

LFC Requester:**Helen Gaussoin**

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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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 January 17, 2024

Bill No: SB 9

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

Agency Name and Code Number: 521 - Energy, Minerals and Natural Resources Department
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$300,000.0	Non-Recurring	General Fund Conservation Legacy Permanent Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 9 (SB 9) makes an appropriation of \$300 million from the general fund to the Conservation Legacy Permanent Fund.

FISCAL IMPLICATIONS

SB 9 transfers three hundred million dollars from the General Fund to the Conservation Legacy Permanent Fund, continuing the work of establishing a permanent, self-sustaining conservation fund for New Mexico which was begun in 2023's SB 9 (now NMSA Chapter 75, Article 12, being Laws 2023, ch. 26). NMSA 75-12 establishes both the Land of Enchantment Legacy Fund (the "Expendable Fund") (75-12-2) and the Conservation Legacy Permanent Fund (the "Permanent Fund") (75-12-1), which are linked together by a spillover of investment income from the Permanent Fund to the Expendable Fund. That spillover begins once the balance in the Permanent Fund has reached \$150 million. At that point, investment income generated by the Permanent Fund in the previous fiscal year exceeding \$5 million spills into the Expendable Fund. The Permanent Fund is managed by the State Investment Council.

The Expendable Fund disburses set percentages of money in the fund to six state agencies (the Energy, Minerals, & Natural Resources Department; the New Mexico Environment Department; the New Mexico Department of Agriculture; the Economic Development Department; the Department of Cultural Affairs; and the Department of Game and Fish) for the purposes of funding ten extant conservation and outdoor recreation programs. At the current rate of disbursement, the Expendable Fund will be exhausted in fiscal year 2028 and the first year that disbursements will be needed from the Permanent Fund is fiscal year 2029.

The New Mexico State Investment Council analyzed a range of appropriation levels to determine the time needed to generate sufficient annual returns for the Permanent Fund to be self-sustaining. This analysis determined that the current balance of \$50 million in the Permanent Fund is not sufficient to sustain current funding levels for programs and would create a funding gap beginning in fiscal year 2029. Without further appropriations, the Permanent Fund ending balance in fiscal year 2050 would be \$212 million, which is still below the threshold level to disperse interest to programs.

SB 9's authorization of a transfer of \$300 million would result in an ending balance in the Permanent Fund in fiscal year 2050 of \$513 million – and the interest generated would be

sufficient to fund all ten state agency conservation programs beginning in fiscal year 2029. The executive budget recommended a similar appropriation of \$250 million to the Permanent Fund.

SIGNIFICANT ISSUES

The goal of the Permanent Fund is to provide a stable resource to established programs already administered by six state agencies – see agency list above. The programs that will receive funding are all existing programs authorized by the legislature, some of which had either never received stable funding before the passage of Laws 2023, ch. 26 (NMSA 75-12).

Without this infusion of one-time capital, the Permanent Fund will not reach the fund balance necessary for it to become large enough that it throws off sufficient cash to provide a truly stable conservation fund for New Mexico.

PERFORMANCE IMPLICATIONS

The Energy, Minerals and Natural Resources Department will receive stable funding for the Natural Heritage Conservation Act [75-10-1 et seq. NMSA 1978] for the first time under the disbursement mandated by Laws 2023, ch. 26 (NMSA 75-12). This disbursement also increases the recurring funding for the Forest and Watershed Restoration Act [68-4-1 et seq. NMSA 1978].

The Natural Heritage Conservation Act protects New Mexico's natural heritage, customs, and culture by funding conservation and agricultural easements and land restoration projects. The program protects and restores land and water available for forests and watersheds, natural areas, wildlife and wildlife habitat, agricultural production on working farms and ranches, and outdoor recreation, including hunting, fishing, and trails. Projects will be selected through a competitive process administered by the Forestry Division and ranked projects will be reviewed and recommended by the Natural Lands Protection Committee. The eligible entities to receive this funding include state agencies, tribes, local governments, and local government conservation organizations. Federal programs that require 1:1 match, including the Land and Water Conservation Fund, Farm Bill, and State and Private Forestry programs funded by the Bipartisan Infrastructure Law and regular Congressional appropriations could be matched with Natural Heritage Conservation Act program funding.

The Forestry Division selects high-priority forest and watershed restoration projects each year to receive funding through the Forest and Watershed Restoration Act. The project proposals are reviewed by the Forest and Watershed Restoration Advisory board who recommend projects based on their public benefits including water source protection, wildfire risk reduction and fish and wildlife habitat conservation. Projects are carried out by local contractors and community-based forestry operators who are able to retain trained workers when they can plan on recurring funding.

Without recurring funding as promised by the structure of NMSA 75-12, these programs will no longer be able to engage in long-term planning to build a longstanding forest and watershed conservation practice in New Mexico. SB 9's infusion of \$300 million into the Permanent Fund would ensure that fund has sufficient principal to provide for the longevity of the programs in the State Forestry Division of EMNRD that a fund by the expendable fund.

ADMINISTRATIVE IMPLICATIONS

None for EMNRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The current balance of \$50 million in the Permanent Fund is not sufficient to sustain current funding levels for programs and would create a funding gap beginning in fiscal year 2029. Without further appropriations, the Permanent Fund ending balance in fiscal year 2050 would be \$212 million, which is still below the threshold level to disperse sufficient interest to Expendable Fund to support these programs. The absence of this funding could mean that the state will forego leverage of millions of federal dollars and will not be able to implement the existing land and water stewardship programs that help preserve New Mexico's cultural heritage and outdoor traditions for future generations.

AMENDMENTS

None.