY28 Est.	FY29 Est.
22.5%	EMNRD: 50% to the Forestry Division		$ 1,418.00	$ 1,696.71	$ 1,921.52	$ 2,104.88	$ 2,256.39
	EMNRD: 50% for the National Heritage Conservation Act		$ 1,418.00	$ 1,696.71	$ 1,921.52	$ 2,104.88	$ 2,256.39
22.5%	NMDA: Noxious Weed Mgt, Healthy Soil Act, and Soil/Water Conservation District		$ 2,836.00	$ 3,393.42	$ 3,843.03	$ 4,209.76	$ 4,512.78
22.0%	DGF: Projects and programs for the propogation and protection of game and fish		$ 2,772.98	$ 3,318.01	$ 3,757.63	$ 4,116.21	$ 4,412.50
15.0%	EDD: 75% for outdoor recreation division special projects and infrastructure		$ 1,418.00	$ 1,696.71	$ 1,921.52	$ 2,104.88	$ 2,256.39
	EDD: 25% for the outdoor equity grant program		$ 472.67	$ 565.57	$ 640.51	$ 701.63	$ 752.13
10.0%	NMED: Water quality and river habitat projects		$ 1,260.44	$ 1,508.19	$ 1,708.01	$ 1,871.01	$ 2,005.68
8.0%	DCA: For the Cultural Properties Protection Act		$ 1,008.36	$ 1,206.55	$ 1,366.41	$ 1,496.80	$ 1,604.55
100.0%	TOTAL Distributions		$ 12,604.45	$ 15,081.87	$ 17,080.14	$ 18,710.06	$ 20,056.81

Source: LFC files

Use of Funds

Energy, Minerals and Natural Resources

EMNRD's funding is equally split between National Heritage Conservation Act (NHCA) and Forest and Watershed Restoration (FAWRA) projects. EMNRD reports funding for both has been received, though none of the funding for either has been expended. The agency anticipates the funding to be fully expended in the two year time span. For the NHCA funding, which stipulates that the Natural Lands Protection Committee review and rank eligible projects for funding, two projects were approved. The two approved projects were paused due to contracting issues, and EMNRD reissued requests for proposals for them.

Funding for the FAWRA projects has not been expended. EMNRD noted this delay is due to vacancies in the Forest and Watershed Restoration Advisory Board, which delayed project approvals. Regardless of vacancies, one project of the board was approved for creation of buffer zones around communities with high wildfire risk and the agency anticipates that the funding will be fully expended in the two-year time span.

New Mexico Department of Agriculture

NMDA fully allocated and obligated its FY25 funding for project grants and contractor services, with all of the projects falling under the umbrella of the three Land of Enchantment programs (Healthy Soil Program, District Opportunity

Grant, and the Noxious Weeds Management Program).The agreements were mostly for one-year projects, and the department anticipates roughly $500 thousand will be unspent and returned to the department. The department plans to reallocate its returned funding for FY26 projects. Further, NMDA program fund funding is also available for Soil and Water Conservation District projects, with 78 projects receiving funding.

As for FY26 projects, NMDA has also fully obligated and allocated its FY26 disbursement.

Environment Department

All NMED's FY25 funds have been obligated across seven river stewardship projects, with portions already spent. The projects predominantly focus on restoration of watersheds and habitats, such as restoration for the Trout and Romero Creek. The largest portion of NMED's funding was $497 thousand, which is being used for restoration in the Chama area. Projects were partially funded by distribution funds because the funding reversion date is June 30, 2026, and contract terms are June 30, 2027. Other funding included in these contracts are capital outlay appropriations. NMED estimates all funds will be fully expended by the reversion date of June 30, 2026. As of the beginning of the fiscal year, NMED has spent $129 thousand of its FY25 funding.

Department of Wildlife

The newly updated Department of Wildlife (NMDW) (formerly the Department of Game and Fish) has allocated its LELF funding across 44 different projects, varying between statewide and county-level in scope and focus. The LELF funding distributed to NMDW is targeted at its Conservation Services Program, predominantly to work protecting and managing species of greatest conservation need.

Economic Development Department

EDD's funding is allocated by the Outdoor Recreation Division and split between the Outdoor Equity fund (25 percent) and the Trails+ grant program (75 percent). Both programs have recently been appropriated additional one-time funding from the Legislature, including $3 million for the Outdoor Equity program and $10 million for Trails+ in the 2025 session. The Outdoor Equity Fund, which has also received one-time funding from the Legislature, provides funding for outdoor educational programming and experiences for youth in New Mexico. The Trails+ grant funds planning, development, and improvement of trails and related infrastructure. For both programs, funding is provided up front, typically require some type of match, and must be completed within 18 or 24 months of a signed contract. EDD has obligated its FY25 funding and is on track to do the same for FY26.

Department of Cultural Affairs

DCA's funding is allocated by the Historic Preservation Division to provide grants for restoration, preservation, interpretation, stabilization, and protection of cultural properties, pursuant to the Cultural Properties Protection Act and through the cultural properties restoration fund. The cultural properties restoration fund was created in the mid-1990s but did not receive funding for decades prior to the creation of the legacy funds. Projects are selected by the Historic Preservation Division and approved by the Cultural Properties Review Committee. Funding to grantees is provided upfront, and grantees have two years to complete projects. FY25 funding was awarded in June and July 2025 to five public entities, including the cities of Albuquerque, Deming, Santa Fe, Silver City and the State Land Office, and leveraged $1.4 million in matching funds. DCA has announced eight grantees for FY26 and is in the early phase of developing joint power agreements with the entities to distribute funds.

Possible Statutory Changes for CLPF and LELF

Trapped Balances

Provisions of the permanent fund and the distribution fund have resulted in trapped balances and noncompetitive investments. Stipulations in the legacy funds statutory language state the permanent fund will distribute investment income in excess of $5 million to the distribution fund, while the distribution fund has language that also keeps some of the money in the fund, resulting in a growing trapped balance of millions of dollars. The permanent fund is managed by the State Investment Council and the distribution fund is managed by the Department of Finance and Administration In addition to being administered separately, the permanent fund is invested while the distribution fund is not, the distribution fund only accrues interest which contributes to the trapped balance. These processes hinder the ability for the balance in the permanent fund to grow, while also separating significant funding in the distribution fund, which is not growing at a competitive rate. These characteristics of the legacy funds are not in line with best practices, such as those used by the early childhood permanent fund and the early childhood program fund. The table on page two documents the two levels of growth in the legacy funds and the trapped balance within the distribution fund.

Alternatives

A solution to these issues is to move all of the distribution fund's balance into the permanent fund, while also transitioning the distribution fund from a pseudo-investment fund to a program fund, simplifying the distribution of the funds. Placing the balance of the distribution fund into the permanent would increase the growth of the permanent fund, which is tied to a more competitive projected investment growth. The State Investment Council estimates the returns for the permanent fund are roughly 7.05 percent each year, while the distribution fund's returns hover around 2.5 percent. If all the balances were placed within the permanent fund in FY26, returns could grow from $26.9 million, as projected under the current structure, to $30.3 million, a potential 12.5 percent increase.

Furthermore, removing the stipulation that the permanent fund distribute income in excess of $5 million and that the distribution fund distribute "the greater of twelve million five hundred thousand dollars ($12,500,000) or twenty-five percent of the total balance of the land of enchantment legacy fund" would help modernize both funds. Instead, requiring 5 percent of the permanent fund be directed to the distribution fund, which is fully allocated to the agencies, better optimizing investment returns and financial management of both funds.

If these changes are enacted, the amount distributed to the agencies would increase from a projected $17.1 million to $21.3 million in FY27. In addition to adjusting the distributions, the Legislature should consider adding language, similar to language used for the early childhood funds, requiring reverted funds from agencies related to these revenues be reverted to the permanent fund.