FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Gonzales	**ORIGINAL DATE**	2/18/25
SHORT TITLE	Standardize State Investment Fund Language	**BILL NUMBER**	Senate Bill 202
		ANALYST	Torres

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Asset Management		Improved Investment Returns				Recurring	Various Investment Funds

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Regulation Licensing Department (RLD)
State Investment Council (SIC)

SUMMARY

Synopsis of Senate Bill 202

Senate Bill 202 (SB202) changes language related to the state's financial administration to improve agency processes, investment management, and conflicts of law.

Sections 1-3, 5-9, and 13-21 relate to funds invested by the State Investment Council (SIC) to align language, amend references to cite the appropriate statutes governing prudent investment, correct consulting members of investments to beneficiaries of funds, distinguish between permanent funds and other investment funds, and clarify funds as nonreverting.

Section 4 relates to agency operating budgets, adjusting the time for reversion to accelerate audit completion.

Sections 10-11 adjusts fund location and administration for agency management for the newly created capital development and reserve fund.

Section 12 include cannabis fees in those fees to be distributed monthly by the Regulation and Licensing Department.

Lastly, Section 22 repeals what should have been a temporary provision granting authority for the transition of investment of permanent funds to SIC when the council was first created.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

Currently, state statutes often require funds to be invested in ways that align with the state's permanent funds, even when this may not be the most appropriate strategy. This requirement exists largely because statutes lack clear definitions for investment funds other than the permanent funds. By establishing a clear definition of investment funds and removing the blanket requirement that non-permanent funds be invested like permanent funds, the State Investment Council would be better able to invest each fund according to its specific circumstances and optimal strategy.

In addition, aligning each fund’s investment consultant with the beneficiary of the fund—rather than using a standard pro-forma consultant as stipulated in current statutes—would further support tailored investment strategies. This would ensure that the State Investment Council and the fund's beneficiaries can work together to align the investment strategy with the fund’s goals.

These changes would help optimize investment returns through more appropriate strategies, whether through enhanced fund stability or increasing returns, with an indeterminate impact on fund balances and distributions.

SIGNIFICANT ISSUES

The current statute complicates the calculation and communication of the newly created capital development reserve fund. Sections 10-11 propose updates to streamline this process and support the Board of Finance in managing the fund.

New Mexico is also among the last states in the country to close out its fiscal year. As of November 2024, New Mexico was one of only three states that had not completed or even published preliminary data for the fiscal year ending in June, according to the Urban-Brookings Tax Policy Center, a national non-partisan think tank focused on tax issues. This delay in publishing financial data, particularly revenue collections, raises concerns for bond buyers and the public. Investors have voiced concerns about the purchase of bonds without complete financial information, and the state's inability to finalize its fiscal year in a timely manner casts doubt on its capacity to effectively manage financial resources.

To address this, the bill aims to accelerate the fiscal year closing process by requiring agencies to revert and close out the fiscal year more promptly. This change would help ensure audits are completed more quickly, as delayed audits are a major factor in the delay of publishing financial data.

The Regulation and Licensing Department points out a conflict with cannabis control division fee revenues and the changes made in SB202- see technical issues for correction.

TECHNICAL ISSUES

Section 13 includes cannabis licensing fee revenues in the monthly distributions to the general fund, however those fees are distributed to the cannabis regulation fund. Recommend striking section 12.

IT/rl/SL2/sgs