

LFC Requester:	Hernandez
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 02/07/26 *Check all that apply:*
Bill Number: SB 304 Original Correction
 Amendment Substitute

Sponsor: Jaramillo **Agency Name and Code:** 337 – State Investment Office
Short Title: NM Next Generation Act & Funds **Person Writing Analysis:** Iglesias/Wollmann
Title: _____ **Phone:** 5052313334 **Email:** charles.wollmann@sic.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$20,000.0	Nonrecurring	Next Generation Trust Fund
	\$100.0	Nonrecurring	Department of Finance and Administration

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25-FY43	FY44	FY45		
n/a	(Distribution to Baby Bonds Fund TBD) *		Recurring	Next Generation Trust Fund
n/a	Revenue from Next Generation Trust Fund TBD *		Recurring	Baby Bonds Fund

(Parenthesis () indicate revenue decreases) *see fiscal implications

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	This bill will require additional time from investment, accounting, and administrative staff (see administrative implications)				Recurring	LGPF/STPF

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 304 seeks to create the New Mexico Next Generation Act (the “Act”), along with a new Next Generation Trust Fund (the “Trust Fund”) and a new Baby Bonds Fund, to invest in New Mexico-born children upon birth to create financial resources those beneficiaries can use later in life in pursuit of education and housing, under rules to be developed by the Department of Finance and Administration (DFA).

Beneficiaries are defined as a person born in New Mexico on or after July 1, 2026 and who has a parent that lived in the state for at least 5 consecutive years prior to that person’s birth, or who was custodied with the Children Youth and Families Department (CYFD) or placed with a licensed child placement agency.

The bill appropriates \$20 million from the general fund to the Trust Fund in FY27.

The Trust Fund is to be managed by the State Investment Officer (SIO) pursuant to the Uniform Prudent Investor Act. The stated purpose of the fund is to establish and grow a source of funding to distribute to the Baby Bonds Fund.

Beginning in 2044, DFA – along with the Department of Health (DOH) and CYFD – will provide a projection by May 1st to the SIO on the amount of eligible expenditures required for the upcoming fiscal year. The Trust Fund will make a distribution to the Baby Bonds Fund on July 1st in an amount determined by DFA in consultation with the SIO.

Money in the Baby Bonds Fund is appropriated to DFA to make eligible expenditures on behalf of beneficiaries pursuant to the Act.

DFA is tasked with promulgating rules for administering the Baby Bonds Fund, including determining a person’s status as a beneficiary, determining eligible expenditures, accounting for benefits available to individual beneficiaries, and other rules as necessary.

Monies spent on behalf of a beneficiary are to be exempt from state taxation and are not to be considered an asset for the purpose of determining a beneficiary’s eligibility for need-based public assistance programs.

The effective date of the bill is July 1, 2026.

FISCAL IMPLICATIONS

This bill appropriates \$20 million from the general fund to the Next Generation Trust Fund in FY27.

The Act uses SIC’s preferred fund structure of creating two separate and distinct funds – one to serve as a trust fund with a long-term investment horizon for SIC to manage, and a separate expenditure fund to receive distributions from the trust fund that can be used to carry out the purposes of the Act.

Based on a 7 percent long-term annual compound return assumption, a trust fund seeded with \$20 million has the potential to grow to about \$63 million by the time it must make its first distribution on July 1, 2044 (FY45).

Because the distribution amount from the Trust Fund to the Baby Bonds Fund will be determined each year, and because the distribution amount depends at least in part upon rules to be established by DFA at a future date, we are unable to model the long-term sustainability of the fund at this time.

SIGNIFICANT ISSUES

The New Mexico Next Generation Act and the trust fund it seeks to create for the benefit of current and future generations of New Mexicans, offers potential solutions or at least mitigating factors to help address New Mexico's long-standing challenges around poverty, access to higher education, and resources for home-ownership. The broad solutions the Act contemplates in these targeted areas could be core to creating lasting opportunities for New Mexico families that can help them escape the cycle of poverty by developing generational wealth that can drastically improve many lives.

There are, however, potential structural, legal and logistical challenges around the proposal, including a permanent funding source, potential conflict with the state's anti-donation clause, and uncertain costs around the long-term administration of such a program.

PERFORMANCE IMPLICATIONS

The State Investment Officer, with the approval of the State Investment Council would manage the Trust Fund in accordance with the Uniform Prudent Investor Act and would seek to ethically optimize risk-adjusted returns and grow the fund over time.

The Council does not currently have a "boilerplate" asset allocation for any fund, including the proposed Trust Fund, but it is a fair assumption that the new fund could/would be constructed in a manner similar to other permanent/trust funds managed by the SIC.

ADMINISTRATIVE IMPLICATIONS

Adding new funds for the SIC to manage increases administrative complexity and increases staff workloads. Since 2019, the legislature has added 10 more funds for the Council to manage, bringing the total number of investment funds the Council directly oversees to 14.

The SIC has seen its assets more than quadruple in the last 15 years to over \$70 billion today, while its staffing levels have remained relatively flat. Expert opinions sought by the Council to address staffing concerns suggested a need to double the number of investment staff and increase the number of legal and accounting staff to facilitate increased workloads, mitigate risk and maintain proper ongoing due diligence of investments.

The SIC's budget request for FY27 requested full funding for its current 37 authorized FTE and sufficient funding to add 12 new FTE to support its current operations.

The following shows current legislative proposals to create new funds to be invested by the SIC:

- House Bill 21 and Senate Bill 59 create a new Land Grant-Merced and Acequia Infrastructure Trust Fund.
- House Bill 85 creates a new Medical Provider Recruitment Trust Fund, seeded with a \$5 million general fund appropriation.
- House Bill 243 creates a new Equine Welfare Trust Fund, seeded with a \$5 million general fund appropriation.
- House Bill 316 creates a new Rural Hospital Malpractice Liability Insurance Trust Fund, seeded with a \$100 million general fund appropriation.
- House Bill 322 creates a new Transportation Trust Fund, seeded with a \$400 million general fund appropriation.
- Senate Bill 202 creates a new Physician Graduate Medical Education Trust Fund, seeded with a \$100 million general fund appropriation.
- Senate Bill 304 creates a new Next Generation Trust Fund, seeded with a \$20 million general fund appropriation.