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FISCAL IMPACT REPORT

SPONSOR Wirth LAST UPDATED _____
ORIGINAL DATE 1/24/23
SHORT TITLE Water Trust Fund BILL NUMBER Senate Bill 57
ANALYST Sanchez

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
\$250,000.0		Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

Office of the State Engineer (OSE)

State Investment Council (SIC)

No Response Received

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Senate Bill 57

Senate Bill 57 appropriates \$250 million from the general fund to the water trust fund, which, according to Water Project Finance Act, may only be used to make an annual distribution to the water project fund.

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed.

FISCAL IMPLICATIONS

The State Investment Council, contends the water trust fund (WTF) will require additional capital to remain sustainable. As of December 31, 2022, the WTF was valued at \$41.26 million. Current estimates are, without an additional infusion of capital or a restructuring of its current distribution requirements, there is a 50 percent chance the fund will be depleted in the next 20

years.

In its analysis, NMFA echoes these concerns:

To date, the Water Trust Fund has received a total of \$55 million in appropriations: \$40 million in 2006 and \$15 million in 2007. Pursuant to Section 72-4A-8(B) [NMSA 1978], the State Investment Council has provided \$4 million annually since July 1, 2007. In 2007, the annual distribution of \$4 million from the Water Trust Fund represented 10% of the total fund. Without additional appropriations, the Water Trust Fund will, over time, be depleted.”

SIGNIFICANT ISSUES

The Water Project Finance 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) implementation of federal Endangered Species Act of 1973 collaborative programs; (3) restoration and management of watersheds; (4) flood prevention projects; and (5) water conservation or recycling, treatment or reuse of water as provided by law.

NMFA administers the water project fund and partners with other state agencies, such as the Environment Department and the Office of the State Engineer, for technical assistance. The Water Trust Board recommends projects for authorization. Following authorization by the Legislature, the Water Trust Board further reviews the projects for additional project readiness and policy qualifications before a funding recommendation. In addition, NMFA establishes the terms and conditions of the loans and grants awarded from the fund, as recommended by the Water Trust Board.

In its analysis, the State Investment Council states:

Without [an] additional appropriation, the Water Trust Fund has a median expectation to terminate 15 years from now, with a \$0 balance after annual distributions are partially made in year 15. The terminal date could occur much earlier in a sustained market downturn. [SIC estimates] it would take an appropriation of at least \$29 million to bring the Water Trust Fund into intergenerational balance on a 25-year projection under the current \$4 [million annual distribution policy].”

SS/rl/hg