



Land Grant Permanent Fund (LGPF) Revenue Stabilization & Tax Policy Committee (RSTP)

October 15, 2020

Rep. Antonio “Moe” Maestas

History of Land Grant Permanent Fund

- The Land Ordinance of 1785
- U.S. invades New Mexico in 1848
- Ferguson Act of 1898
- New Mexico Enabling Act of 1910
- Statehood in 1912
- Crude Oil discovered in 1927
- State Investment Council (SIC) Created in 1958

The Land Ordinance of 1785

**Created to survey land ceded to the United States
by the Treaty of Paris in 1783**

Township—An approximately 6-mile square area of land, containing 36 sections. Also, a horizontal row of townships in the Public Land Survey System (PLSS).

Section—A one-square-mile block of land, containing 640 acres, or approximately one thirty-sixth of a township. Due to the curvature of the Earth, sections may occasionally be slightly smaller than one square mile.

LGPF Beneficiaries

Institutions

Ownership (as of 7/31/20)

Public (Common) Schools	86.12%
NM Military Institute	2.86%
NM School for the Deaf	1.70%
NM School for Blind & Visually Impaired	1.70%
NM State Penitentiary	1.72%
University of New Mexico	1.20%
Public Buildings	1.11%
Water Reservoir	0.86%
DHI Miners Hospital	0.77%
Penal Reform	0.69%
NM State University	0.37%
NM State Hospital	0.33%
Improvement of the Rio Grande	0.19%
New Mexico Tech	0.17%
Eastern NM University	0.07%
UNM Saline Lands	0.04%
Western NM University	0.02%
NM Highlands University	0.02%
Northern NM Community College	0.01%
NM Boys School (CYFD)	0.005%
Carrie Tingley Hospital	0.001%

<u>Year Market Value</u>		<u>Fiscal Year Distribution</u>	
2020	\$19,724,236,564	FY21	\$836,409,747
2019	\$17,054,378,369	FY20	\$784,249,918
2018	\$17,288,268,938	FY19	\$747,542,992
2017	\$15,171,466,504	FY18	\$689,190,724
2016	\$14,402,624,391	FY17	\$638,074,458
2015	\$14,508,252,131	FY16	\$655,785,169
2014	\$13,383,684,150	FY15	\$595,993,902
2013	\$11,453,041,949	FY14	\$535,156,608
2012	\$10,059,839,820	FY13	\$526,846,546
2011	\$10,212,013,914	FY12	\$553,418,314
2010	\$ 9,072,683,914	FY11	\$535,903,006

I. Two sources of revenue:

- Investment Returns - 7% - 8%

- -Inflows from State Land Office – 4%

II. 2014 Constitutional Amendment (Maestas/Keller):

- Removed 15% cap on international investments.

- SIC is able to yield an approximate .6% - .8% increased ROI.

III. LGPF grew in midst of the worst financial crisis in our lifetime;

- 5.8% (FY5 - FY12);

- 5.5% (FY13 - FY16); &

- 5.0% (FY17 – present)

State Land Office Inflows to LGPF

FY20:	\$947,515,135	FY15:	\$669,366,326
FY19:	\$911,994,994	FY14:	\$741,927,363
FY18:	\$690,428,235	FY13:	\$505,488,304
FY17:	\$563,032,139	FY12:	\$529,037,726
FY16:	\$419,744,447	FY11:	\$411,495,508

Proposition 123 amended the Arizona Constitution on March 17, 2016 to increase the annual distributions from the state trust land permanent funds from **2.5%** to **6.9%**.

The case was dismissed in part because the “state constitutional provision now undisputedly accords with the (New Mexico-Arizona) Enabling Act.”

Pierce v. Ducey, No. 19-17071 (9th Cir. 2020)

LGPF Constitutional Amendments

September 23, 2003: 4.7% - 5.8% (then to 5.5% then 5.0%)

2016 - HJR-3: S Rules/S Judiciary/S Finance; S 23-19 (.08% Increased for K-12)

2017 - HJR-1: H Education/H Labor & Econ Dev./H Judiciary; H 37-32 / HRC/HFC

2018 - HJR-1: H Education/H Judiciary; H 36-33; SEC/SFC

2019 - HJR-1: H Education/H Commerce; H 41-27; SRC/SFC

2020 - HJR-1: H Commerce/H Education; H 44-25; SRC/SFC

5-Year Rolling Average

Article XII, Section 7 of the Constitution of NM

“[T]he annual distribution from the fund shall be **five percent of the average** of the year-end market values of the fund for the immediately **preceding five calendar years.**”

4.13% Annual Distribution (since FY17)

12/31/19 = \$19,724,236,564

12/31/18 = \$17,054,378,369

12/31/17 = \$17,288,268,690

5-Year Rolling Average = \$16,728,194,938

12/31/16 = \$15,171,466,432

12/31/15 = \$14,402,624,633

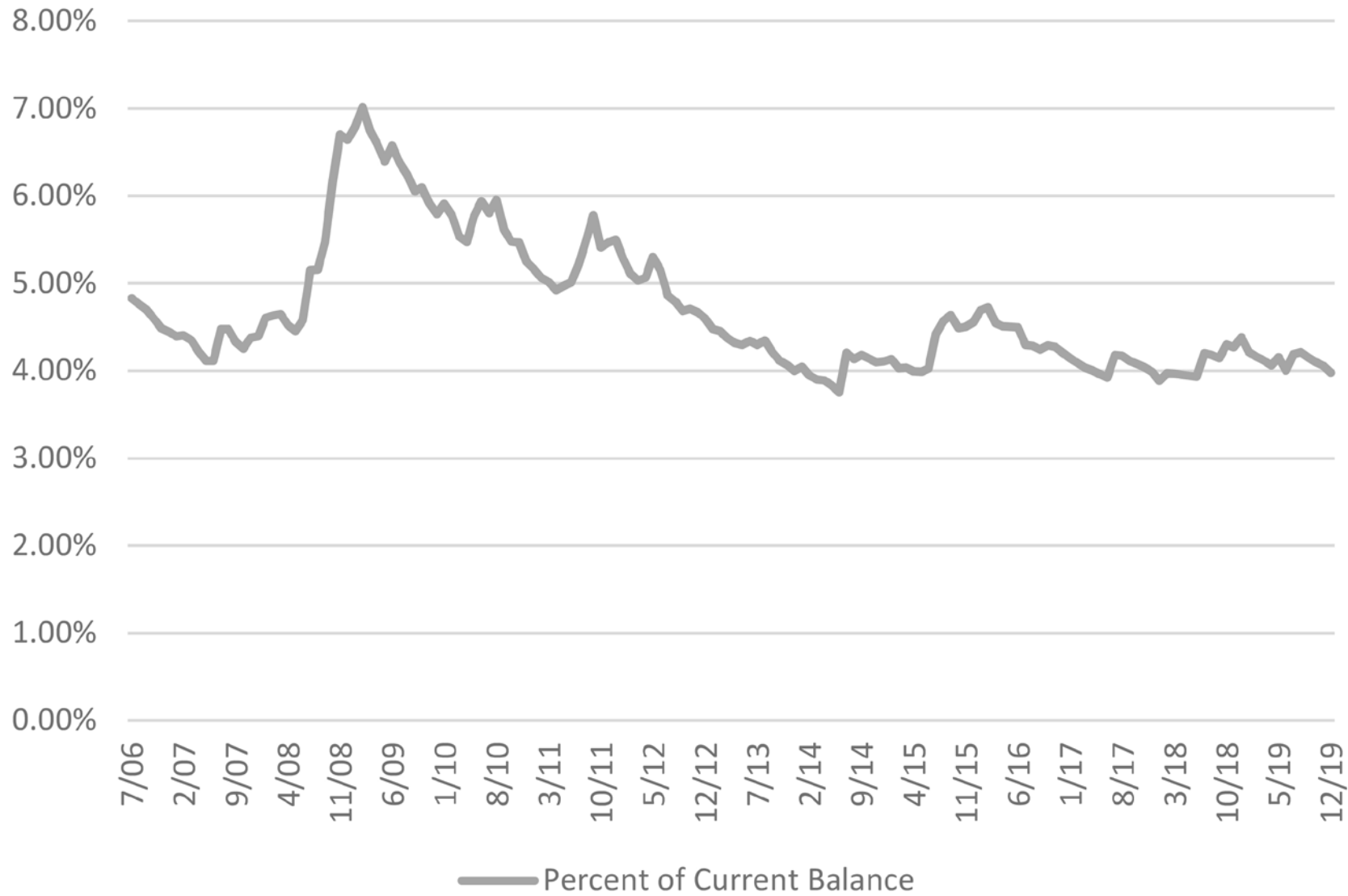
5% x \$16,728,194,938 = \$836,409,744 / 12 = \$69,700,812 (July 1, 2020 - June 30, 2021)

August 31, 2020 (\$19,942,912,027) September 1, 2020 (\$68,700,812) = 4.19%

LGPF Distributions by Ending Monthly Balance

Date	Fund Balance	5-year Rolling Average	Monthly Distribution	Real Time Distribution
8/31/18	\$17,886,707,574	\$14,950,859,223	\$62,295,249.33	4.18%
9/30/18	\$18,043,915,911	\$14,950,859,223	\$62,295,249.33	4.14%
10/31/18	\$17,382,616,156	\$14,950,859,223	\$62,295,249.33	4.30%
11/30/18	\$17,503,461,452	\$14,950,859,223	\$62,295,249.33	4.27%
12/31/18	\$17,054,378,369	\$14,950,859,223	\$62,295,249.33	4.38%
1/31/19	\$17,728,112,848	\$14,950,859,223	\$62,295,249.33	4.22%
2/28/19	\$17,971,852,629	\$14,950,859,223	\$62,295,249.33	4.16%
3/31/19	\$18,139,808,410	\$14,950,859,223	\$62,295,249.33	4.12%
4/30/19	\$18,396,119,093	\$14,950,859,223	\$62,295,249.33	4.06%
5/31/19	\$17,997,345,483	\$14,950,859,223	\$62,295,249.33	4.15%
6/30/19	\$18,668,018,700	\$14,950,859,223	\$62,295,249.33	4.00%
7/31/19	\$18,719,712,391	\$15,684,998,067	\$65,354,159.79	4.19%
8/31/19	\$18,608,004,164	\$15,684,998,067	\$65,354,159.79	4.21%
9/30/19	\$18,892,803,816	\$15,684,998,067	\$65,354,159.79	4.15%
10/31/19	\$19,128,728,672	\$15,684,998,067	\$65,354,159.79	4.10%
11/20/19	\$19,323,768,663	\$15,684,998,067	\$65,354,159.79	4.06%
12/31/19	\$19,724,236,564	\$15,684,998,067	\$65,354,159.79	3.98%
1/31/20	\$19,689,017,280	\$15,684,998,067	\$65,354,159.79	3.98%
2/29/20	\$19,058,371,464	\$15,684,998,067	\$65,354,159.79	4.11%
3/31/20	\$17,915,730,818	\$15,684,998,067	\$65,354,159.79	4.38%
4/30/20	\$18,656,590,709	\$15,684,998,067	\$65,354,159.79	4.20%
5/31/20	\$19,075,841,811	\$15,684,998,067	\$65,354,159.79	4.11%
6/30/20	\$18,982,244,758	\$15,684,998,067	\$65,354,159.79	4.13%
7/31/20	\$19,479,221,623	\$16,728,194,953	\$69,700,812.00	4.29%
8/31/20	\$19,942,912,027	\$16,728,194,953	\$69,700,812.00	4.19%

Distributions as a Percent of Monthly Balance



Distribution ≠ Appropriation (§19-1-20)

Year	Distribution	Appropriation	Stays Invested	Earmarked
FY22	\$150	\$25	\$125	\$125
FY23	\$150	\$50	\$100	\$225
FY24	\$150	\$75	\$75	\$300
FY25	\$150	\$100	\$50	\$350
FY26	\$150	\$125	\$25	\$375
FY27	\$150	\$150	\$0	\$375
FY28	\$150	\$175	-\$25	\$350
FY29	\$150	\$200	-\$50	\$325
FY30	\$150	\$225	-\$75	\$250
FY31	\$150	\$300	-\$100	\$150
FY32	\$150	\$325	-\$125	\$25

MARTINEZ/YAZZIE VS. STATE OF NM

“Yazzie Plaintiffs Request the Court order Defendants to do as follows:

... describe the steps that will be taken to provide programs and services **such as early childhood education**, ... to all at-risk children throughout the state no later than the beginning of the 2019-2020 school year;”



Generational Equity

—The annual rate of distribution from the LGPF should be equal to the long-term rate of growth minus inflation.

Distribution = [(contribution from SLO + investment interest) – inflation rate] x market value of LGPF

$$\text{LSEP } D = [(s + i) - g] \times M$$


D is the distribution, s is the contribution from SLO; i is the long-term rate of return from interest; g is the long-term inflation rate; & M is the market value of the LGPF

Catalyst for a Great Transition? Increased Investments in Early Childhood Education in New Mexico

White Paper, Department of Economics, University of New Mexico
Kira M. Villa, Melissa Binder & Robert P. Berrens

“Thus, after careful review, we support legislative proposals for an increase of no more than 1% in the distribution rate from LGPF, in order to support increased investments in ECE.”

<https://www.nmlegis.gov/handouts/RSTP%20092220%20Item%204%20White%20Paper%20-%20Catalyst%20For%20a%20Great%20Transition.pdf>



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