

<b>LFC Requester:</b>	<b>Carswell</b>
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**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:  
**Original**        **Amendment**      
**Correction**        **Substitute**   

**Date** 1/17/24  
**Bill No:** SB 1

**Sponsor:** Wirth, Chatfield  
**Short Title:** Water Trust Fund

**Agency Name and Code**    SIC 337  
**Number:** \_\_\_\_\_  
**Person Writing**    Iglesias  
**Phone:** 5055007486    **Email** Dawn.iglesias@sic.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
\$100,000.0		Nonrecurring	General Fund (to Water Trust Fund)

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
		\$800.0	Recurring	Water Project Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the LFC Recommendation for the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

Senate Bill 1 appropriates \$100 million from the General Fund to the Water Trust Fund in FY24.

**FISCAL IMPLICATIONS**

Currently the Water Trust Fund is valued at \$140.3 million (as of 11/30/23) and is one of three funds managed by the State Investment Council that is constitutionally protected from appropriation. Annually, the trust fund distributes the greater of \$4 million or 4.7 percent of the five-year average to the Water Project Fund. Historically, distributions have been unable to meet the 4.7 percent threshold, thereby holding annual distributions to the project fund to a flat \$4 million.

The \$100 million appropriation in this bill would allow the trust fund to meet the 4.7 percent threshold sooner than is currently anticipated and would result in growing additional benefit to the Water Project Fund, as demonstrated in the chart below.

Water Trust Fund (\$MM)							Projected Distribution to Water Project Fund				
CY	Beginning Balance	Contributions	Distributions	Gains & Losses	Ending Balance	YOY Fund Growth	Fiscal Year	Distrib Date	Current	Under SB1	SB1 Addt'l Amt
2022	\$ 43.9	\$ -	\$ (4.0)	\$ 1.3	\$ 41.3	-6.1%	FY23	Jul-22	\$ 4.0		
2023	\$ 41.3	\$ 100.0	\$ (4.0)	\$ 3.0	\$ 140.3	240.0%	FY24	Jul-23	\$ 4.0	\$ 4.0	\$ -
2024	\$ 140.3	\$ 100.0	\$ (4.0)	\$ 14.3	\$ 250.6	78.6%	FY25	Jul-24	\$ 4.0	\$ 4.0	\$ -
2025	\$ 250.6	\$ -	\$ (4.8)	\$ 18.8	\$ 264.5	5.6%	FY26	Jul-25	\$ 4.0	\$ 4.8	\$ 0.8
2026	\$ 264.5	\$ -	\$ (7.0)	\$ 19.8	\$ 277.3	4.8%	FY27	Jul-26	\$ 4.9	\$ 7.0	\$ 2.0
2027	\$ 277.3	\$ -	\$ (9.2)	\$ 20.7	\$ 288.9	4.2%	FY28	Jul-27	\$ 6.0	\$ 9.2	\$ 3.1
2028	\$ 288.9	\$ -	\$ (11.5)	\$ 21.5	\$ 298.8	3.5%	FY29	Jul-28	\$ 7.2	\$ 11.5	\$ 4.3
2029	\$ 298.8	\$ -	\$ (13.0)	\$ 22.2	\$ 308.0	3.1%	FY30	Jul-29	\$ 7.5	\$ 13.0	\$ 5.5
2030	\$ 308.0	\$ -	\$ (13.5)	\$ 22.8	\$ 317.4	3.0%	FY31	Jul-30	\$ 7.8	\$ 13.5	\$ 5.7
2031	\$ 317.4	\$ -	\$ (14.0)	\$ 23.5	\$ 326.9	3.0%	FY32	Jul-31	\$ 8.0	\$ 14.0	\$ 6.0
2032	\$ 326.9	\$ -	\$ (14.5)	\$ 24.2	\$ 336.6	3.0%	FY33	Jul-32	\$ 8.3	\$ 14.5	\$ 6.2
2033	\$ 336.6	\$ -	\$ (14.9)	\$ 25.0	\$ 346.6	3.0%	FY34	Jul-33	\$ 8.5	\$ 14.9	\$ 6.4
2034	\$ 346.6	\$ -	\$ (15.4)	\$ 25.7	\$ 357.0	3.0%	FY35	Jul-34	\$ 8.8	\$ 15.4	\$ 6.6
2035	\$ 357.0	\$ -	\$ (15.8)	\$ 26.5	\$ 367.6	3.0%	FY36	Jul-35	\$ 9.1	\$ 15.8	\$ 6.8
2036	\$ 367.6	\$ -	\$ (16.3)	\$ 27.2	\$ 378.5	3.0%	FY37	Jul-36	\$ 9.3	\$ 16.3	\$ 7.0
2037	\$ 378.5	\$ -	\$ (16.8)	\$ 28.1	\$ 389.8	3.0%	FY38	Jul-37	\$ 9.6	\$ 16.8	\$ 7.2
2038	\$ 389.8	\$ -	\$ (17.3)	\$ 28.9	\$ 401.4	3.0%	FY39	Jul-38	\$ 9.9	\$ 17.3	\$ 7.4
2039	\$ 401.4	\$ -	\$ (17.8)	\$ 29.8	\$ 413.3	3.0%	FY40	Jul-39	\$ 10.2	\$ 17.8	\$ 7.6
2040	\$ 413.3	\$ -	\$ (18.3)	\$ 30.6	\$ 425.6	3.0%	FY41	Jul-40	\$ 10.5	\$ 18.3	\$ 7.8
2041	\$ 425.6	\$ -	\$ (18.9)	\$ 31.5	\$ 438.3	3.0%	FY42	Jul-41	\$ 10.8	\$ 18.9	\$ 8.1
2042	\$ 438.3	\$ -	\$ (19.4)	\$ 32.5	\$ 451.3	3.0%	FY43	Jul-42	\$ 11.1	\$ 19.4	\$ 8.3
2043	\$ 451.3	\$ -	\$ (20.0)	\$ 33.5	\$ 464.8	3.0%	FY44	Jul-43	\$ 11.5	\$ 20.0	\$ 8.6
2044	\$ 464.8	\$ -	\$ (20.6)	\$ 34.4	\$ 478.6	3.0%	FY45	Jul-44	\$ 11.8	\$ 20.6	\$ 8.8
2045	\$ 478.6	\$ -	\$ (21.2)	\$ 35.5	\$ 492.8	3.0%	FY46	Jul-45	\$ 12.2	\$ 21.2	\$ 9.1
2046	\$ 492.8	\$ -	\$ (21.9)	\$ 36.5	\$ 507.5	3.0%	FY47	Jul-46	\$ 12.5	\$ 21.9	\$ 9.3
2047	\$ 507.5	\$ -	\$ (22.5)	\$ 37.6	\$ 522.6	3.0%	FY48	Jul-47	\$ 12.9	\$ 22.5	\$ 9.6
2048	\$ 522.6	\$ -	\$ (23.2)	\$ 38.7	\$ 538.2	3.0%	FY49	Jul-48	\$ 13.3	\$ 23.2	\$ 9.9
2049	\$ 538.2	\$ -	\$ (23.9)	\$ 39.9	\$ 554.2	3.0%	FY50	Jul-49	\$ 13.7	\$ 23.9	\$ 10.2
2050	\$ 554.2	\$ -	\$ (24.6)	\$ 41.1	\$ 570.7	3.0%	FY51	Jul-50	\$ 14.1	\$ 24.6	\$ 10.5

The above analysis assumes the expected compound annual return for the Water Trust Fund per our most recent asset allocation study conducted in conjunction with general consultant RVK, which was 7.58 percent as of April 2023.

Under these assumptions, the \$100 million appropriation to the Water Trust fund could result in a cumulative additional distribution to the Water Project Fund of over \$170 million by 2050, with additional annual distributions to the project fund ranging from \$2 million in the near term to over \$10 million in the long-term.

**SIGNIFICANT ISSUES**

**PERFORMANCE IMPLICATIONS**

<b>Fund Valuations (\$Millions)</b>	<b><u>12/31/2020</u></b>	<b><u>12/31/2021</u></b>	<b><u>12/31/2022</u></b>	<b><u>11/30/2023</u></b>
Water Trust Fund	\$39.7	\$43.9	\$41.3	\$140.3

<b>As of 11/30/23</b>	<b>QTD</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>7 years</b>	<b>10 years</b>
Water Trust Fund – Net returns	1.87	4.57	11.05	9.20	9.39	8.05

Returns are annualized for periods longer than one year and are reported net of fees. The Water Trust Fund has benefitted greatly from strong investment returns and also a timely allocation shift as the markets retreated in 2022.

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to a \$100 million appropriation from the general fund to the Water Trust Fund in the LFC budget recommendation.

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**AMENDMENTS**