

<b>LFC Requester:</b>	<b>Hilla</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

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

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*(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}*

**Date Prepared:** 01/21/2025 *Check all that apply:*  
**Bill Number:** HB 113 Original  Correction   
 Amendment  Substitute

**Sponsor:** Lujan **Agency Name and Code** 337 – State Investment Council  
**Short Title:** Animal Welfare Program and Trust Fund **Number:** \_\_\_\_\_  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$10,000.0		Nonrecurring	General Fund (to new Animal Welfare Trust Fund)

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25-28	FY29	FY30		
n/a	(\$555.0)	(\$584.0)	Recurring	Animal Welfare Trust Fund
n/a	\$555.0	\$584.0	Recurring	Animal Welfare Program Fund

(Parenthesis ( ) indicate revenue decreases)

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

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	This bill will require additional time from investment, accounting, and administrative staff (see administrative implications)				Recurring	LGPF/STPF

(Parenthesis ( ) Indicate Expenditure Decreases)

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 113 creates the Animal Welfare Program to provide funding for projects that support the welfare of domestic cats and dogs. Beginning in FY29, the bill allows DFA to award grants to cities and counties for projects that support animal shelters.

The bill appropriates \$10 million from the general fund in FY25 to a newly created Animal Welfare Trust Fund (the “Trust Fund”), to be invested by the State Investment Officer according to the Uniform Prudent Investor Act and in consultation with the Department of Finance and Administration (DFA).

Beginning July 1, 2028 (FY29) The Trust Fund will make annual distributions of 5 percent of the rolling 3-year average market value of the Trust Fund to a newly created Animal Welfare Program Fund (the “Program Fund”). The Program Fund is appropriated to DFA to administer the animal welfare program, and unexpended/unencumbered balances at the end of a fiscal year will revert to the Trust Fund.

This bill has no effective date; the assumed effective date is 90 days following the end of the session (June 20, 2025).

**FISCAL IMPLICATIONS**

The new Trust Fund is seeded with a \$10 million appropriation from the general fund, assumed to be deposited in June 2025. The first distribution from the Trust Fund to the Program Fund would occur in FY29.

The table below provides a simplified example of potential investment returns for the Trust Fund and subsequent distributions to the Program Fund.

Animal Welfare Trust Fund (\$millions)						
Calendar Year	Beginning Balance	Contributions	Gains & Losses	Distrib	Ending Balance	YOY Fund Growth
2025	\$0.0	\$10.0	\$0.4	\$0.0	\$10.4	
2026	\$10.4	\$0.0	\$0.7	\$0.0	\$11.1	7.0%
2027	\$11.1	\$0.0	\$0.8	\$0.0	\$11.8	7.0%
2028	\$11.8	\$0.0	\$0.8	-\$0.6	\$12.1	2.2%
2029	\$12.1	\$0.0	\$0.8	-\$0.6	\$12.3	2.0%
2030	\$12.3	\$0.0	\$0.8	-\$0.6	\$12.6	1.9%
2031	\$12.6	\$0.0	\$0.9	-\$0.6	\$12.8	1.9%
2032	\$12.8	\$0.0	\$0.9	-\$0.6	\$13.1	1.9%
2033	\$13.1	\$0.0	\$0.9	-\$0.6	\$13.3	1.9%
2034	\$13.3	\$0.0	\$0.9	-\$0.7	\$13.6	1.9%
2035	\$13.6	\$0.0	\$0.9	-\$0.7	\$13.8	1.9%
2036	\$13.8	\$0.0	\$0.9	-\$0.7	\$14.1	1.9%
2037	\$14.1	\$0.0	\$1.0	-\$0.7	\$14.4	1.9%
2038	\$14.4	\$0.0	\$1.0	-\$0.7	\$14.7	1.9%
2039	\$14.7	\$0.0	\$1.0	-\$0.7	\$14.9	1.9%
2040	\$14.9	\$0.0	\$1.0	-\$0.7	\$15.2	1.9%

Distribution to Animal Welfare Program Fund (\$MM)		
Fiscal Year	Distrib Date	Amount
FY25	Jul-25	\$0.000
FY26	Jul-26	\$0.000
FY27	Jul-27	\$0.000
FY28	Jul-27	\$0.000
FY29	Jul-28	\$0.555
FY30	Jul-29	\$0.584
FY31	Jul-30	\$0.605
FY32	Jul-31	\$0.617
FY33	Jul-32	\$0.629
FY34	Jul-33	\$0.642
FY35	Jul-34	\$0.654
FY36	Jul-35	\$0.666
FY37	Jul-36	\$0.679
FY38	Jul-37	\$0.692
FY39	Jul-38	\$0.706
FY40	Jul-39	\$0.719

Expected compound returns for funds the Council manages range from 5.2 percent (Tax Stabilization Reserve) to 7 percent (the long-term return target for the Land Grant Permanent Fund). Because the proposed Trust Fund makes consistent annual distributions based on a rolling average market value and has no provisions to shore up general fund budgets in the event of a fiscal deficit, staff assume a 7 percent annual return for the purpose of this analysis; however, actual return expectations would ultimately depend on the fund's asset allocation.

Under these assumptions, both the balance of the Trust Fund and the size of the distributions to the Program Fund have potential to grow over time.

## **PERFORMANCE IMPLICATIONS**

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

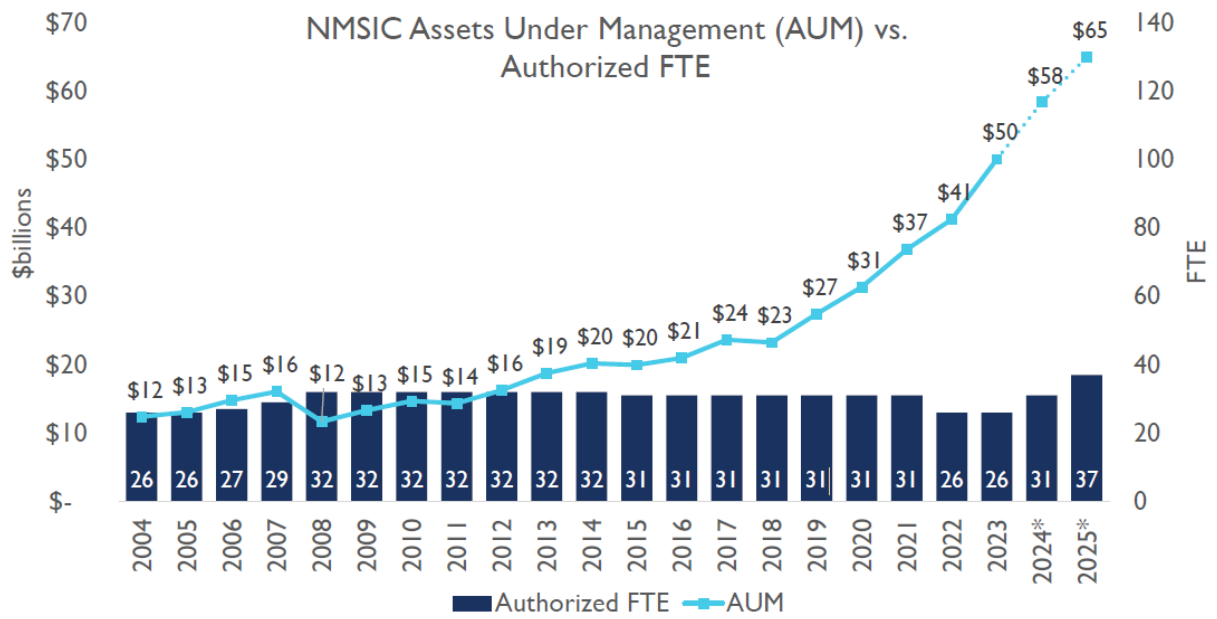
## **ADMINISTRATIVE IMPLICATIONS**

This bill will 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.

Historically, the SIC managed 4 permanent funds (the land grant permanent fund, severance tax permanent fund, water trust fund, and tobacco settlement permanent fund). Since 2019, the Legislature placed 8 additional funds under SIC management, bringing total funds under SIC management to 12 and growing total assets under management (AUM) to over \$58 billion as of December 2024 (more than double the \$27.4 billion total AUM at the end of December 2019).

Growth in AUM requires increasing staff time to implement the funds' asset allocation strategies, which rely heavily on private market investments (e.g. private equity, private credit, real estate, etc.) in addition to traditional stock and bond exposures. About 30 percent of total AUM is invested in private market strategies, which seek to enhance returns and diversify exposures, and the Council's strategic asset allocations target over 50 percent private assets. More assets allocated to these strategies requires staff to source and diligence a growing number of new private fund commitments each year, which is a time-intensive and rigorous process.

Despite rapid growth in AUM, authorized FTE for the State Investment Office has not kept pace, as shown in the chart below. The SIC's budget request for FY26 included full funding for all 37 authorized FTE, and expert opinions discussed at the SIC's strategic retreat in December 2024 suggested a need to double the number of investment staff and increase the number of legal and accounting staff to facilitate increased workloads, mitigate risk and maintain proper ongoing due diligence of investments.



\*Estimated AUM

Note: AUM reflects total assets under management, including all permanent endowment trust funds, reserve funds, and third party client assets. AUM reported as of calendar year end, except 2004-2007 which reflect fiscal year end balances for TSPF, WTF, and third party clients. FTE reported as of fiscal year end.

Source: NMSIC files, RVK, LFC Volume II reports