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FISCAL IMPACT REPORT

SPONSOR <u>Ortiz y Pino</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/20/2024</u>
SHORT TITLE <u>Children’s Next Generation Trust Fund</u>	BILL NUMBER <u>Senate Bill 33</u>
	ANALYST <u>Garcia</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$6,000.0	Nonrecurring	General Fund
	\$4,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files
 CDC
 Children’s Trust Fund website

Agency Analysis Received From
 State Investment Council (SIC)
 State Treasury
 Children, Youth and Families Department (CYFD)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 33

Senate Bill 33 appropriates \$6 million from the general fund to the children’s trust fund for grant funding that can be used in FY25 and subsequent fiscal years.

The bill also appropriates \$4 million to the next generation trust fund for granting funding that can be used in FY25 and subsequent fiscal years.

The children’s trust fund is administratively attached to the Children, Youth and Families department, as outlined in Section 24-19-2 NMSA 1978.

Both appropriations are nonrecurring. Both appropriations are nonreverting and unspent funds will remain invested for use in FY25 and subsequent years.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 shall not revert to the general fund.

This bill makes an appropriation to a trust fund from which an advisory board makes funding distributions. LFC has concerns with making appropriations to trust funds which reduce the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

Section 24-19-4 NMSA 1978 created the children's trust fund in the state treasury for the purpose of funding children's projects from the income received from investment of the fund. The children's trust fund is administered by the Children, Youth and Families Department.

A board of trustees consisting of nine members, not employees of the state, and appointed by the governor with advice and consent of the senate, administers the fund. The Board reviews proposals submitted to CYFD by public or private entities and makes grant awards.

According to the children's trust fund authorizing statute, grant awards made by the fund aim to implement and sustain innovative, community-based programs to prevent child abuse and neglect.

The children's trust fund board also oversees the next generation fund, which makes grants supporting positive youth development.

Revenue for the children's trust fund is generated by the sale of a children's trust fund license plate, and the children's trust fund receives \$15 in fees from every marriage license filed, in addition to investment earnings generated by the endowed children's trust fund. LFC staff estimate roughly \$100 thousand is generated annually from marriage license fees, given New Mexico's current marriage rate. By statute, up to 10 percent of the income received from investment of the children's trust fund may be expended for costs of administration of the fund and administration of the children's projects undertaken with fund money.

Both the children's trust fund and the next generation fund are currently invested in the State Investment Council (SIC) government client pools, with the asset allocation for the funds directed by CYFD. For these fund pools, SIC does not provide specific asset allocations. SIC reports both funds have long-term investment targets of 65 percent stocks and 35 percent bonds, though both funds have deviated from their long-term allocations over time. The children's trust fund investment mix is now 63 percent stocks and 38 percent bonds, and the Next Gen Fund is 56 percent stocks and 44 percent bonds. However, both funds have consistently beaten their

benchmarks, based on long-term asset allocation targets across both short and long-term periods. As of September 2023, the children’s trust fund had a valuation of \$8.0 million and the next gen fund had a valuation of \$2.4 million. The children’s trust fund annualized rate of return over the last 10 years is 4.6 percent, while the next generation fund annualized rate of return over the last 10 years is 4.55 percent. At an annual rate of return of roughly 4.55 percent, a \$10 million into the fund would generate roughly \$455 thousand in interest in one year across the two funds.

PERFORMANCE IMPLICATIONS

CYFD reports spending \$387 thousand in grant awards made from the children’s trust fund for prevention programs in FY23 and plans to award \$574 thousand in grant awards for prevention programs in FY24. The agency does not include these programs within the agency’s SB58 Accountability in Government Act reporting and expenditures for evidence-based programs, so it is unknown if any of the grant awards are made to evidence or research-based programs known to reduce child abuse and maltreatment, and the children’s trust fund grant program does not require awards be made to evidence or research-based programs demonstrated to reduce child abuse or maltreatment.

LFC files suggest the next generation fund budgeted \$80 thousand in expenditures in FY24.

CYFD reports potential positive benefits to child well-being as a result of increasing grants to community providers.

ADMINISTRATIVE IMPLICATIONS

CYFD reports any administrative implications to CYFD necessary to manage the appropriations and grants may be absorbed with existing resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The LFC budget recommendation includes a \$12 million multiyear, nonrecurring appropriation to CYFD to pilot and evaluate evidence based community based prevention and intervention programs over four years, and the recommend appropriation language specifies the programs implemented should listed in the federal Title IV-E Prevention Services clearinghouse or eligible for Medicaid reimbursement. However, the LFC budget recommendation does not include an appropriation to the children’s trust fund.

The Executive budget recommendation includes a \$5 million special appropriation to the children’s trust fund.

RMG/ne