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## FISCAL IMPACT REPORT

SPONSOR Stefanics ORIGINAL DATE 01/25/22  
LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_  
SHORT TITLE Appropriation to the Water Trust Fund SB 18  
ANALYST Taylor

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
-	\$50,000.0	Nonrecurring	Water Trust Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 41

### 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

NMFA

### SUMMARY

Senate Bill 18, Appropriation to the Water Trust Fund, appropriates \$50 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 \$50 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 this bill has no significant administrative implications for that agency.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

This bill is similar to HB41. The difference being that HB41 appropriates \$60 million.

**TECHNICAL ISSUES**

The SIC reports that if the water trust fund 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/rl/acv**