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FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/19
 LAST UPDATED 03/06/19

SPONSOR Neville HB _____

SHORT TITLE Ag & Natural Resources Trust Fund Act SB 454/aSFC

ANALYST Hanika-Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	Indeterminate			Agricultural and Natural Resources Trust Fund
	Indeterminate			Agricultural and Natural Resources Grant Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture (NMDA)
 New Mexico Attorney General (NMAG)
 Energy, Minerals and Natural Resources Department (EMNRD)
 State Land Office (SLO)

SUMMARY

Synopsis of Amendment

The Senate Finance Committee Amendment to Senate Bill 454 removes nonprofit organizations with Section 501(c)(3) tax-exempt status from the definition of “qualified entity”; eliminates the term “resulting in net long-term greenhouse gas benefits” in defining what “soil health” is; clarifies that money appropriated from the grant fund shall not be used for the acquisition of conservation easements or to mitigate impacts attributable to residential, mineral or industrial development but may be used for grants that also include conserving and developing farmland; and strikes the appropriation of \$150 million from the general fund to the new trust fund but maintains the new trust fund and related grant fund for future donations and appropriations.

Synopsis of Original Bill

Senate Bill 454 appropriates \$150 million from the general fund to create an endowment for agricultural and natural resources purposes, invested by the state investment officer in the same

way land grant permanent funds are invested, and from interest earned, make an annual distribution to the agricultural and natural resources grant fund to support qualifying grants. NMDA may spend five percent of earnings from the trust fund annually to administer the grant fund and review and approve grants. Earnings from the trust fund may be used for qualifying grants that include: improving soil and watershed health, improving habitats, controlling pests, mitigating the impacts of human development, or reducing wildlife and livestock disease transmission, among others.

SB 454 establishes eligibility and requirements for grant administration. Qualified entities may only submit grants to a soil and water conservation district (SWCD), which reviews and determines whether the applicant meets eligibility requirements under the act. If it agrees, the SWCD forwards the grant application to the soil and water conservation commission (SWCC) for its review and recommendation. Following the SWCC review, recommendations are forwarded to NMDA. NMDA would promulgate rules regarding the qualifications for grant applicants, forms and procedures, etc. To the extent funds are available, NMDA would prioritize and approve grants.

By no later than September 30 of each year, NMDA would report to the governor and legislature on grants awarded and the progress and results of projects funded through the new grant fund.

FISCAL IMPLICATIONS

The appropriation of \$150 million is a recurring expense to the general fund because projects receiving the grant funding are likely to continue across fiscal years. Any unexpended or unencumbered balances at the end of a fiscal year do not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

NMDA may use up to five percent of earnings from the trust fund for administrative expenses. However, any investment income will likely not be available to make grants until FY21.

The revenue table above for FY21 depicts a possible amount from interest earned on investments that may be available to administer the program and distribute grants for qualified projects.

SIGNIFICANT ISSUES

EMNRD noted it administers the natural heritage conservation fund to protect forests and watersheds. As such, the department is authorized to develop a grant program for many similar projects in the bill. In addition, other state-funded grant programs allow the administering agency to use as much as 10 percent, in some cases, of financial assistance for administration.

TECHNICAL ISSUES

Section 7 (B) page 8 line 19 refers to limitations set forth in Section 4 (C). The referenced limitations are actually contained in Section 4 (D) which could be corrected with an amendment.