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FISCAL IMPACT REPORT

SPONSOR	<u>Senate Conservation Committee</u>	LAST UPDATED	<u>3/6/2025</u>
		ORIGINAL DATE	<u>2/19/2025</u>
SHORT TITLE	<u>Equine Shelter Rescue & Welfare Trust</u>	BILL	<u>CS/Senate Bill</u>
	<u>Fund</u>	NUMBER	<u>358/SCONCS</u>
		ANALYST	<u>Ortega</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMDA	No fiscal impact	At least \$40.0	At least \$40.0	At least \$80.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 284
Conflicts with Senate Bill 202

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Attorney General (NMAG)
State Investment Council (SIC)
New Mexico Board of Veterinary Medicine (NMBVM)
New Mexico Livestock Board (NMBL)
New Mexico Department of Agriculture (NMDA)

Agency Analysis was Solicited but Not Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of SCONC Substitute for Senate Bill 358

The Senate Conservation Committee substitute for Senate Bill 358 (SB358) modifies provisions of the equine shelter rescue fund and establishes the equine welfare trust fund as a non-reverting investment fund in the state treasury. SB358 states that money in the equine shelter rescue fund is appropriated to the board of regents of New Mexico State University (NMSU) for expenditure by the New Mexico Department of Agriculture (NMDA). Additionally, the bill expands the allowable uses of the equine shelter rescue fund to support equine shelter and placement, trainer contracts, feed and pasture, veterinary care, adoption programs, and administrative costs in an amount not to exceed 5 percent of the annual distribution of the fund.

SB358 establishes eligibility criteria and creates an annual application process for registered equine rescue and retirement facilities seeking funding. Additionally, it requires NMDA to submit an annual report to the Legislative Finance Committee (LFC), beginning October 1, 2028, detailing fund distributions, project progress, and any unmet funding needs. The bill also appoints the state investment officer to invest money in the equine welfare trust fund in accordance with state law.

The equine welfare trust fund will consist of appropriations, gifts, grants, donations, and any other money allocated to the fund, as well as income from investment of the fund. Four percent of the equine welfare trust fund's average market value over the previous three years will be transferred annually to the equine shelter rescue fund, beginning in FY27.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Senate Bill 358 does not include an appropriation for its implementation but may have a fiscal impact on the New Mexico Department of Agriculture (NMDA) as the administrator of the equine shelter rescue fund. NMDA estimates it will require 0.5 FTE at an annual cost of \$40 thousand to develop program guidelines, create the application process, award and administer contracts, disburse funds, and meet annual reporting requirements. The bill allows up to 5 percent of annual distributions from the equine shelter rescue fund to cover administrative costs. However, if distributions from the fund are insufficient, NMDA will need to absorb any remaining operating costs into its operating budget.

The State Investment Council (SIC) states the equine welfare trust fund is structured to provide consistent annual distributions based on a rolling average market value. Any distributions to the equine shelter rescue fund will be dependent on the equine welfare trust fund's investment performance and market conditions. The equine welfare trust fund could achieve long-term returns similar to other trust funds managed by SIC, which range from 5.2 percent to 7 percent, but the actual returns will depend on investment allocations determined by SIC and the state investment officer. Over time, both the equine welfare trust fund and its annual distributions to the equine shelter rescue fund have the potential to grow. However, without an initial appropriation to the equine welfare trust fund, there may be no funding available for investment or distribution to the equine shelter rescue fund in fiscal year 2027 or beyond.

SIGNIFICANT ISSUES

SIC states that, if the equine welfare trust fund does not receive an initial appropriation or remains unfunded, no distributions will occur, limiting the long-term sustainability of the equine shelter rescue fund.

NMDA states that although it would assume responsibility for administering the equine shelter rescue fund under SB358, the New Mexico Livestock Board (NMLB) would continue to oversee permitting, inspection, and compliance for equine rescue and retirement facilities as required by state law.

PERFORMANCE IMPLICATIONS

SIC notes:

The State Investment Officer, with the approval of the State Investment Council would manage the 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 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

SIC notes that, “If funded, the addition of a new trust fund for SIC to manage would require additional time from investment, accounting, and administrative staff at the SIC. The SIC’s budget is funded out of the land grant and severance tax permanent funds and does not receive general fund support.”

NMDA notes that, “...Development of the program will begin in FY26 in the lead up to awarding the first contracts in FY27. The administrative burden will vary depending on whether and how much funding is appropriated to the trust fund.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB358 relates to House Bill 284 (HB284), which amends the definition of an equine rescue or retirement facility under Section 77-2-30 NMSA 1978.

SB358 relates to Senate Bill 202 (SB202), which seeks to standardize trust and program fund functions, including investment policies under the Uniform Prudent Investor Act and more consistent distribution mechanisms based on a rolling average market value.

TECHNICAL ISSUES

NMDA notes a concern with the calculation of the first distribution from the equine welfare trust fund to the equine shelter rescue fund in FY27. Although the bill requires the annual distribution to be four percent of the average of the equine welfare trust fund’s three-year market value, by the start of FY27 there will only be two preceding calendar years from 2025 and 2026.

AO/hj/SL2