

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

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

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** Feb 4, 2025 *Check all that apply:*  
**Bill Number:** SB209 Original  Correction   
 Amendment  Substitute

**Sponsor:** Sen. Campos, Sen. Thornton **Agency Name and Code** 337- State Investment Council  
**Short Title:** Rural Libraries Endowment **Number:** \_\_\_\_\_  
**Title:** \_\_\_\_\_ **Person Writing** Wollmann  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$29,500	NR	Rural Libraries Endowment
	(\$29,500)	NR	General Fund

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$986.1	Recurring	Rural Library Endowment Fund beneficiaries
\$0	\$0	\$51.9	Recurring	DCA

(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>						

(Parenthesis ( ) Indicate Expenditure Decreases)

The Executive Budget recommendation is to support the Rural Libraries Endowment Fund (RLEF) with a \$10 million general fund appropriation. The budget proposed by the legislature does not call for any new appropriations for RLEF.

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

Senate Bill 209 seeks to appropriate \$29.5 million from the general fund to the Rural Libraries Endowment Fund (RLEF), which is valued at \$33.14 million as of 12/31/24. If SB209 passes, it would result in a larger distribution from the RLEF starting in FY 2027, and much greater distributions in subsequent years (see fiscal impact table below for specifics) due to the increased average size of the fund.

**FISCAL IMPLICATIONS**

The SIC-managed Rural Libraries Endowment Fund is currently invested in a “high growth” allocation strategy, which is projected over a full market cycle to earn a compound return of 7% annually, with an expected standard deviation (risk) of 14%. This compares similarly to the flagship Land Grant Permanent Fund’s allocation which is projected to earn 7% compounded every year with a 13.6% standard deviation. RLEF’s strategy has a higher allocation to private equity and other private-market assets compared to the LGPF.

This strategic asset allocation is new as of April 2024, as initially SIC invested the RLEF conservatively due to its initial small appropriation and its unorthodox distribution formula, which also seeks to limit fund volatility by not making a distribution during years of low investment returns. The new distribution formula – which will change the fund’s spending policy to a more standard 5% of the fund’s value over a five-year period – will go into effect in fiscal year 2028.

The following shows returns for the RLEF, as well as the SIC total Fund, LGPF & STPF for context. The RLEF was first funded with a \$1 million appropriation in July 2019, followed by a \$10 million appropriation in May 2022, a \$15 million appropriation in July 2023 and a \$2.5 million contribution in June 2024.

The longer-term investment returns reflect the more conservative investment allocation and resulting lower returns the RLEF had, until SIC made the strategic allocation changes in mid-2024. On a forward-looking basis, the RLEF should achieve greater returns over a full market cycle, though it will also be taking additional risk, which can negatively impact short-term returns in negative market environments.

As of 11/30/24	Fund Value	Performance % (Net of fees)				
		1 year	3-years	5-years	7-years	10-years
<b>Total Fund</b>	\$ 59,215,023,575.00	11.14	4.65	7.07	6.72	6.72
<b>LGPF</b>	\$ 32,911,839,927.00	11.6	5.11	7.7	7.18	7.04
<b>STPF</b>	\$ 9,976,449,593.00	10.33	3.51	5.9	5.81	6.08
<b>Rural Libraries Endowment</b>	\$ 33,075,162.00	<b>9.61</b>	<b>4.82</b>	<b>4.77</b>	N/A	N/A

Assuming passage of the bill, the additional \$29.5 million appropriation will be deposited in the RLEF in FY26, which will positively impact the distributions for FY27 and all subsequent years. The projected positive impact of the new contribution is substantial, as it would help the fund grow to approximately \$93 million in value by 2040, compared to about half of that size without additional funding. The additional benefit the funds are projected to deliver from 2027-2040 are an estimated additional \$24.8 million, split 5/95 to the Department of Cultural affairs which receives 5% of the distribution for administrative costs, and 95% of which will go to benefit NM rural libraries. See the chart below.

RLEF Est. Ending Balance (\$MM)				RLEF Distributions to DCA (\$MM)			
CY	Current	SB209	Difference	FY	Current	SB209	Difference
2025	\$ 34.670	\$ 65.208	\$ 30.538	FY25	\$ 0.772	\$ 0.772	\$ -
2026	\$ 35.590	\$ 68.279	\$ 32.688	FY26	\$ 1.469	\$ 1.469	\$ -
2027	\$ 36.508	\$ 70.423	\$ 33.915	FY27	\$ 1.534	\$ 2.572	\$ 1.038
2028	\$ 37.552	\$ 73.194	\$ 35.642	FY28	\$ 1.474	\$ 2.112	\$ 0.638
2029	\$ 38.306	\$ 75.221	\$ 36.915	FY29	\$ 1.825	\$ 3.020	\$ 1.194
2030	\$ 39.059	\$ 76.728	\$ 37.669	FY30	\$ 1.878	\$ 3.660	\$ 1.782
2031	\$ 39.826	\$ 78.236	\$ 38.410	FY31	\$ 1.915	\$ 3.761	\$ 1.846
2032	\$ 40.608	\$ 79.772	\$ 39.164	FY32	\$ 1.953	\$ 3.836	\$ 1.883
2033	\$ 41.405	\$ 81.339	\$ 39.933	FY33	\$ 1.991	\$ 3.912	\$ 1.920
2034	\$ 42.218	\$ 82.936	\$ 40.718	FY34	\$ 2.030	\$ 3.989	\$ 1.958
2035	\$ 43.047	\$ 84.564	\$ 41.517	FY35	\$ 2.070	\$ 4.067	\$ 1.997
2036	\$ 43.893	\$ 86.225	\$ 42.332	FY36	\$ 2.111	\$ 4.147	\$ 2.036
2037	\$ 44.755	\$ 87.918	\$ 43.164	FY37	\$ 2.152	\$ 4.228	\$ 2.076
2038	\$ 45.633	\$ 89.645	\$ 44.011	FY38	\$ 2.195	\$ 4.311	\$ 2.117
2039	\$ 46.530	\$ 91.405	\$ 44.875	FY39	\$ 2.238	\$ 4.396	\$ 2.158
2040	\$ 47.443	\$ 93.200	\$ 45.757	FY40	\$ 2.282	\$ 4.482	\$ 2.201

## SIGNIFICANT ISSUES

The RLEF distributions and the endowment itself have been based on the concept of starting small and building capacity over time. Initial distributions starting in FY22 were indeed small, coming in at \$83.7 thousand dollars to be deployed across dozens of rural library operations across the state. The fund's growth, primarily through new appropriations, has ramped up the program quickly however, with FY26's distribution nearly doubling to \$1.47 million, \$700k more on a year-over-year basis. That number would double again by FY29 under the bill, with funding settling into a slow growth pattern thereafter. This would seem to be a reasonable time period to systemize how DCA distributes to the ~50 libraries involved, but input should be sought from the fund beneficiaries and overseers to properly assess whether the proposed RLEF funding is sufficient for the program's current capacity and expected future needs.

## PERFORMANCE IMPLICATIONS

## **ADMINISTRATIVE IMPLICATIONS**

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB202 is a language clean up bill to clarify and create consistency around investments managed by the state investment officer. SB202 also would change the RLEF distribution model from its current conservative formula, to a more standard “5% of 5-year-fund-value” spending policy in FY26. That change to the 5% formula is already scheduled for FY28 under current law, so SB202 simply accelerates that timeline slightly.

### **TECHNICAL ISSUES**

### **OTHER SUBSTANTIVE ISSUES**

### **ALTERNATIVES**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

### **AMENDMENTS**