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FISCAL IMPACT REPORT

SPONSOR <u>Neville/Wirth</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/22/24</u>
SHORT TITLE <u>Conservation Legacy Fund</u>	BILL NUMBER <u>Senate Bill 9</u>
	ANALYST <u>Gaussoin</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
\$300,000.0		Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Distributions from Conservation Legacy Permanent Fund to Land of Enchantment Legacy Fund			\$21,100.0	\$21,500.0	\$21,800.0	Recurring	Land of Enchantment Legacy Fund
Distributions from LELF to Agencies					\$2,400.0	Recurring	Various

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Duplicates appropriation in the General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From

State Investment Council (SIC)
Economic Development Department (EDD)
Cultural Affairs Department (DCA)
Department of Game and Fish (DGF)
Energy, Minerals and Natural Resources Department (EMNRD)
Environment Department (NMED)
New Mexico Department of Agriculture (NMDA)

SUMMARY

Synopsis of Senate Bill 9

Senate Bill 9 (SB9) appropriates \$300 million from the general fund to the conservation legacy permanent fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$300 million contained in this bill is a nonrecurring expense to the general fund. Any balance remaining at the end of FY25 shall not revert.

Conservation Legacy Permanent Fund. The permanent fund was created in 2023 (Section 75-12-1 NMSA 1978) as an investment fund to generate ongoing income for natural resources programs in six state agencies. Once the permanent fund, managed by the State Investment Council, reaches \$150 million, annual income from the investment of the permanent fund in excess of \$5 million is deposited into the land of enchantment legacy fund (program fund) and a certain amount of that fund is distributed to the beneficiary agencies.

The permanent fund, which received an initial appropriation of \$50 million in 2023 and had a value of \$50.7 million at the end of November, is not expected to reach the \$150 million threshold and distribute funds to the program fund for at least 15 years. As a result, the program fund, which also received an appropriation of \$50 million in 2023, is expected to run out of money in four years and allocations to the beneficiary agencies would then be \$0 until the permanent fund reached the threshold.

The appropriation in SB9 would bring the value of the permanent fund to \$350 million, above the threshold, and funds could start flowing from the permanent fund to the program fund in FY26. The State Investment Council (SIC) calculates the appropriation to the fund would result in a \$21.1 million transfer to the program fund in FY26 and that amount would slowly grow, reaching \$30 million in about 25 years.

Land of Enchantment Legacy Fund. While SB9 would result in additional funds flowing into the program fund from the permanent fund, the allocation to beneficiary agencies would not increase immediately. Under statute, the allocation to beneficiaries from the program fund is the greater of \$12.5 million or 25 percent of the total balance. (If the total balance is less than \$12.5 million, all funds are allocated to the agencies.) The introduced version of the General Appropriation Act of 2024 includes transfers of \$12.5 million from the program fund to agencies in FY25, leaving a balance of \$37.5 million, enough to support another three years of allocations of \$12.5 million (\$12.5 million being greater than 25 percent of the balance).

With the additional revenue that would flow from the permanent fund into the program fund under SB9, SIC projects the balance in the program fund would reach close to \$60 million in FY28, putting 25 percent of the balance at \$14.9 million, or \$2.4 million more than the \$12.5 million available without SB9. SIC estimates SB9 would result in \$17 million to \$27 million

allocated to those agencies between FY19 and FY40, years when, absent appropriations, the program fund balance is expected to be zero because the permanent fund balance will be under the \$150 million threshold.

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

Note: SIC listed the FY25 distribution to agencies as \$12.8 million. The amount included in the introduced version of the General Appropriation Act of 2024 was \$12.5 million.

Source: SIC

SIGNIFICANT ISSUES

Agencies that will benefit from the fund report the fund should create more predictable recurring revenue, but some agencies have raised concerns about the sustainability of the revenue source. The additional income provided by Senate Bill 9 would address those concerns.

From the Energy, Minerals and Natural Resources Department:

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

Beneficiary agencies report SB9 would stabilize the revenue source and should improve performance of the programs funded by the land of enchantment legacy fund.

In addition, from SIC:

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

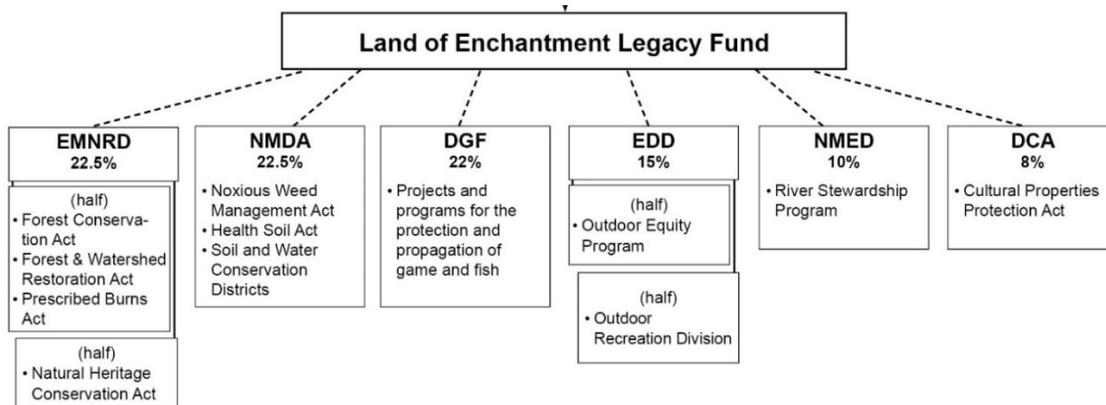
As of 11/30/23	QTD	1 year	3 years	5 years	7 years	10 years
Land Grant Permanent Fund – Net returns	2.50	5.79	6.64	7.29	7.70	6.74

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The introduced version of the General Appropriation Act of 2024 also includes a \$300 million general fund appropriation to the conservation legacy permanent fund.

OTHER SUBSTANTIVE ISSUES

The agencies that receive revenue from the program fund and their share of the allocation:



The fiscal impact tables above only address distributions to agencies through FY28. SIC provides the tables below covering years beyond that.

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

Legacy Fund Distribution	EMNRD		NMSU	NMED	EDD		CAD	DGF
	22.50%				22.50%	10%		
	Forestry	NHCA	Outdoor Equity	ORD				
	50%	50%			25%	75%		
FY24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY26	\$ 12.5	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY27	\$ 12.5	\$ 1.4	\$ 2.8	\$ 1.3	\$ 0.5	\$ 1.4	\$ 1.0	\$ 2.8
FY28	\$ 14.9	\$ 1.7	\$ 3.4	\$ 1.5	\$ 0.6	\$ 1.7	\$ 1.2	\$ 3.3
FY29	\$ 17.0	\$ 1.9	\$ 3.8	\$ 1.7	\$ 0.6	\$ 1.9	\$ 1.4	\$ 3.7
FY30	\$ 18.8	\$ 2.1	\$ 4.2	\$ 1.9	\$ 0.7	\$ 2.1	\$ 1.5	\$ 4.1
FY31	\$ 20.2	\$ 2.3	\$ 4.6	\$ 2.0	\$ 0.8	\$ 2.3	\$ 1.6	\$ 4.4
FY32	\$ 21.4	\$ 2.4	\$ 4.8	\$ 2.1	\$ 0.8	\$ 2.4	\$ 1.7	\$ 4.7
FY33	\$ 22.4	\$ 2.5	\$ 5.0	\$ 2.2	\$ 0.8	\$ 2.5	\$ 1.8	\$ 4.9
FY34	\$ 23.3	\$ 2.6	\$ 5.2	\$ 2.3	\$ 0.9	\$ 2.6	\$ 1.9	\$ 5.1
FY35	\$ 24.1	\$ 2.7	\$ 5.4	\$ 2.4	\$ 0.9	\$ 2.7	\$ 1.9	\$ 5.3

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