

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

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

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*{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 9

**Sponsor:** Neville, Wirth  
**Short Title:** Conservation Legacy Fund

**Agency Name and Code**    SIC 337  
**Number:** \_\_\_\_\_  
**Person Writing**    Iglesias  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
\$300,000.0		Nonrecurring	General Fund (to CLPF)

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue	Recurring or Nonrecurring	Fund Affected
FY28 and beyond		
Increased annual distribution (\$20 million to \$25 million) from CLPF to Land of Enchantment Legacy Fund (LELF) – see fiscal implications	Recurring	LELF
Increased annual distribution (\$2 million to \$25 million) from LELF to Agencies – see fiscal implications	Recurring	Various Agencies

(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 Budget Recommendation for the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

Senate Bill 9 transfers \$300 million from the general fund to the Conservation Legacy Permanent Fund. The bill has no effective date and therefore, if passed, is assumed to be effective May 15, 2024 (appropriation made in FY24).

#### **FISCAL IMPLICATIONS**

The Conservation Legacy Permanent Fund (CLPF) was established through 2023 legislation with an initial appropriation of \$50 million and was placed under management of the State Investment Council. The current value of the CLPF is \$50.7 million (as of 11/30/23).

Each fiscal year, the CLPF distributes any investment income from the prior fiscal year in excess of \$5 million to the Land of Enchantment Legacy Fund (LELF), provided that the balance of the CLPF does not fall below \$150 million. If the balance of the fund is below \$150 million, no distributions are made.

The LELF receives annual contributions from the CLPF as stated above, as well as interest earned on the balances of the LELF (invested by the State Treasurer). Beginning in FY25, the LELF will make annual distributions to various state agencies, the amount of which is the greater of \$12.5 million or 25 percent of the balance of the LELF.

As mentioned above, the CLPF can only make distributions to the LELF if the balance of the fund is at least \$150 million. When the CLPF was initially established with a \$50 million appropriation, it was expected that the fund would be unable to make any distributions to the LELF for at least 15 years – the relative amount of time it would take to grow the balance of the CLPF to meet the \$150 million threshold without any future appropriations into the fund. Because the LELF would not receive any contributions from the CLPF for a long period of time, the balance of the LELF was projected to be depleted by FY28, effectively reducing the distributions from the LELF to various state agencies to \$0.

However, with the \$300 million appropriation to the CLPF included in SB9, staff expect the CLPF would begin making distributions to the LELF by FY26. Additionally, because the LELF would begin receiving regular contributions from the CLPF, the LELF will become a more sustainable source of revenue for the agencies that receive annual allotments from the fund.

The table below illustrates the estimated effect the \$300 million appropriation to the CLPF will have on the distribution from the CLPF to the LELF, as well as the subsequent impact on the estimated distribution from the LELF to state agencies. The analysis assumes the expected compound annual return for the CLPF per our most recent asset allocation study conducted in conjunction with general consultant RVK, which was 7.39 percent as of September 2023. The analysis also assumes the LELF, managed by the State Treasurer, would receive a long-term annual return of 2.5 percent.

Fiscal Year	CLPF Distrib. to LELF			LELF Distrib. to Agencies		
	Current	w/ SB9	Diff w/ SB9	Current	w/ SB9	Diff w/ SB9
FY24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY25	\$ -	\$ -	\$ -	\$ 12.8	\$ 12.8	\$ -
FY26	\$ -	\$ 21.1	\$ 21.1	\$ 12.5	\$ 12.5	\$ -
FY27	\$ -	\$ 21.5	\$ 21.5	\$ 12.5	\$ 12.5	\$ -
FY28	\$ -	\$ 21.8	\$ 21.8	\$ 12.5	\$ 14.9	\$ 2.4
FY29	\$ -	\$ 22.2	\$ 22.2	\$ 3.0	\$ 17.0	\$ 14.0
FY30	\$ -	\$ 22.6	\$ 22.6	\$ -	\$ 18.8	\$ 18.8
FY31	\$ -	\$ 22.9	\$ 22.9	\$ -	\$ 20.2	\$ 20.2
FY32	\$ -	\$ 23.3	\$ 23.3	\$ -	\$ 21.4	\$ 21.4
FY33	\$ -	\$ 23.7	\$ 23.7	\$ -	\$ 22.4	\$ 22.4
FY34	\$ -	\$ 24.0	\$ 24.0	\$ -	\$ 23.3	\$ 23.3
FY35	\$ -	\$ 24.4	\$ 24.4	\$ -	\$ 24.1	\$ 24.1
FY36	\$ -	\$ 24.8	\$ 24.8	\$ -	\$ 24.8	\$ 24.8
FY37	\$ -	\$ 25.1	\$ 25.1	\$ -	\$ 25.4	\$ 25.4
FY38	\$ -	\$ 25.5	\$ 25.5	\$ -	\$ 26.0	\$ 26.0
FY39	\$ -	\$ 25.9	\$ 25.9	\$ -	\$ 26.5	\$ 26.5
FY40	\$ 5.6	\$ 26.3	\$ 20.6	\$ -	\$ 27.0	\$ 27.0
FY41	\$ 6.0	\$ 26.6	\$ 20.6	\$ 5.8	\$ 27.5	\$ 21.7
FY42	\$ 6.4	\$ 27.0	\$ 20.6	\$ 6.1	\$ 28.0	\$ 21.8
FY43	\$ 6.7	\$ 27.4	\$ 20.6	\$ 6.5	\$ 28.4	\$ 21.9
FY44	\$ 7.1	\$ 27.7	\$ 20.6	\$ 6.9	\$ 28.8	\$ 22.0
FY45	\$ 7.5	\$ 28.1	\$ 20.6	\$ 7.3	\$ 29.3	\$ 22.0
FY46	\$ 7.8	\$ 28.5	\$ 20.6	\$ 7.7	\$ 29.7	\$ 22.1
FY47	\$ 8.2	\$ 28.8	\$ 20.6	\$ 8.0	\$ 30.1	\$ 22.1
FY48	\$ 8.6	\$ 29.2	\$ 20.6	\$ 8.4	\$ 30.6	\$ 22.2
FY49	\$ 8.9	\$ 29.6	\$ 20.6	\$ 8.8	\$ 31.0	\$ 22.2
FY50	\$ 9.3	\$ 30.0	\$ 20.6	\$ 9.2	\$ 31.4	\$ 22.2

Under the above-mentioned assumptions, the annual distributions from the CLPF to the LELF would increase by \$20 million to \$25 million, and the annual distributions from the LELF to state agencies would increase in similar proportion.

In the tables below, staff also estimate the additional revenue state agencies could expect to receive from the LELF as a result of this bill's appropriation to the CLPF. Distributions from the LELF are allocated to state agencies as follows: 22.5 percent to the Energy, Minerals, and Natural Resources Department, of which 50 percent is allocated to the forestry division and 50 percent for the Natural Heritage Conservation Act; 22.5 percent to the New Mexico State University Department of Agriculture; 10 percent to the Department of Environment; 15 percent to the Economic Development Department, of which 25 percent is allocated for the Outdoor Equity Grant Program and 75 percent to the Outdoor Recreation Division; 8 percent to the Cultural Affairs Department; and 22 percent to the Department of Game and Fish.

LELF Current Distribution Estimates (\$millions)

Legacy Fund Distribution		EMNRD		NMSU	NMED	EDD		CAD	DGF
		22.50%				15%			
		Forestry	NHCA			Outdoor Equity	ORD		
FY24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY26	\$ 12.5	\$ 1.4	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY27	\$ 12.5	\$ 1.4	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY28	\$ 12.5	\$ 1.4	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY29	\$ 3.0	\$ 0.3	\$ 0.3	\$ 0.7	\$ 0.3	\$ 0.1	\$ 0.3	\$ 0.2	\$ 0.7
FY30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY34	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LELF Distribution Estimates w/ \$300 million appropriation to CLPF (\$millions)

Legacy Fund Distribution		EMNRD		NMSU	NMED	EDD		CAD	DGF
		22.50%				15%			
		Forestry	NHCA			Outdoor Equity	ORD		
FY24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY26	\$ 12.5	\$ 1.4	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY27	\$ 12.5	\$ 1.4	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY28	\$ 14.9	\$ 1.7	\$ 1.7	\$ 3.4	\$ 1.5	\$ 0.6	\$ 1.7	\$ 1.2	\$ 3.3
FY29	\$ 17.0	\$ 1.9	\$ 1.9	\$ 3.8	\$ 1.7	\$ 0.6	\$ 1.9	\$ 1.4	\$ 3.7
FY30	\$ 18.8	\$ 2.1	\$ 2.1	\$ 4.2	\$ 1.9	\$ 0.7	\$ 2.1	\$ 1.5	\$ 4.1
FY31	\$ 20.2	\$ 2.3	\$ 2.3	\$ 4.6	\$ 2.0	\$ 0.8	\$ 2.3	\$ 1.6	\$ 4.4
FY32	\$ 21.4	\$ 2.4	\$ 2.4	\$ 4.8	\$ 2.1	\$ 0.8	\$ 2.4	\$ 1.7	\$ 4.7
FY33	\$ 22.4	\$ 2.5	\$ 2.5	\$ 5.0	\$ 2.2	\$ 0.8	\$ 2.5	\$ 1.8	\$ 4.9
FY34	\$ 23.3	\$ 2.6	\$ 2.6	\$ 5.2	\$ 2.3	\$ 0.9	\$ 2.6	\$ 1.9	\$ 5.1
FY35	\$ 24.1	\$ 2.7	\$ 2.7	\$ 5.4	\$ 2.4	\$ 0.9	\$ 2.7	\$ 1.9	\$ 5.3

As illustrated above, this bill would ultimately help ensure these state agencies continue to receive funding from the LELF well past FY28 and would enable the size of that revenue source to grow over time.

## SIGNIFICANT ISSUES

## PERFORMANCE IMPLICATIONS

As a newly created fund, sufficient performance data for the CLPF has not been established. The initial legislation creating the fund directed the Council to invest the CLPF “as the land grant permanent funds are invested”, and as such, the Council approved an asset allocation for the CLPF in September 2023 that matches the current asset allocation of the Land Grant Permanent Funds (LGPF). For reference, the target long-term annual return for the LGPF is 7 percent, and the LGPF performance data is provided below.

As of 11/30/23	QTD	1 year	3 years	5 years	7 years	10 years
Land Grant Permanent Fund – Net returns	2.50	5.79	6.64	7.29	7.70	6.74

Returns are annualized for periods longer than one year and are reported net of fees.

## **ADMINISTRATIVE IMPLICATIONS**

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to a \$300 million appropriation to the CLPF included in LFC's budget recommendation.

### **TECHNICAL ISSUES**

### **OTHER SUBSTANTIVE ISSUES**

For reference, greater detail on the LELF's distributions to state agencies is provided below:

- 22.5 percent to the Energy, Minerals, and Natural Resources Department, of which 50 percent is allocated to the forestry division for various projects and programs and 50 percent for projects pursuant to the Natural Heritage Conservation Act,
- 22.5 percent to the New Mexico State University Department of Agriculture for projects and programs pursuant to the Noxious Weed Management Act, the Healthy Soil Act, and the Soil and Water Conservation District Act,
- 10 percent to the Department of Environment for projects to improve surface water quality and river habitats statewide,
- 15 percent to the Economic Development Department, of which 25 percent is allocated for the Outdoor Equity Grant Program and 75 percent to the Outdoor Recreation Division for special projects and outdoor recreation infrastructure,
- 8 percent to the Cultural Affairs Department for projects and programs pursuant to the Cultural Properties Protection Act, and
- 22 percent to the Department of Game and Fish for programs and projects for the protection and propagation of game and fish.

### **ALTERNATIVES**

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

Without additional appropriations to the CLPF, staff estimate the fund would be unable to make distributions to the LELF until FY40, when the balance of the CLPF would grow large enough through investment earnings alone to meet the \$150 million threshold (discussed in the fiscal implications section). Without a source of revenue, the balance of the LELF would be depleted by FY28-FY29, resulting in a loss of funding to the agencies that receive annual distributions from the LELF.

### **AMENDMENTS**