

<b>LFC Requester:</b>	<b>Mercer-Garcia</b>
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**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{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}*

Check all that apply:  
**Original**        **Amendment**      
**Correction**        **Substitute**   

**Date** 1/19/24  
**Bill No:** SB 33

**Sponsor:** Ortiz y Pino  
**Short Title:** Children's Next Generation Trust Fund

**Agency Name and Code**    337 SIC  
**Number:** \_\_\_\_\_  
**Person Writing**    Wollmann  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$6,000	NR	Children's Trust Fund
	\$4,000	NR	Next Generation Fund
	(\$10,000)	NR	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

**FISCAL IMPLICATIONS**

SB33 seeks to appropriate \$10 million from the general fund, to be invested across Children’s Trust and the Next Generation Funds overseen by the Children Youth and Families Department, in the amounts of \$6 million and \$4 million respectively.

The dollars would be used to support additional grant funding from the Children’s Trust Fund for programs that protect children. Unspent funds will not revert to the general fund but will remain invested for use in FY25 and subsequent years.

**SIGNIFICANT ISSUES**

Both the Childrens Trust Fund and the Next Generation Fund are currently invested in SIC governmental client pools, with the asset allocation for the funds directed by CYFD. The SIC’s role in overseeing these client funds is very different than other more prominent funds managed by the Council, including the permanent funds (LGPF, STPF), reserve funds (Tobacco, Tax Stabilization Reserve), and other endowments (Early Childhood Education & Care Fund, Rural Libraries Endowment). With those permanent/reserve/endowment funds, the Investment Council itself, usually in consultation with the fund beneficiaries, sets the strategic asset allocation and targets specific long-term investment returns based on the risk/return appetite and long-term goals for each fund, which can also vary to a high degree.

For client dollars like the CYFD funds – there are 26 government entities currently participating in SIC investment pools via joint powers agreements – the client is provided basic information about each of the 14 pool options as well as general fiduciary guidance and oversight, and periodic reporting on holdings and investment performance for those pools. For those clients however, the SIC does not provide \*specific fiduciary guidance regarding asset allocations\* and recommends that they seek such direction from either existing financial experts to which they may have access and who are more familiar with their long-term investment goals, or other external professional sources. The primary reasons that SIC cannot advise each client are due to limited agency resources and related liabilities, as well as SIC not being licensed as registered investment advisors (RIAs).

In summary, for clients like CYFD and its Children’s Trust and Next Gen funds, these investments are agency-directed.

**PERFORMANCE IMPLICATIONS**

Both the Children’s Trust and the Next Gen funds, in basic terms, have long-term investment targets of 65% stocks and 35% bonds. Generally, this is a perfectly acceptable and efficient asset mix for long-term growth without excessive risk. Many “simple” investor portfolios are traditionally a 60/40 or 70/30 mix of stocks and bonds.

From the latest-available performance report (through 9/30/23), it appears both funds have deviated to varying degrees from their long-term allocations over time, as the Childrens Trust investment mix is currently around 62/38 and the Next Gen is about 56/44. However, both funds have also consistently beaten their benchmarks (based on long-term asset allocation targets) across both short and longer-term periods.

Through 9/30/23	1 year	3 years	5 years	7 years	10 years	9/30/23 valuation
CYFD Children's Trust	14.16	-0.14	3.68	4.25	4.6	\$ 8,007,612
Benchmark	10.09	-0.6	2.92	3	3.59	
Difference	4.07	0.46	0.76	1.25	1.01	
CYFD Next Generation	12.41	-0.34	3.57	4.17	4.55	\$ 2,427,370
Benchmark	10.09	-0.6	2.92	3	3.59	
Difference	2.32	0.26	0.65	1.17	0.96	
*Returns are annualized and net of fees						

**ADMINISTRATIVE IMPLICATIONS**

Other than the broad mandate of using these funds to help pay for programs that protect children, the SIC is unaware of the specific policies and programs related to these trust funds, so cannot weigh in substantively regarding needs or effectiveness involved in these expenditures.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**AMENDMENTS**