



**New Mexico Legislative Finance Committee
Report to the Fifty-Sixth Legislature, First Session**

**LEGISLATING FOR RESULTS:
POST-SESSION REVIEW**

May 2023

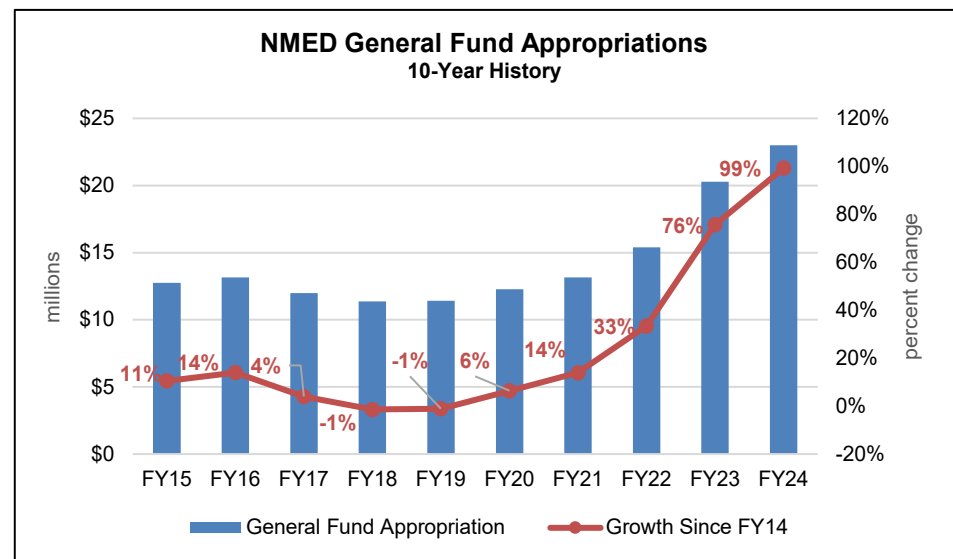
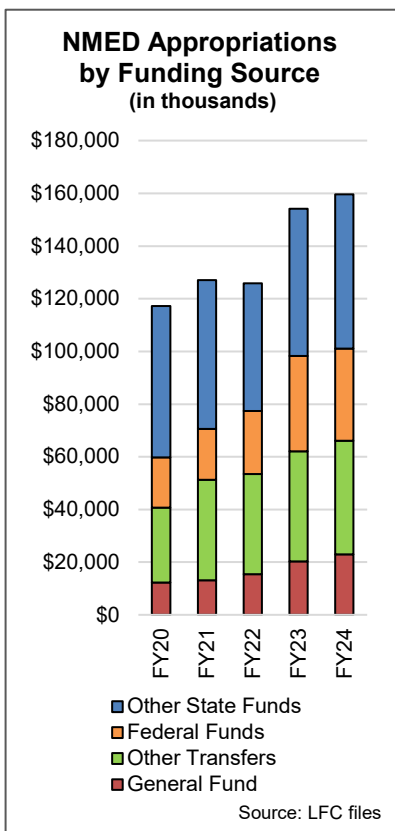
Natural Resources

The General Appropriations Act of 2023 increased FY24 recurring general fund appropriations for key natural resources agencies by \$9.4 million, or 12.3 percent. FY24 nonrecurring appropriations to the Office of the State Engineer, Department of Environment, and Energy, Minerals and Natural Resources Department totaled over \$178 million.

Agency Operating Budgets

Environment Department

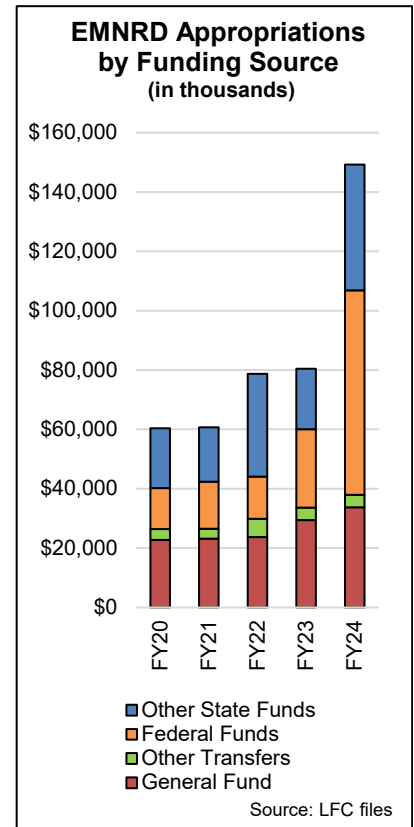
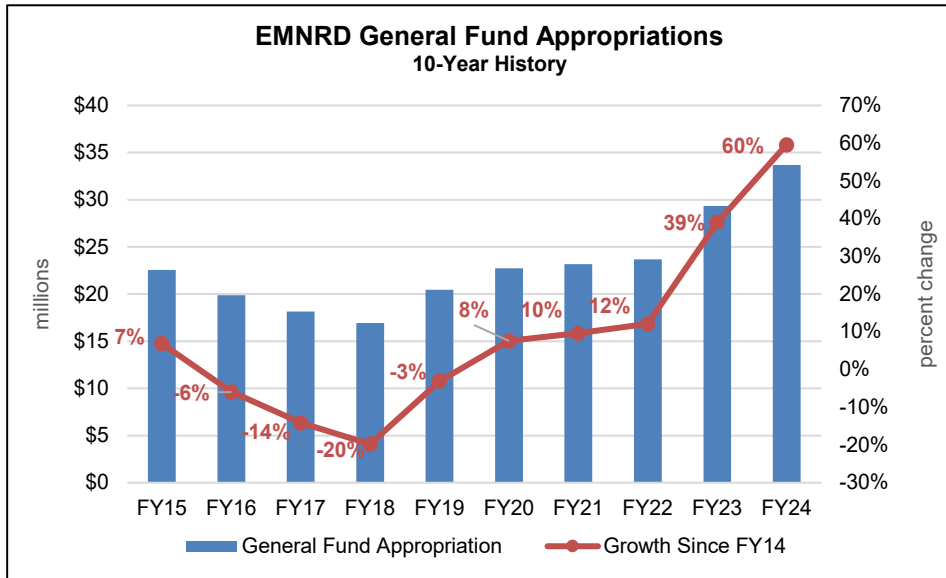
The General Appropriation Act (GAA) of 2023 increases the general fund appropriation to the Environment Department (NMED) by \$2.7 million, or 13.5 percent from FY23. Including state and federal revenue sources, the agency's overall FY24 increase in expenditure authority is \$5.5 million, or 3.5 percent, based on known federal grant opportunities and projected fee revenue collected by NMED programs. The general fund increase supports vacancy rate reduction throughout the agency, as well as additional contract engineers for the Water Protection and Resource Protection divisions. Additionally, the Legislature invested \$491 thousand to support hemp and cannabis permitting, monitoring, and enforcement activities in the Environmental Protection Division.



Energy, Minerals and Natural Resources Department

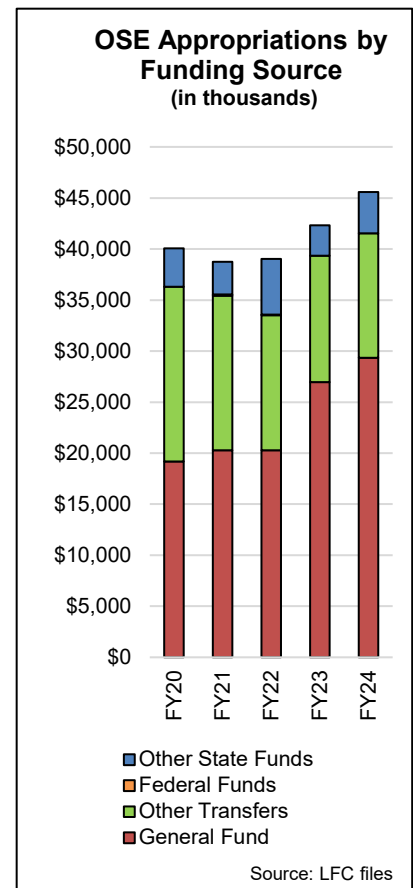
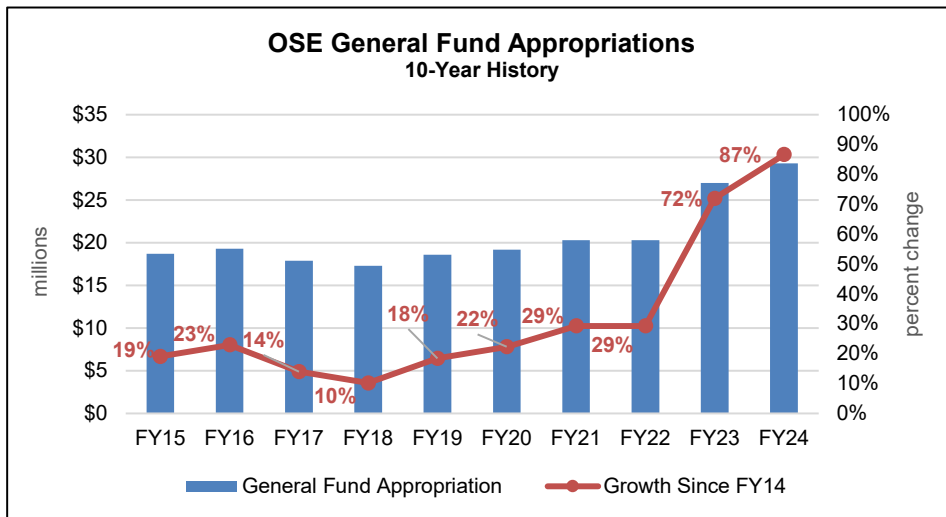
The FY24 general fund appropriation for the Energy, Minerals and Natural Resources Department (EMNRD) is \$4.3 million, or 14.7 percent more than for FY23. Significant increases in general fund appropriations are intended to reduce the vacancy rates in the Mine Reclamation program, Oil and Gas Conservation Division (OCD) and State Parks Division. Additionally, the Legislature supported expansions throughout the department, including 50 new full-time positions in the

State Forestry Division for wildfire response and seven new positions in OCD to improve compliance and oversight in the oil and gas industry.

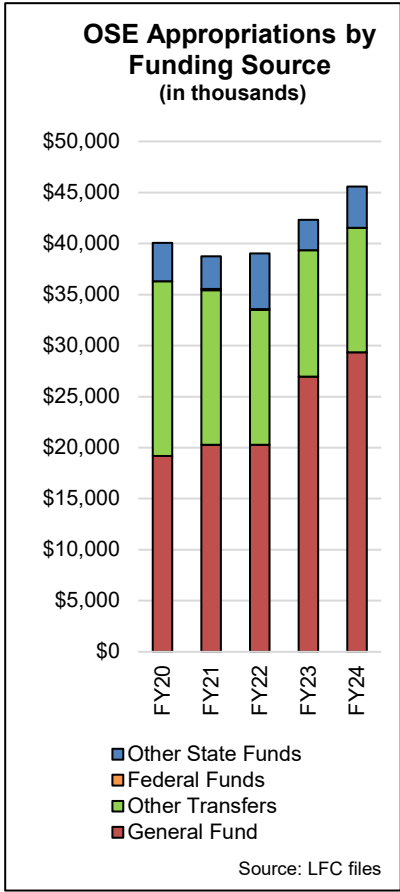


Office of the State Engineer and Interstate Stream Commission

The GAA increases the general fund appropriation to the Office of the State Engineer (OSE) by nearly \$2.4 million, or 8.8 percent. Most of the increase is intended to support the efforts of the Water Resource Allocation Program and Interstate Stream Commission’s efforts to implement the 50-year Water Plan and the recommendations of the Water Policy and Infrastructure Task Force.



The appropriations included \$450 thousand in recurring funding to create a new capital project management and grants unit in the Program Support Division. Additionally, the GAA provided \$200 thousand in general fund appropriations to replace revenue from the irrigation works construction fund and improvement of the Rio Grande income fund to advance the Legislature’s and agency’s goal of reducing the amounts from those funds used to support OSE’s annual operating budget. The remaining general fund appropriations increase investment in recruitment



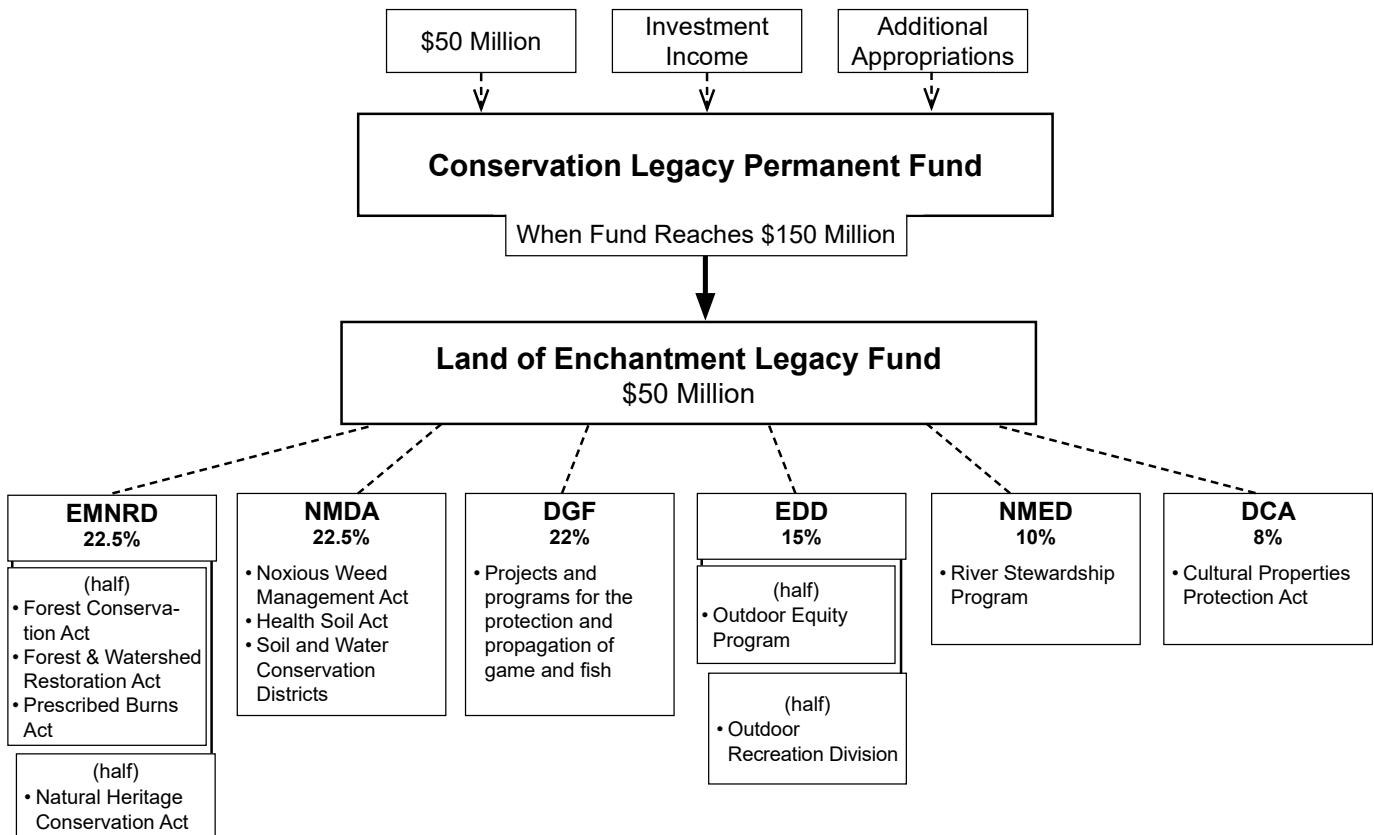
and retention to address OSE’s chronically high vacancy rate. Authorization for additional positions is also included for the Dam Safety and Management, Cannabis Permitting, and Lower Rio Grande Depletion Reduction programs.

Nonrecurring Appropriations

The GAA also includes nonrecurring appropriations of \$50 million to the newly established conservation legacy permanent and land of enchantment legacy funds and another \$100 million to recapitalize the water trust fund. The Department of Game and Fish, New Mexico Institute of Mining and Technology, Economic Development Department, Livestock Board, and New Mexico State University received parts of another \$20 million for projects related to climate change, outdoor recreation, or water research. All told, over \$400 million was appropriated for initiatives related to New Mexico’s natural resources.

Legacy Permanent Funds. Chapter 26 (Senate Bill 9) creates the conservation legacy permanent fund (CLPF) and the land of enchantment legacy fund (LELF) with the goal of providing reliable recurring funding sources to established state programs that had previously received only intermittent funding. The CLPF received an appropriation of \$50 million from the general fund to invest, and the LELF received an appropriation of \$50 million from the general fund to begin distributing funds to conservation programs at six agencies.

Legacy Fund Distribution



Hermit's Peak Calf Canyon Fire Recovery Funding. Chapter 2 (Senate Bill 6) appropriates \$100 million from the general fund to the Local Government Division of the Department of Finance and Administration (DFA) to provide zero-interest reimbursable loans to political subdivisions of the state to replace or repair infrastructure damaged by fire, flooding, or debris flows from the Hermit's Peak-Calf Canyon Fire. The bill requires DFA to act in consultation with the Department of Homeland Security and Emergency Management when providing loans.

Geothermal Resources Development. The Governor vetoed House Bill 365, the Geothermal Resources Development Act, which sought to create a new Center for Excellence at the New Mexico Institute of Mining and Technology focused on developing and promoting innovation in geothermal resources. The bill also sought to create a geothermal resources development fund and a geothermal resources revolving loan fund to be managed by the EMNRD's Energy Conservation and Management Division. The bill was passed by both the House and Senate but was vetoed by the governor.

Other Legislative Action

Regional Water System Resiliency. Chapter 4 (Senate Bill 9) enacts the Regional Water System Resiliency Act, which allows for the consolidation of two or more public utilities providing water or wastewater services to create a regional water utility authority (RWUA). The bill describes the process entities must follow to create an RWUA and outlines the powers, privileges, and duties an RWUA will possess and the structure of its governing board. This will make it easier for mutual domestic water users (systems that usually service 500 customers or less) to pool their resources and benefit from shared expertise.

Generating Facility and Mine Remediation. Chapter 185 (House Bill 142) enacts the San Juan Generating Station Facility and Mine Remediation and Restoration Study Act, which requires NMED and ENMRD to study the San Juan Generating Station facility and mine to determine the extent of environmental contamination of the lands and waters adjacent to the generating facility and mine, and develop a restoration and reclamation plan. The remediation plan must protect the environment from contamination for human and ecosystem health, preserve surface water quality, and prevent the migration of toxic metal contaminants and off-site pollution.

Forest Division Procurement Changes. Chapter 64 (House Bill 195) updates the Forest Conservation Act to clarify rules and regulations surrounding the State Forestry Division's (SFD) authority to conduct fire prevention activities and protect forest health. Additionally, the amendments will make it easier for SFD to obtain additional federal funding, including grants for forestry and fire-risk reduction programs included in recent federal legislation.

State Land Office Renewable Energy Office. Chapter 13 (House Bill 95) codifies an existing renewable energy office within the State Land Office. Supporters of the legislation argued institutionalizing the existing renewable energy office will make it harder for future state land commissioners to end renewable energy development on state trust land.

Wildlife Corridors Fund. Chapter 27 (Senate Bill 72) creates a fund, to be managed by the Department of Transportation, for wildlife studies and the planning, construction, and management of safe road crossings for wildlife and other projects that reduce wildlife-vehicle collisions. The GAA includes \$5 million for the fund. The Department of Game and Fish reports an average of 900 crashes a year are caused by collisions with deer, elk, pronghorn antelope, bighorn sheep, black bears, and cougars, with about two-thirds of those caused by deer.

State Game Commission Changes. The governor vetoed House Bill 184, which would have changed the way state game commissioners are appointed by giving the Legislative Council the authority to appoint four of the seven members. The governor currently appoints all seven members. The commission has struggled with membership over the last few years and, at times, has had too few members to constitute a quorum.

Vetoed Tax Changes. House Bill 547, which was signed into law as Chapter 211, contained nearly \$25 million in tax credits targeting environmental initiatives, all of which were vetoed by the governor. Overall, the governor line-item vetoed \$280 million in recurring tax cuts in FY24, \$520 million in FY25, \$755 million in FY26, and \$901 million in FY27, significantly reducing the overall cost, and impact, of the package. The vetoed environmental tax cuts included a refundable electric vehicle income tax credit of \$2,500 for each electric vehicle purchase or \$4,000 for households under 200 percent the federal poverty level and an electric vehicle charging unit income tax credit of up to \$300 to cover the cost of purchasing and installing an electric vehicle charging unit. They also included a personal income tax credit of 40 percent of the cost of equipment and installation for an energy storage system, or battery, in residential, commercial, or agricultural properties. Lastly, the environmental tax cuts included three credits to incentivize the installation of equipment and the creation of energy using geothermal sources.