FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Campos	**ORIGINAL DATE**	3/1/23
SHORT TITLE	Kiki Saavedra Senior Dignity Fund Investing	**BILL NUMBER**	Senate Bill 345
		ANALYST	Klundt

REVENUE*
(dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	**FY24**	**FY25**		
		Up to $1 million. See Fiscal Impact		Kiki Saavedra Senior Dignity Fund

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

Sources of Information
LFC Files

Responses Received From
State Investment Council (SIC)
Aging and Long-Term Services Department (ALTSD)

SUMMARY

Synopsis of Senate Bill

Senate Bill 345 (SB345) would transfer management of the existing Kiki Saavedra senior dignity fund (KSSDF) from the Office of the State Treasurer (STO) to the State Investment Council (SIC), for long-term investment. The state investment officer (SIO), with approval of the State Investment Council (SIC), is to invest the funds under the requirements of the Uniform Prudent Investor Act (UPIA), and in consultation with STO. The bill requires the SIO to report on the investment of the KSSDF annually in addition to standard quarterly investment performance reporting.

FISCAL IMPLICATIONS

During the 2020 legislative session, the Legislature appropriated $7 million to the newly created Kiki Saavedra senior dignity fund (KSSDF), which is currently valued at $6.2 million. The KSSDF is housed in STO and directed by the Aging and Long-Term Services Department (ALTSD), to address high-priority services for senior citizens and adults with disabilities in New Mexico.

House Appropriation and Finance Committee (HAFC) substitute for House Bill 2 (HB 2) appropriates an additional $8 million from the general fund to the KSSDF, which could bring the fund balance to $14.2 million. HB2 currently also stipulates that the Department of Aging and Long-term Services has budget adjustment authority (BAR) to request an expenditure of up to $1 million from the KSSDF balance in FY24 for purposes of providing high-priority services for senior citizens in New Mexico, including transportation, food insecurity, physical and behavioral health, case management, and caregiving.

SIC reported, "A $1 million draw-down to a $14.2 million fund is about 7 percent, which, if it were to be adopted consistently, would be considered an "aggressive" annual distribution formula, which would likely be unsustainable on a permanent basis, should the fund not achieve consistently oversize investment returns or receive subsequent additional appropriations or funding streams."

Assuming passage of SB345, and pursuant to the UPIA, the SIC would consult with stakeholders to determine long-term goals, liquidity needs and risk/return appetite around the KSSDF. There is a reasonable expectation however that a smaller fund like KSSDF would be able to achieve annual returns in the 4 percent to 5 percent range while taking moderate investment risk intended to limit volatility, protect the corpus to a degree and extend the age of the fund. This would be relative to a more established vehicle like the land grant permanent fund, which targets 7 percent annualized returns across a highly diversified, less-liquid portfolio.

ALTSD reported this bill "would allow the agency to expand its services for adults with disabilities and seniors throughout the state. This allows ALTSD to continue providing services without seeking reauthorization and/or additional funds every fiscal year. In anticipation of a robust market with a 5 percent interest rate, there is great potential for extensive financial growth to the fund which would allow ALTSD to continuously develop innovative programs to fulfill the needs set forth in the statute. Further, this proposed legislation would provide a new funding source for the continued expansion of services for seniors and adults with disabilities with a focus on transportation, food insecurity, physical and behavioral health, case management and caregiving."

SIGNIFICANT ISSUES

As drafted, SB345 does not have a standard distribution mechanism or "spending policy" seen with most – though not all – New Mexico permanent funds and endowments managed by the SIC. That means money appropriated to the KSSDF will remain in the fund, unless appropriated by the Legislature. As noted, the current version of HB2 does stipulate that the Department of Aging and Long-term Services has BAR authority to request an expenditure of up to $1 million from the KSSDF balance for purposes of providing high-priority services for senior citizens in New Mexico, including transportation, food insecurity, physical and behavioral health, case management and caregiving.

ALTSD reported:

> In order to address the devastating mobility issues which plague many New Mexicans outlined below, ALTSD has used Kiki Saavedra Dignity Fund money to address much needed infrastructure issues such as a creating a Ramp Building Project.

More than 26 percent of individuals aged 60 years and older in New Mexico have difficulty walking or climbing stairs (Behavioral Risk Factor Surveillance System Survey, 2016-2020. Center for Disease Control and Prevention, with New Mexico Department of Health). Further, 10 percent of New Mexicans aged 18 years and older with a disability have an ambulatory difficulty (U.S. Census Bureau, American Community Survey 2016-2020); this percentage is higher than the national percentage (8 percent). New Mexico is ranked 5th highest among U.S. states for poverty rate (24 percent) for persons with disabilities (U.S. Census Bureau, American Community Survey 2016-2020). These vulnerable New Mexicans face geographic, economic, language, and cultural barriers in accessing the resources – such as residential accessibility ramps – they need to remain safely in their own homes.

Additionally, in New Mexico in 2021:

- 20 percent of adults (18 years and older) provide regular care or assistance to a friend or family member who has a health problem or disability.
- 26 percent and 34 percent have been providing care for longer than 2 and 5 years, respectively.
- 79 percent of adults care for family, while 14 percent care for non-relatives.
- 10 percent care for someone with dementia or Alzheimer's.
- 16 percent and 21 percent provide 20 and 40 or more hours of care per week, respectively.
- 53 percent helped another manage personal care such as giving medications, feeding, dressing, or bathing; 85 percent help another manage household tasks such as cleaning, managing money, or preparing meals.
- 10 percent of adults aged 60 years or older have difficulty living independently, for example, doing errands alone such as visiting a doctor's office or shopping.

In order to address some of these concerns ALTSD has used Kiki Saavedra Dignity Fund money to ensure that Senior Centers reopen and remain open in order to provide a variety of much- needed services to seniors across the state.

Approximately 6 percent - 21,429 New Mexicans aged 65 years or older – do not own a vehicle (U.S. Census, American Community Survey 2016-2020 5-Year Estimates, Public Use Microdata Sample). And there are 11 grocery stores per 100,000 persons; this rate is considerably lower than the U.S. rate 19 grocery stores per 100,000 persons (U.S. Census Bureau, County Business Patterns, 2020). These data suggest travel for our state's older adults to access necessary amenities and services – such as nutritious food and medical care – is potentially difficult and time-consuming due to lengthy travel distances.

Currently the agency has used and will continue to use Kiki Saavedra Dignity Fund money for infrastructure for volunteer ramp programs, expanding adult day care services throughout the state, providing respite care, examining transportation needs around the different areas of the state, developing transportation solutions for unique transportation needs around the state and caregiver training, and increasing access to food and groceries in rural areas.

ADMINISTRATIVE IMPLICATIONS

There will be some additional, likely minor administrative burden placed upon the SIC's investment and accounting departments in taking over management of the KSSDF. However, the SIC's structure is such that managing this or other similar new funds is certainly achievable given existing resources.

TECHNICAL ISSUES

SB345 is silent in regards as to how investment income earned by the KSSDF is to be treated. Typically, unless specifically noted, funds investment income and interest earnings go to the general fund. An amendment seeking to retain the KSSDF income and earnings to the corpus of the fund would likely be warranted, if the KSSDF is to become a long-term endowment.

ALTERNATIVES

SIC provided the following alternative:

> SB345 draws language identical to that in existing statute 6-4-2.2, which calls for the state investment officer to invest the Tax Stabilization Reserve (TSR) "…in consultation with the state treasurer."
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> The State Treasurer is already one of the 11 members of the Investment Council, and there is specific history that originally led to the inclusion of this legal language regarding the TSR.
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> When the legislature changed state law to transfer management of the TSR from the State Treasurer's Office to the State Investment Council several years ago, the inclusion of the Treasurer as a special advisor to the State Investment Officer was deemed appropriate due to the transitioning of the fund from a short-term investment at STO to a long-term fund at SIC. We would note however, that by definition, the State Treasurer already sits as a member of the Council would be consulted in management of the KSSDF. Unless the intent of the bill is to give the Treasurer additional fiduciary powers and responsibilities over and above the other 10 Council members relative to the KSSDF, the language as drafted may be superfluous or duplicative.
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> It is important however, for the Council as new manager of the KSSDF to properly understand the long-term goals and risk/return appetite of the fund's "client" to appropriately allocate the funds in question. In this case, the Secretary for the Department of Aging and Long-term Services could be properly consulted in this regard, either instead of, or in addition to the State Treasurer.

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