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FISCAL IMPACT REPORT

SPONSOR Herrera ORIGINAL DATE 1/25/22
LAST UPDATED 1/31/22 HB 41
SHORT TITLE Appropriation to the Water Trust Fund SB _____
ANALYST Taylor

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|----------|------------------------------|------------------|
| FY22 | FY23 | | |
| - | \$60,000 | Nonrecurring | Water Trust Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB18

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

State Investment Council (SIC)

Office of the State Engineer (OSE)

No Response Received

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 41, Appropriation to the Water Trust Fund, appropriates \$60 million from the general fund to the water trust fund in fiscal year 2023 and subsequent fiscal years for the purpose of the water trust fund.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The \$60 million appropriation contained in this bill is a nonrecurring expense to the general

fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

SIGNIFICANT ISSUES

The State Investment Council reports that the Water Trust Fund was valued at \$43.9 million as of 12-31-2021. The fund provides \$4 million annually to the Water Trust Board for water infrastructure projects in the state. The Water Trust Fund has not received an appropriation since 2007, but has maintained its value with net investment returns of 10.33 percent over that period. They go on to explain that such returns are unlikely to be sustainable in the future as the fund draws down \$4 million per year regardless of the fund's value or performance. This implies that the \$4 million drawdown is not sustainable for a \$43.9 million fund in the long-run, and that the fund either needs an increased allocation or a reduction in the \$4 million distribution to the Water Trust Board.

ADMINISTRATIVE IMPLICATIONS

The SIC reports that bill has no significant administrative implications for that agency.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is similar to SB18. The difference is that SB18 appropriates \$50 million to the water trust fund.

TECHNICAL ISSUES

The SIC reports that if the Water Trust Fund's reaches a value greater than \$85.1 million on a five-year average basis, distributions from the fund would be calculated at 4.7 percent of the five-year average.

BT/al/acv/rl