LEGISLATIVE EDUCATION STUDY COMMITTEE

Senator William P. Soules, Chair
Representative G. Andres Romero, Vice Chair

General Updates from the State Investment Council & Projected Growth of Permanent Funds and Future Distributions

Dawn Iglesias, Chief Investment Operating Officer
Charles Wollmann, Chief of Communications
July 15, 2026

NEW MEXICO STATE INVESTMENT COUNCIL

WHO WE ARE

Established by New Mexicans in 1958 to manage the Land Grant Permanent Fund, the SIC is the **second largest sovereign wealth fund in the U.S.** and among the **top 30 globally.** The Council is Chaired by the Governor, and includes 11 total members:

- State Treasurer
- Commissioner of Public Lands
- Secretary for the New Mexico Department of Finance and Administration
- Chief Financial Officer for a state university
- Four public members appointed by the Legislative Council
- Two public members appointed by the Governor.

SIC UPDATES

We turn funds from non-renewable resources into a renewable financial resource that benefits New Mexicans now and in the future.

As of May 31, 2026 we oversee

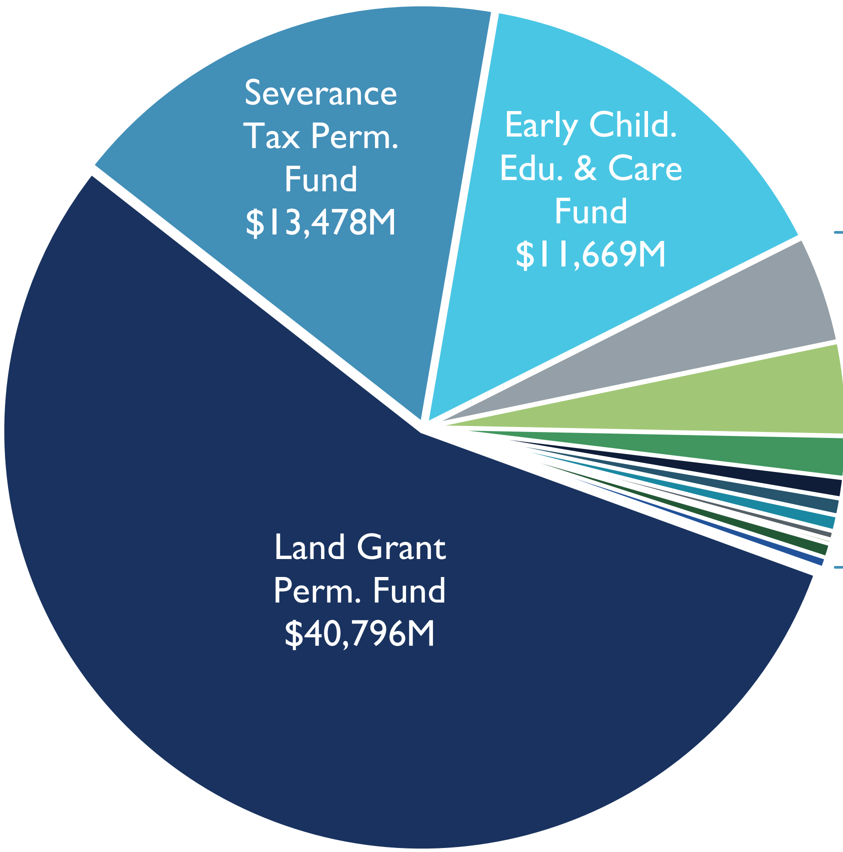
$74.8B

in permanent, endowment, and reserve funds

- Assets **grew by ~$5.8B** in FY26.
- We will return ~**$2.97B to the state** in FY27. FY20 was first year to cross $1B annual impact
- We manage **14 funds** benefiting public entities from early learning to higher education.
- **23 local and statewide entities** invest **$3.1B** in low-fee SIC investment pools.

State Investment Officer Jon Clark delivers remarks next to Governor Michelle Lujan Grisham earlier this year.

ASSETS UNDER MANAGEMENT: $74.799 BILLION (5/31/26)



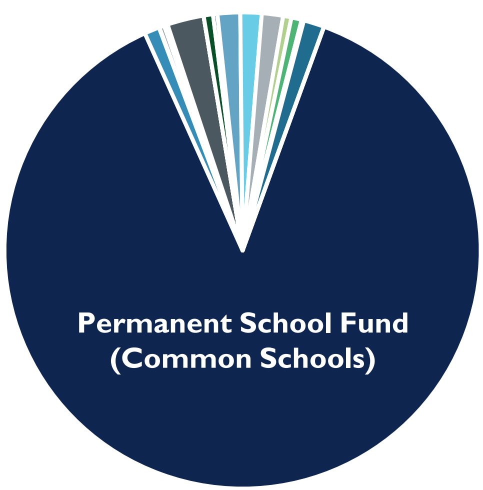
Third Party Clients	$3,168 M
Tax Stabilization Reserve	$2,423 M
Higher Education Trust Fund	$1,147 M
Capital Dev. and Reserve Fund	$625 M
Tobacco Settle. Perm. Fund	$488 M
Conservation Legacy Perm. Fund	$410 M
Water Trust Fund	$235 M
Opioid Settlement Restricted Fund	$117 M
Rural Libraries Endow. Fund	$38 M
Workforce Development & Apprenticeship Trust Fund	$23 M
Behavioral Health Trust Fund	$109 M
Medicaid Trust Fund	$71 M

Source: NMSIC Investment Holdings Report, May 2026.

LGPF BENEFICIARIES

The LGPF is made up of 21 different permanent funds, each belonging to a separate beneficiary

- Beneficiaries receive royalties for non-renewable production on state land tracts – tied to the federal Ferguson Act of 1898 and the federal Enabling Act of 1910
- The permanent school fund makes up the largest portion of the LGPF (~87.7%), of which common schools (i.e. public schools) are the beneficiary
- Remaining beneficiaries of the LGPF include higher education, special schools, and other state institutions
- The permanent school fund distributes 6.25% of the five-year average fund value; all other beneficiaries receive 5% of the five-year average value. All beneficiary distributions are based on their percentage ownership of the fund, which changes over time based on production levels from beneficiary-specific land tracts.



Beneficiary	Percent Ownership
Common Schools	88.45%
University of N.M.	0.976%
UNM Saline Lands	0.033%
NM State University	0.345%
Western NM Univ	0.015%
NM Highlands Univ	0.015%
Northern NM College	0.012%
Eastern NM University	0.046%
NM Inst. Mining & Tech	0.117%
NM Military Institute	2.223%
NM Boys School	0.003%
DHI Miners Hospital	0.536%
NM State Hospital	0.306%
NM State Penitentiary	1.552%
NM School for the Deaf	1.259%
NM Sch. for Visually Hand.	1.257%
Char. Penal & Reform	0.475%
Water Reservoir	0.588%
Improve Rio Grande	0.130%
Public Bldgs. Cap. Inc.	1.659%
Carrie Tingley Hospital	0.001%

Note: as of June 30, 2026

PERMANENT/ENDOWMENT FUND OVERVIEW

Land Grant Permanent Fund (LGPF)

- Established in 1912 when NM became a state; made up of 21 different permanent funds, each belonging to a separate beneficiary
- Receives royalties for mineral production on state trust lands – oil and gas revenues make up about 99% of contributions
- Distribution policy set in the NM Constitution – distributes 6.25% of the five-year rolling average from the permanent school fund of the LGPF (5.5% for common schools and .75% for early childhood); all other funds in the LGPF distribute 5% of the five-year rolling average to each beneficiary

Severance Tax Permanent Fund (STPF)

- Established in 1973 as the depository for severance taxes not being used to repay capital outlay projects
- Receives severance tax revenue not otherwise used for bonding capacity for capital outlay projects
- Beginning in FY25: receives excess oil and gas emergency school tax and federal mineral leasing revenues above certain threshold
- One-time legislative appropriation of $475 million in 2023
- Distribution policy set in the NM constitution - distributes 4.7% of the five-year rolling average to the general fund (unearmarked)

Tax Stabilization Reserve (TSR)

- Transferred to SIC management in 2019 and transformed into a state reserve fund – commonly known as the state's "rainy day" fund
- Receives Oil and Gas Emergency School Tax revenue above the five-year average, if total general fund reserves are *less than* 25% of recurring appropriations
- Money in the TSR may be appropriated to shore up the general fund budget in the event of a revenue downturn, or by a 2/3 vote of the House and Senate

Early Childhood Education and Care Fund (ECECF)

- Created in 2020 to provide recurring revenue to support early childhood education and care services
- Receives Oil and Gas Emergency School Tax revenue above the five-year average, if total general fund reserve balances are *more than* 25% of recurring appropriations; and receives revenue from Federal Mineral Leasing payments above the 5-year average
- Distributes 5% of the rolling 3-year average to the Early Childhood Education and Care Program Fund
- SB241 (2026) allows the legislature to appropriate up to $700 million from the corpus between FY26-FY31 to support universal childcare initiatives

PERMANENT/ENDOWMENT FUND OVERVIEW

Tobacco Settlement Permanent Fund (TSPF)

- Receives annual payments to the state as part of the Master Settlement Agreement between New Mexico, other states, and big tobacco companies
- Historically distributed 50% of tobacco settlement revenue to tobacco program funds; beginning FY25 distributes 4.7% of the rolling five-year average to tobacco program funds

Water Trust Fund (WTF)

- Created in 2001 to conserve and protect the water resources of New Mexico – fund is enshrined in the NM constitution
- Legislative appropriations to the fund: 2006: $40 million; 2023: $100 million; 2024: $50 million
- Historically distributed $4 million annually to the Water Project Fund; beginning FY26 distributes 4.7% of the rolling five-year average

Rural Libraries Endowment Fund (RLEF)

- Created in 2019 to support the preservation, development and establishment of rural libraries throughout the state
- Legislative appropriations to the fund: 2019: $1 million; 2020: $2 million; 2022: $10 million; 2023: $15 million; 2024: $2.5 million; 2026: $2 million
- Distributes investment income to the rural libraries program fund and the Cultural Affairs Dept. to administer the program fund

Conservation Legacy Permanent Fund (CLPF)

- Created in 2023 to support conservation programs and initiatives across various state agencies
- Legislative appropriations to the fund: 2023: $50 million; 2024: $300 million; 2026: ~$54 million
- Distributes 5% of the rolling 3-year average to the Land of Enchantment Legacy Fund

Opioid Settlement Restricted Fund (OSRF)

- Created in 2023 to receive opioid settlement revenues paid to the state per New Mexico's opioid allocation agreement
- Distributes 5% of the rolling three-year average to the Opioid Crisis Recovery Fund

PERMANENT/ENDOWMENT FUND OVERVIEW

Higher Education Trust Fund (HETF)

- Established in 2024 to provide a trust fund to pay for tuition and student financial aid programs
- Seeded with a one-time transfer of $959 million from the Tax Stabilization Reserve in May 2024
- Distributes 5% of the rolling three-year average to the Higher Education Program Fund

Workforce Development and Apprenticeship Trust Fund (WDAF)

- Created in 2024 with a one-time Legislative appropriation of $30 million in FY24; additional $10 million appropriation in FY27
- Distributes $5 million/year to the Public Works Apprenticeship and Training Fund and the Workforce Solutions Department

Capital Development and Reserve Fund (CDRF)

- Established in 2024 with a one-time contribution of $475 million in FY24
- Beginning in FY25, receives annual distributions from the severance tax bonding fund consisting of savings generated by limiting long-term bond issuances to median state debt ratios, when such savings exist (HB253-2024)
- Distributes 5% of the prior 3FY average to the Capital Development Program Fund

Behavioral Health Trust Fund (BHTF)

- Created in 2025 to support statewide behavioral health initiatives
- Seeded with a one-time appropriation of $100 million in FY26. Will receive unspent balances of certain 2025 behavioral health appropriations. Additional appropriation of $50 million to the fund in FY27.
- FY26-FY28: will receive 50% of excess oil and gas school tax revenue that would otherwise flow into the ECECF
- Beginning FY27, will distribute 5% of the prior 3-year average to the Behavioral Health Program Fund

Medicaid Trust Fund (MTF)

- Created in 2025 to support statewide Medicaid funding
- Receives state agency budget reversions in excess of $110 million
- FY26-FY28: will receive 50% of excess federal royalty payments that would otherwise flow into the ECECF
- Beginning FY30, will distribute 5% of the prior 3-year average to the State-Supported Medicaid Fund, if the balance of the MTF exceeds $500 million
- Fund corpus may also be appropriated by the legislature under certain conditions

Summary Matrix of NMSIC Funds

Growth Focused ⟵ ⟶ Preservation Focused

Group Name	High Growth	Growth	Growth w/ SVCP & ETI	Moderate Growth	Enhanced Liquidity	Stability-Focus	Workforce Development
NMSIC Funds	**WTF | RLEF**	**LGPF | CLPF | BHTF**	**STPF**	**ECECF | HETF | TSPF | OSRF**	**CDRF | MTF**	**TSR**	**WDAF[4]**
Distribution Rate (%)	4.7% (WTF)[1] 5.0% (RLF)	6.1% (LGPF)[2] 5.0%	4.70%	5.0%[3] 4.7% (TSPF)	5.0%	--	17%
Legislative Appropriation Provisions	No	No	No[5]	Yes	Yes	Yes	Yes
Target Return (%)	TBD	7.0% (LGPF)	6.75%	TBD	TBD	--	--
Long-Term Targets (%)							
US Equity	15%	20%	20%	20%	15%	--	
Non-US Equity	15%	20%	20%	20%	15%	--	
Low Duration FI	--	--	--	--	10%	35%	Following Year's Distribution Amount
Public Market FI	7%	6%	5%	13%	20%	20%	50% of Remaining Amount
Private Market FI	8%	15%	11%	20%	20%	30%	50% of Remaining Amount
Real Assets	15%	12%	11%	10%	10%	--	
Real Estate	15%	12%	11%	7%	5%	15%	
Private Equity	25%	15%	10%	10%	5%	--	
SVCP & ETI	--	--	12%	--	--	--	
Cash Equivalents	--	--	--	--	--	--	Current Year's Distribution Amount
2026 RVK Capital Market Assumptions (%)							
Expected Compound Return	7.0%	6.8%	6.8%	6.6%	6.1%	5.3%	5.1%
Estimated Annual Yield	2.5%	3.0%	2.5%	3.5%	3.9%	5.0%	5.5%
Max Drawdown (1-Year)	-27.1%	-25.6%	-29.1%	-21.5%	-14.2%	-1.6%	-1.5%

[1]As of December 31, 2025, 4.7% of the average WTF 5-year market value is ~$5.17m.
[2]Reflects the estimated blended distribution rate of 6.25% for the Permanent School Fund and 5.00% for the remaining LGPF beneficiaries, per Constitutional Amendment 1 passed in 2022 that increased the distribution from the Permanent School Fund by 1.25%.
[3]ECE has a minimum distribution of $500 million.
[4]WDAF will distribute $5M per year in perpetuity, provided that the amendments to HB 7 are enacted. Annual distribution rate represents 17% of the initial funding amount. Expected return and risk reflect the current profile and will vary over the life of the Fund. The life of the Fund is expected to be shorter than the time horizon of the long-term capital market assumptions.
[5]The legislature can "sweep" monies from certain sources before they end up in the STPF but cannot directly appropriate from the Fund itself.

RVK

INVESTMENT PERFORMANCE

- The LGPF has a long-term return target of 7%, and the STPF has a long-term return target of 6.75%

Investment Return (net of fees, as of 3/31/2026)	1 Year	3 Year	5 Year	7 Year	10 Year
Land Grant Permanent Fund (LGPF)	12.18	9.17	7.05	8.10	8.26
Severance Tax Permanent Fund (STPF)	11.96	8.15	5.70	6.59	7.18
Water Trust Fund (WTF)	12.93	8.70	9.49	9.32	9.30
Tobacco Settlement Permanent Fund (TSPF)	13.93	8.98	8.47	7.93	8.13
Tax Stabilization Reserve (TSR)	5.83	4.70	4.06	n/a	n/a
Rural Libraries Endowment Fund (RLEF)	13.09	8.03	6.49	n/a	n/a
Early Childhood Education and Care Fund (ECECF)	12.10	8.89	7.41	n/a	n/a
Conservation Legacy Permanent Fund (CLPF)	14.10	n/a	n/a	n/a	n/a
Opioid Settlement Restricted Fund (OSRF)	13.50	n/a	n/a	n/a	n/a
Higher Education Trust Fund (HETF)	14.03	n/a	n/a	n/a	n/a
Workforce Dev. & Apprenticeship Trust Fund (WDAF)	6.75	n/a	n/a	n/a	n/a
Capital Development and Reserve Fund (CDRF)	11.77	n/a	n/a	n/a	n/a
Behavioral Health Trust Fund (BHTF)	n/a	n/a	n/a	n/a	n/a
Medicaid Trust Fund (MTF)	n/a	n/a	n/a	n/a	n/a

WE DON'T INVEST IN COMPANIES – WE INVEST IN FIRMS THAT BRING THEM TO OR GROW THEM IN NEW MEXICO

In 2025 alone, the SIC's venture program indirectly supported economic impact in New Mexico totaling **$2B**

PACIFIC FUSION chose New Mexico over California for its research and development facility, **bringing $1B in economic impact including 200+ high-wage jobs.** It has received investments from our partners Lowercarbon Capital, Lightspeed, DCVC, and UP.Abundance.

XGS ENERGY has committed to building a geothermal plant to power Meta's data center in New Mexico, also **expected to bring $1B in economic impact.** A key investor is Anzu Partners, which we've committed to.

CASTELION is **in the final stages of choosing between Arizona and New Mexico** for its defense manufacturing facility expansion. Our partner Lightspeed is one of the company's investors.

Our Private Equity team recently attended Pacific Fusion's announcement of its selection of New Mexico for its new R&D facility.

A NEW INFRASTRUCTURE STRATEGY

On May 14, SIC-backed Tierra Adentro Growth Capital (TAG Capital) held a groundbreaking ceremony for two major solar-plus-battery-storage projects in San Juan County. They've also supported geothermal company Zanskar, in southern NM.

~600 JOBS

Estimated construction roles the two projects will bring to the area, at peak construction.

SIC FUNDS BENEFIT NEW MEXICO CHILDREN & FAMILIES

$42B

PROJECTED TO BE RETURNED TO THE STATE OVER THE NEXT 10 YEARS.

FREE UNIVERSAL CHILDCARE

NEARLY A THIRD OF ALL PUBLIC K-12 EDUCATION

WORKFORCE DEVELOPMENT PROGRAMS

NEARLY 80% OF EARLY CHILDHOOD EDUCATION

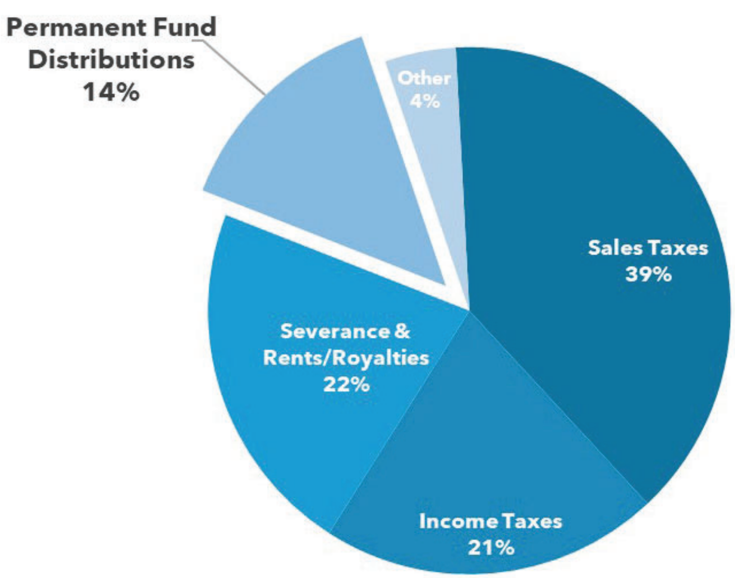
TUITION-FREE COLLEGE

PERMANENT FUND DISTRIBUTIONS TO MAKE UP GROWING SHARE OF GENERAL FUND REVENUE

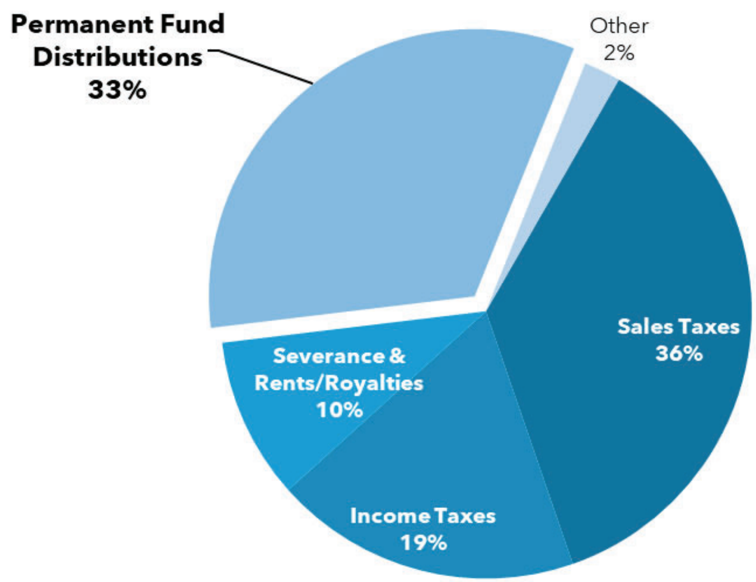
According to NM's Consensus Revenue Estimating Group, general fund revenues from oil and gas will decline as the world transitions to renewable energy resources, and permanent fund distributions will increase to provide a significantly higher portion of general fund revenue, nearly tripling by 2050.

Estimated Sources of General Fund Revenue

FY26



FY50



GROWING IMPORTANCE OF INVESTMENT FUNDING FOR PUBLIC SCHOOLS & EARLY CHILDHOOD

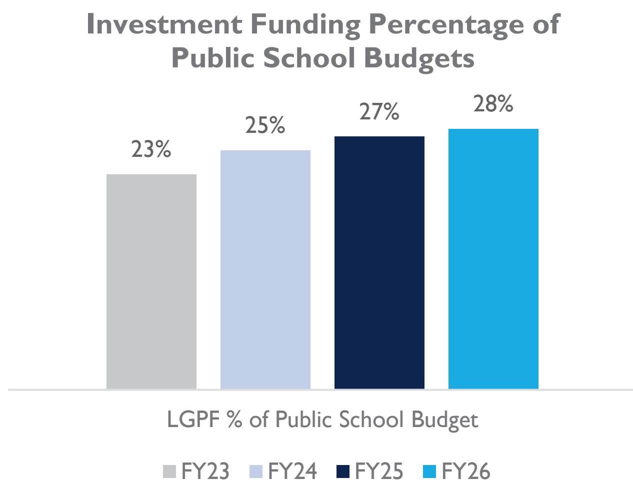
Public School Funding ($MM)	FY23	FY24	FY25	FY26
Public School Support Operating Budget	**$ 3,873**	**$ 4,176**	**$ 4,428**	**$ 4,761**
Early Childhood Funding ($MM)	**FY23**	**FY24**	**FY25**	**FY26**
ECECD General Fund Budget	$ 196	$ 327	$ 348	$ 269
Early Childhood Trust Fund Budget	$ 30	$ 150	$ 250	$ 491
Subtotal Early Childhood GF+ECTF	$ 226	$ 477	$ 598	$ 760
Other Early Childhood Funding Sources	$ 237	$ 168	$ 95	$ 96
Total Early Childhood System (all funding sources)	**$ 462**	**$ 645**	**$ 692**	**$ 856**

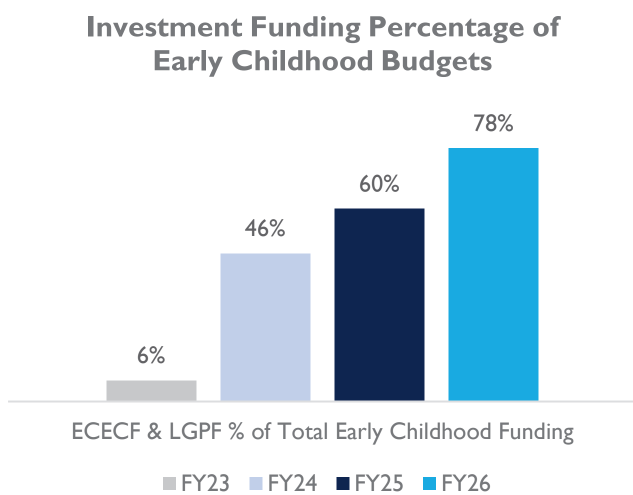
Source: LFC Post-Session Reports

Permanent/Endowment Funds ($MM)	FY23	FY24	FY25	FY26
LGPF 5% Distrib. for Common Schools	$ 886	$ 967	$ 1,083	$ 1,200
40% of addt'l LGPF 1.25% for Public Schools	$ -	$ 97	$ 108	$ 120
Total LGPF Distrib. for Public Schools	**$ 886**	**$ 1,064**	**$ 1,192**	**$ 1,320**
ECECF Distrib. to Program Fund	$ 30	$ 150	$ 250	$ 500
60% of addt'l LGPF 1.25% for Early Childhood	$ -	$ 145	$ 162	$ 180
Total Perm./Endow. Distrib. for Early Childhood	**$ 30**	**$ 295**	**$ 412**	**$ 680**

Source: NM State Investment Office

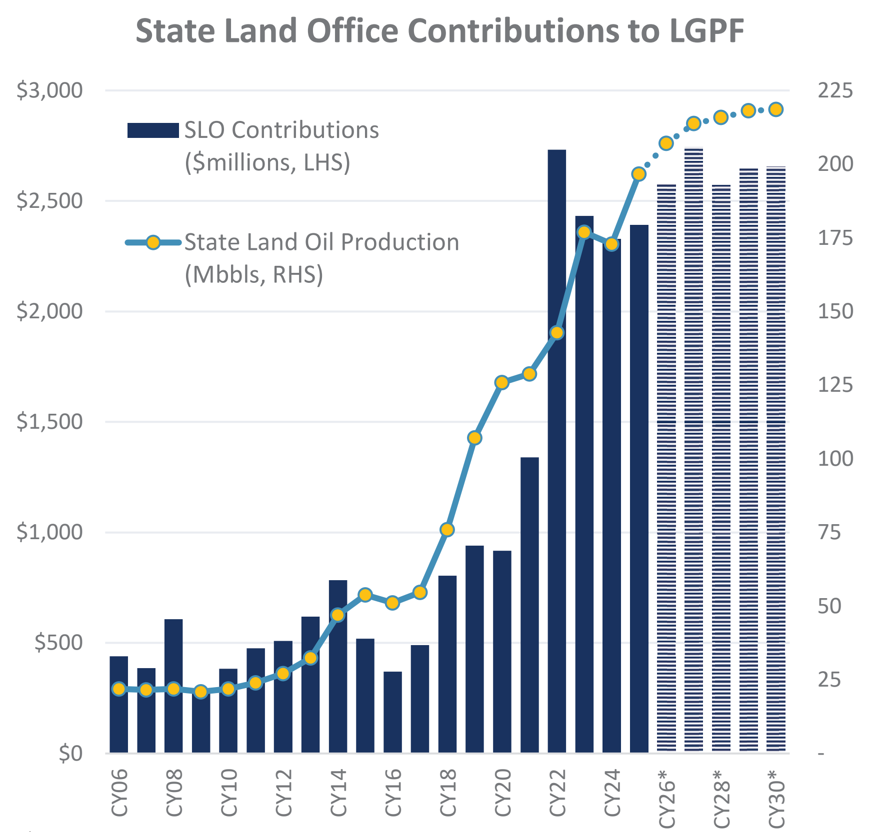
Investment Funds % of Funding	FY23	FY24	FY25	FY26
LGPF % of Public School Budget	**23%**	**25%**	**27%**	**28%**
ECECF & LGPF % of Total Early Childhood Funding	**6%**	**46%**	**60%**	**78%**



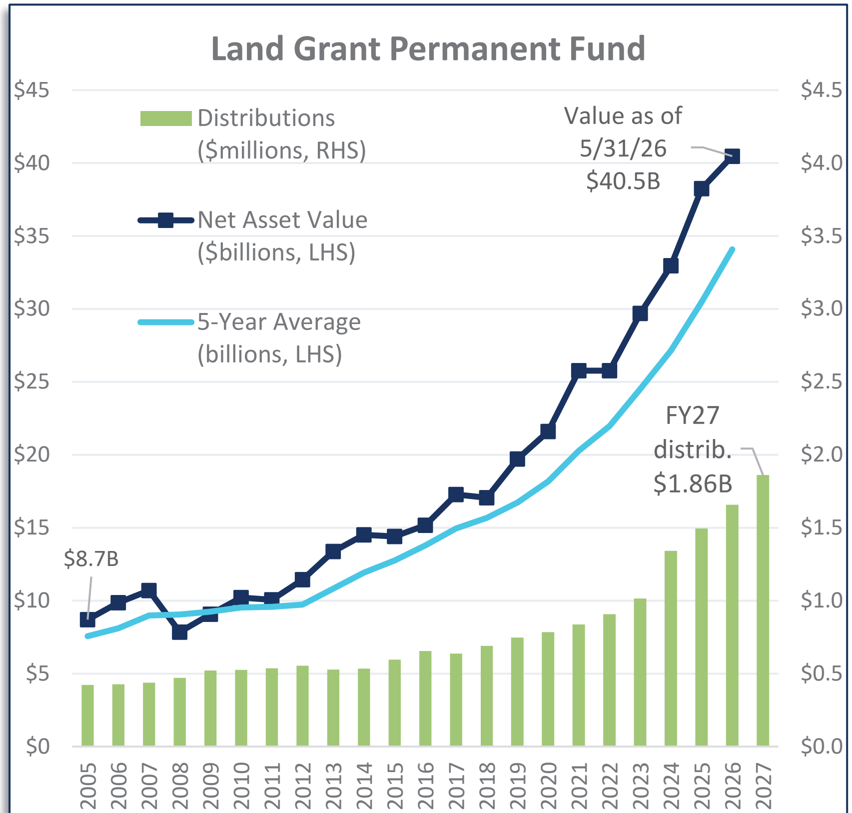


LAND GRANT PERMANENT FUND GROWTH

- The LGPF was valued at $40.5 billion as of May 2026, growing over $14 billion in the last 5 years due largely to strong inflows from the State Land Office
- The LGPF will distribute $1.86 billion to beneficiaries in FY27, and distributions are projected to exceed $2 billion in FY28

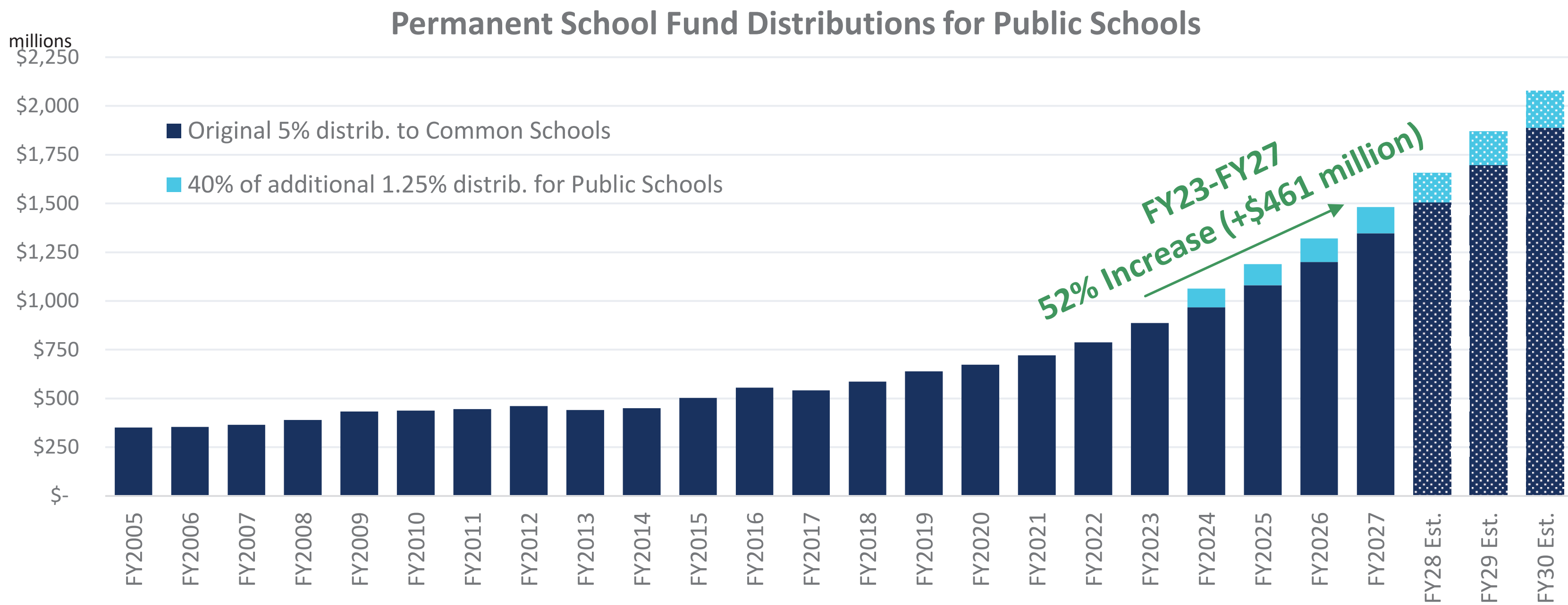


*estimates
Source: NMSIC, GenTax production data



Note: in billions. Net asset value and 5-year average value shown in calendar years; distributions shown in fiscal years

PUBLIC SCHOOL FUNDING

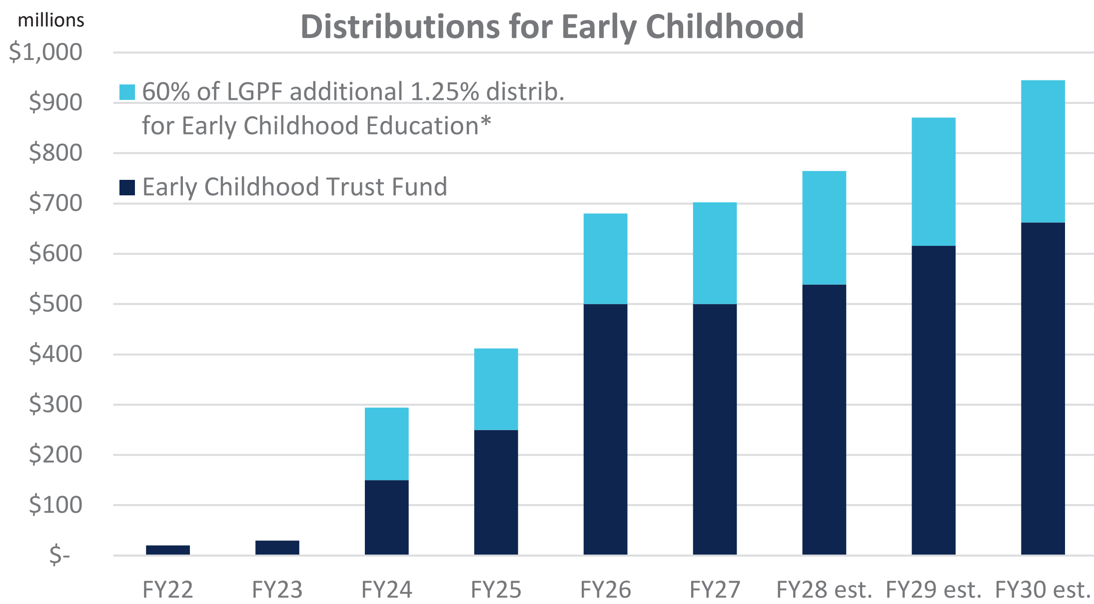


Fiscal Year	Original 5% Distrib.	40% of Addt'l 1.25% Distrib.	Total for Public Schools	YOY Amount Increase	Percent Increase
FY23	$886	n/a	$886	$99	12.5%
FY24	$967	$96	$1,063	$176	19.9%
FY25	$1,080	$108	$1,188	$125	11.8%
FY26	$1,200	$120	$1,320	$132	11.1%
FY27	**$1,347**	**$135**	**$1,482**	**$162**	**12.3%**
FY28 Est.	$1,506	$151	$1,657	$175	11.8%
FY29 Est.	$1,699	$170	$1,868	$212	12.8%
FY30 Est.	$1,889	$189	$2,077	$209	11.2%

Source: NM State Investment Office. Dollars in millions; estimates based on 2026 capital market assumptions and NMSIC staff inflow estimates. Actual distributions will depend on market performance and fund contributions.

EARLY CHILDHOOD FUNDING

- The Early Childhood Education and Care Fund (aka. "Early Childhood Trust Fund") distributed $500 million to the early childhood program fund in FY27
  - The ECECF distributes 5% of the rolling 3-year average fund value
  - Senate Bill 241 (2026) allows the legislature to appropriate an additional $700 million from the fund's corpus from FY26-FY31 to support universal childcare initiatives
- Early childhood's portion of the additional 1.25% distribution from the LGPF totals about $202 million in FY27
- Total distributions for early childhood from SIC-managed funds will exceed $700 million in FY27



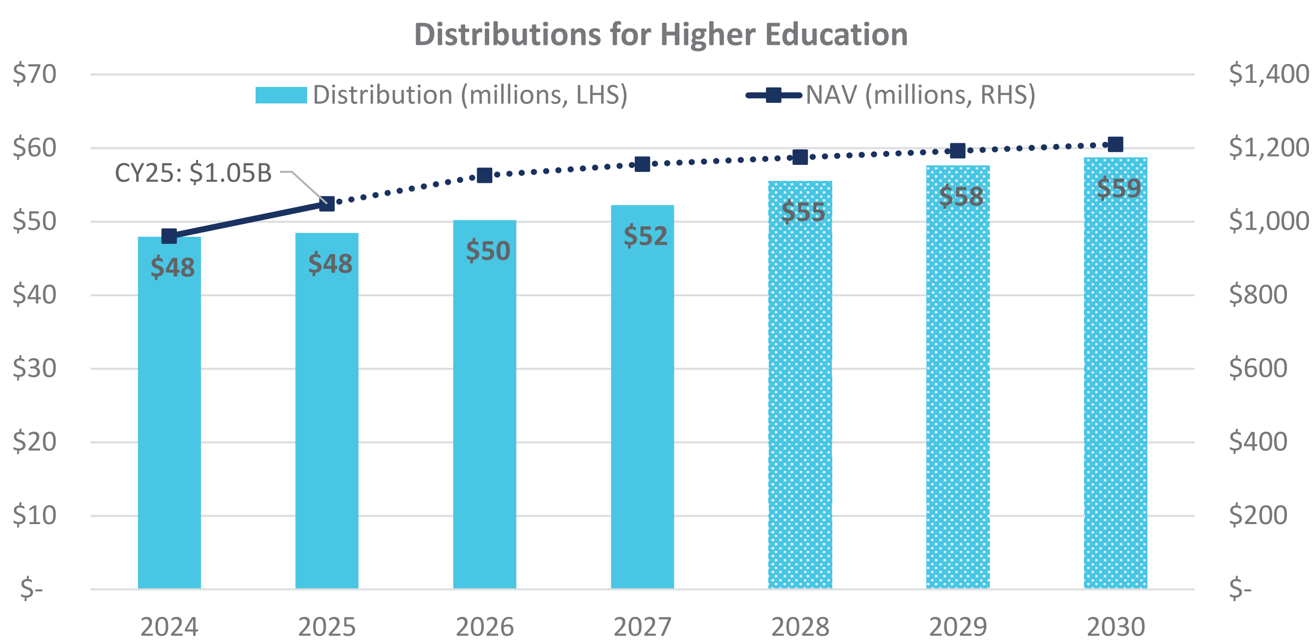
*LGPF early childhood distribution is from the permanent school fund

Fiscal Year	ECECF Distrib.	60% of LGPF 1.25% Distrib.	Total for Early Childhood	YOY Amount Increase	Percent Increase
FY23	$30	n/a	$30	$10	50%
FY24	$150	$144	$294	$264	880.6%
FY25	$250	$162	$412	$117	39.9%
FY26	$500	$180	$680	$268	65.2%
FY27	**$500**	**$202**	**$702**	**$22**	**3.2%**
FY28 Est.	$539	$226	$765	$62	8.9%
FY29 Est.	$616	$255	$871	$106	13.9%
FY30 Est.	$662	$283	$945	$75	8.6%

Source: NM State Investment Office. Dollars in millions; estimates based on 2026 capital market assumptions and NMSIC staff inflow estimates. Actual distributions will depend on market performance and fund contributions and legislative authorization of additional distributions from the fund corpus per SB241(2026).

HIGHER EDUCATION FUNDING

- The **Higher Education Trust Fund** was created by Senate Bill 159 of the 2024 Legislative Session to support funding for New Mexico Opportunity Scholarships
- Seeded with a one-time transfer of $959 million from the Tax Stabilization Reserve. The fund is now valued at $1.15 billion as of 5/31/26.
- Distributes 5% of the rolling 3-year average to the higher education program fund
- Like the early childhood trust fund, the Higher Education Trust Fund may also be used to shore up general fund balances in the event of a revenue shortfall



SIC UPDATES, Q&A

- Kristin Varela, Chief Investment Officer
  - A New Mexico native, Kristin previously served at NMPERA as interim CIO and most recently as CIO for Hawaii's employee pension.
  - National selection process
  - First woman CIO for SIC
  - Kristin replaces Robert "Vince" Smith, who served more than 15 years at NMSIC before retiring due to health reasons.