

Gov. signs bill to bolster state's financial stability

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Gov. Michelle Lujan Grisham signed Senate Bill 26 March 17, reinvesting some of the state's oil and gas windfall in the Severance Tax Permanent Fund and lessening any impacts to the general fund from future volatility in the industry.

"This is yet another huge investment in New Mexico's future," Lujan Grisham said. "By responsibly reinvesting the record revenues we are seeing now, we ensure that future budgets are less dependent on the current state of the oil and gas industry."

The bill, sponsored by Sen. Bobby Gonzales, passed unanimously from both the House and Senate. Beginning in Fiscal Year 2025, SB 26 will automatically set aside excess oil and gas revenues and send them to the Severance Tax Permanent Fund. Doing so will allow those excess revenues to earn a projected average return of 5.7% in the Severance Tax Permanent Fund instead of making them available for immediate spending in the General Fund.

"Even though current oil and gas revenues are high in New Mexico, our state economists predict they will start declining in the next 8 to 12 years," Gonzales said. "Senate Bill 26 is a critical course correction that invests in New Mexico's long-term financial stability while not compromising on budget priorities or our longstanding commitments. Making this investment will help New Mexico offset these projected future declines, and I thank Governor Lujan Grisham for her partnership throughout the process."

With the additional revenue, the Severance Tax Permanent Fund is now expected to grow from \$8.2 billion in 2024 to \$30 billion by 2035.

"The impact of this will be remarkable. Our current revenue situation allows us to enact game-changing policies now, while still ensuring revenues are available to meet priorities of future legislators and governors," Department of Finance and Administration Secretary Wayne Propst said.

The state is projected to have \$1.9 billion in "new" recurring money to appropriate in FY25, \$1.6 billion in FY26, and \$1.3 billion in FY27. At the same time, SB 26 will reinvest \$587 million in the Severance Tax Permanent Fund in FY 25; \$1.2 billion in FY26, and in FY27 \$1.6 billion in

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FY27. Deposits would continue every year thereafter at amounts tied to the level of oil and gas revenues.

