LFC Requester:	Faubion

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.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}

Date Prepared: *Feb 24 2025*
Bill Number: *HB446*

Check all that apply:
Original *x*_ Correction __
Amendment __ Substitute __

Sponsor: Rep. Dow
Short Title: Parental Leave & Fund

Agency Name and Code Number: 337-State Investment Council
Person Writing Wollmann
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SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	**FY26**	**FY27**		
		(Indeterminate)	Recurring	Early Childhood Education & Care Fund
		indeterminate	Recurring	Paid Parental Leave 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
Total	This bill will require additional time from investment, accounting, and administrative staff (see administrative implications)				Recurring	LGPF/STPF

(Parenthesis ( ) Indicate Expenditure Decreases)

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

The bill conflicts with HB11. The bill relates to and is in minor conflict with SB202, which seeks to make uniform the existing language around the various funds managed by the State Investment Officer/Council.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB446 seeks to amend the structure of the Early Childhood Education & Care Fund to allow for legislative appropriation from it to the Workforce Solutions Department (WSD) to enable the Paid Parental Leave Act, which will fund a paid parental leave program. The program is to pay eligible parties a percentage of their wages to allow them to bond with a new child. The program also exempts certain employees from coverage and sets limits for paid parental leave. The bill also creates a temporary advisory committee to guide WSD's administration of the program, with the committee's work to be completed by January 1, 2027. The bill has no emergency clause and therefore would be expected to become law 60 days following the session, or June 20, 2025.

FISCAL IMPLICATIONS

SIC in this analysis will focus on the bill's potential impact to SIC operations only.

By adding a specific authorization allowing the legislature the ability to appropriate from the Early Childhood Education and Care Fund (ECECF) to Workforce Solutions to accommodate parental leave payments, there is the potential that the State Investment Council may have to restructure that fund to increase liquidity to provide for potential future distributions from the fund.

Currently the ECECF is targeting moderate growth, with about 40% stocks and 13% traditional fixed income, while the other 47% is spread across less-liquid, less-volatile private market investments. The result is about half of the portfolio has longer-term investment horizons, some 10 or more years, to reduce short-term volatility and increase risk-adjusted returns for an expected compound return of 6.8% annually over a full market cycle. Longer-term private investments typically cannot be withdrawn or sold without delayed liquidity or incurring market losses.

Additional liquidity that the bill dictates would also add volatility to the fund's return, adding risk to its overall fund profile. It is not clear what allocation structure the SIC would ultimately determine to be appropriate under a new structure, as it would depend on the level of additional distribution required to fund parental leave programs, but some adjustment would likely be required.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

The State Investment Officer, with the approval of the State Investment Council would continue to manage the ECECF in accordance with the Uniform Prudent Investor Act to optimize risk-adjusted returns to grow the fund appropriately over time. The Council does not currently have a set asset allocation for any particular new fund, but it's assumed the ECECF would be restructured to adjust for the additional drawdowns required to fund parental leave payments.

By restructuring the ECECF to accommodate the new funding stream, there is a high likelihood that the ECECF would either need to take on additional equity risk to meet the additional distribution requirements (lowering long-term return expectations), or to lower the fund's risk/return profile to meet increased liquidity needs through less-risky short-duration fixed income investments (also lowering long-term return expectations). Both options pose a risk to the current growth path of the ECECF, which will result in less distributions being available for ECE funding in future years due to diminished ECECF returns.

ADMINISTRATIVE IMPLICATIONS

In addition to the restructuring of the long-term strategic asset allocation of the Early Childhood Education & Care Fund should the bill pass, there is a minor degree of additional administrative adjustment that SIC would incur to meet the operational requirement of the fund's expanded mission. The degree would be determined by the level of buy-in by participants and the needs of the program to fund its periodic draw-downs by the WSD to administer leave awards to employees.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill conflicts with HB 11.

The bill conflicts with SB202, which seeks to make uniform existing statutory language around the various funds managed by the State Investment Officer/Council.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS