

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino **LAST UPDATED** _____
ORIGINAL DATE 1/25/24
BILL
SHORT TITLE Rural Libraries Endowment Fund **NUMBER** Senate Bill 170
ANALYST Rodriguez

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$30,000.0	Nonrecurring	General Fund

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

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Distributions			\$1,500.0	\$1,500.0	\$1,500.0	Recurring	Rural Libraries Program Fund
Distributions			\$78.0	\$78.0	\$78.0	Recurring	Cultural Affairs Department

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

Duplicates appropriation in the General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From
 State Investment Council (SIC)
 Department of Cultural Affairs (DCA)

SUMMARY

Synopsis of Senate Bill 170

Senate Bill 170 appropriates \$30 million from the general fund to the rural libraries endowment fund for expenditure in fiscal year 2025 and subsequent fiscal 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 \$30 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year does not revert to the general fund.

According to the State Investment Council (SIC), this bill could result in an additional \$1.5 million annual distribution starting in FY26 to the rural libraries program fund and an additional \$78 thousand annual distribution to the Department of Cultural Affairs (DCA).

SIC writes:

The analysis assumes the long-term expected compound annual return for the [rural libraries endowment fund] per our most recent asset allocation study conducted in conjunction with general consultant RVK, which was 7.6 percent as of April 2023.

Under these assumptions, this bill could result in an additional \$1.5 million annual distribution to the rural libraries program fund and an additional \$78 thousand annual distribution to DCA [(as indicated below in the table titled *SB170 Additional Distribution to Program Fund and DCA*)]. Any increase in the [endowment fund’s] market value (and subsequent distributions), however, would be wholly dependent upon actual returns in the future market environment and cannot be predicted with certainty. This is particularly the case with [rural libraries endowment fund], which has a distribution formula uncommon to other permanent/trust funds under the Council’s management. For fiscal years 2022-2027, the [rural libraries endowment fund] distributes the difference between investment earnings and fund distributions in the prior calendar year. While intended to protect the corpus of the fund, this mechanism ties the distribution directly to the prior year’s fund performance, making the amount more volatile and potentially falling to \$0 in a year of market declines.

Rural Libraries Endowment Fund (\$MM)						
CY	Beginning Balance	Contributions	Distributions	Gains & Losses	Ending Balance	
2019	\$ -	\$ 1.0	\$ -	\$ 0.011	\$ 1.0	
2020	\$ 1.0	\$ 2.0	\$ -	\$ 0.084	\$ 3.1	
2021	\$ 3.1	\$ -	\$ -	\$ 0.207	\$ 3.3	
2022	\$ 3.3	\$ 10.0	\$ (0.084)	\$ 0.178	\$ 13.4	
2023	\$ 13.4	\$ 15.0	\$ (0.165)	\$ 0.937	\$ 29.2	
2024	\$ 29.2	\$ 30.0	\$ (0.094)	\$ 3.344	\$ 62.4	
2025	\$ 62.4	\$ -	\$ (0.772)	\$ 4.702	\$ 66.3	
2026	\$ 66.3	\$ -	\$ (3.121)	\$ 4.911	\$ 68.1	
2027	\$ 68.1	\$ -	\$ (3.317)	\$ 5.039	\$ 69.9	
2028	\$ 69.9	\$ -	\$ (1.790)	\$ 5.227	\$ 73.3	
2029	\$ 73.3	\$ -	\$ (1.722)	\$ 5.491	\$ 77.1	
2030	\$ 77.1	\$ -	\$ (3.437)	\$ 5.711	\$ 79.3	

Total Projected Distribution			
Fiscal Year	Current Law	SB170	Diff. w/ SB170
FY19	n/a	n/a	
FY20	n/a	n/a	
FY21	n/a	n/a	
FY22	\$ 0.084	\$ 0.084	
FY23	\$ 0.165	\$ 0.165	
FY24	\$ 0.094	\$ 0.094	\$ -
FY25	\$ 0.772	\$ 0.772	\$ -
FY26	\$ 1.564	\$ 3.121	\$ 1.557
FY27	\$ 1.570	\$ 3.317	\$ 1.747
FY28	\$ 0.867	\$ 1.790	\$ 0.923
FY29	\$ 0.926	\$ 1.722	\$ 0.795
FY30	\$ 1.726	\$ 3.437	\$ 1.711

SB170 Additional Distribution to Program Fund and CAD	
95%	5%
Rural Libraries Program Fund	Cultural Affairs Dept.
\$ -	\$ -
\$ -	\$ -
\$ 1.479	\$ 0.078
\$ 1.660	\$ 0.087
\$ 0.877	\$ 0.046
\$ 0.756	\$ 0.040
\$ 1.626	\$ 0.086

SIGNIFICANT ISSUES

Distributions from the endowment fund. The rural libraries endowment fund was created in 2019 to support rural libraries throughout the state by providing funding for operational and capital needs and funding for the delivery of specialized services to rural libraries. The endowment fund is invested by the State Investment Council. Laws 2019, Chapter 165 outline distributions from the endowment fund. For FY22 and the following five fiscal years, the distribution is the difference between investment earnings of the previous calendar year and all fund distributions, up to 5 percent of the year-end market value of the fund in the previous year. For FY28 and the following fiscal years, the distribution is the average fund investment income of the previous five calendar years up to 5 percent of the year-end market value of the fund in the previous calendar year.

The statute also outlines that 5 percent of the distribution covers the administration and delivery costs of DCA. The remaining amount, 95 percent, is for the rural libraries program fund.

Program fund and grants. The rural libraries program fund consists of distributions from the endowment fund. Money in the fund is non reverting. The rural libraries grant program directs the state librarian to annually disburse grants to developing and established rural libraries. Statute also outlines that any amount not disbursed shall be made available for the next award of grants. The state librarian identifies 54 rural libraries in New Mexico.

The statute also outlines that the state librarian can use funds for specialized services, such as professional development opportunities, program support, IT support, and other capacity-building services, to rural libraries.

Recent distributions. As of October 2023, the SIC has transferred \$83.7 thousand in FY22 and \$165.1 thousand in FY23 to the program fund. The distribution for FY24 is \$94.2 thousand, which, as of January 2024, is still invested with SIC.

The state librarian did not distribute any grants to rural libraries in FY22 and FY23 noting that the amounts were too small to pay out. The state librarian reported that the first round of grants will be distributed in FY24. The total amount will be \$166.2 thousand, which is sum of the full amount of the FY22 transfer and half of the FY23 transfer. Each of the total 54 libraries will receive grants of \$2,600. The state librarian also set aside approximately \$15 thousand for establishing grants—which are for libraries not yet recognized as state-funded libraries to help them become established and eligible for other state grants. Receiving libraries will have until June 30, 2024, to spend funds.

Distribution for FY24	
Total for Distribution in FY24	\$166,210 (\$83,677 from FY22 + ½ of \$165,066 from FY23)
DCA 5% administration fee	-\$8310.50
Estimated establishing grants	-\$15,000.00
Remainder for libraries	\$142,899.50
Grant per library (54)	\$2,646.29

Anticipated FY25 distribution. The State Investment Council estimates that the endowment fund will distribute \$771.8 thousand to the program fund in FY25. This is a significant jump in

distribution due to the current corpus fund balance of \$28 million. If the rural library program distributed half of the remaining funding from FY23, the full amount from FY24, and the full amount from FY25, each eligible library could receive \$16 thousand.

Anticipated Distribution for FY25	
Total for Distribution in FY25	\$948,528 (1/2 of \$165,066 from FY23 + \$94,220 from FY24 + \$771,775 from FY25)
DCA 5% administration fee	-\$47,426.40
Estimated establishing grants	-\$15,000.00
Remainder for libraries	\$886,101.60
Grant per library (54)	\$16,409.29

PERFORMANCE IMPLICATIONS

SIC notes that the recent growth in the rural libraries endowment fund is attributable to appropriations increasing the fund. The fund received an additional \$10 million in FY22 and \$15 million in FY23. The Council notes that it was able to move funds to a portfolio more focused on growth and inflation protection.

OTHER SUBSTANTIVE ISSUES

DCA administers four funding programs for public and tribal libraries: state grants-in-aid (SGIA), tribal library program grants, rural library endowment fund, and general obligation bonds. In FY23, 98 public libraries received an average of \$11.7 thousand from SGIA. Most rural libraries received \$10.3 thousand.

According to the State Librarian website, there are 22 public tribal libraries in New Mexico. The State Librarian indicates that the tribal library program grants distributes \$96 thousand a year—funded by the general fund—to eligible tribal libraries.

Additionally, public libraries receive funding from General Obligation bonds. Each library is eligible to receive a fixed allocation, and then the remaining library bond funds are distributed to each county on a per capita basis. Fund must be expended in the fiscal year in which they are made available. The State Librarian allocates funding to public libraries on a reimbursement basis. Libraries must submit a reimbursement request form and expenditure documentation receipts for eligible expenditures prior to being reimbursed. In 2022, voters approved two bonds for public libraries—\$6 million for non-tribal public libraries and \$1 million for tribal libraries.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill duplicates an appropriation in the introduced version of the GAA, which would appropriate \$2.5 million to the rural libraries endowment fund.

JR/ss/ne/ss