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## FISCAL IMPACT REPORT

SPONSOR Campos ORIGINAL DATE 2/1/17  
 LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Water Trust Fund Solvency SB 198

ANALYST Armstrong

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
	\$18,000.0	Nonrecurring	General Fund

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
	\$18,000.0		Nonrecurring	Water Trust Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB44, HB59

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 198 (SB198) appropriates \$18 million to the water trust fund for expenditure in FY18 and subsequent fiscal years to carry out the purposes of the fund.

### FISCAL IMPLICATIONS

The appropriation of \$18 million contained in this bill is a nonrecurring expense to the general fund. This is a nonreverting appropriation.

**SIGNIFICANT ISSUES**

SB198 appropriates \$18 million to help make the water trust fund self-sufficient, to maintain or grow its value as an endowment, while providing the \$4 million in annual distributions to the Water Trust Board for approved water infrastructure projects around the state.

In 2006, the water trust fund was first endowed with \$40 million from the General Appropriations Act. In 2008, there was a subsequent transfer from the General Fund to the Water Trust Fund of \$15 million. The Water Project Finance Act created the Water Trust Fund as a permanent fund to provide annual funding of water projects using earnings from the fund, while leaving the corpus intact for future earnings and distributions.

The water trust fund provides an annual distribution of \$4 million on July 1 of each year to the water project fund until that amount is less than an amount equal to four and seven-tenths percent of the average year-end market values of the water trust fund for the immediately preceding five calendar years. The first distribution from the water trust fund into the water project fund was made on July 1, 2007.

As of October 31 2016, the value of the fund was \$41.2 million. According to the SIC website, the “Water Trust Fund will require additional capital to remain sustainable over time” SIC further notes that without additional capital or a restructuring of the statutory distribution, there is a 50 percent chance that the fund will fall to \$0 in the next 20 years.

**RELATIONSHIP**

Senate Bill 44, and its duplicate House Bill 59, authorizes 32 projects to be eligible for funding from the water project fund.

JA/al